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**UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK**

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In re: :
 :
EOS AIRLINES, INC. : **CHAPTER 11**
 :
 : **CASE NO. 08-22581 (ASH)**
Debtor :
 :
 :
 -----X

**DISCLOSURE STATEMENT REGARDING JOINT PLAN OF
 LIQUIDATION OF EOS AIRLINES, INC. UNDER CHAPTER 11
 OF THE UNITED STATES BANKRUPTCY CODE
 DECEMBER 18, 2008**

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INTRODUCTION AND SUMMARY

On April 26, 2008 (the “**Petition Date**”), Eos Airlines, Inc., a Delaware corporation (“**Debtor**”), filed its petition for relief under Chapter 11 of Title 11 of the Bankruptcy Code before the Bankruptcy Court commencing a Chapter 11 proceeding captioned *In re Eos, Inc.* and having case number 08-22582-ASH (the “**Chapter 11 Case**”).

The purpose of this Disclosure Statement is to provide the Debtor’s Creditors and Interest Holders with adequate information to make an informed judgment about the joint plan of liquidation of the Debtor proposed by the Debtor and the Official Committee of Unsecured Creditors of Eos Airlines, Inc. (the “**Committee**”), attached hereto as **Exhibit A-1** (the “**Plan**”). This information includes, among other matters, a brief history of the Debtor, a summary of its Chapter 11 Case, a description of the Debtor’s assets and liabilities, a description of the Debtor’s liquidation during its Chapter 11 Case, and an explanation of how the Plan will function.

The Plan proposed is a liquidating plan. On the Effective Date of the Plan, the Liquidating Trustee will be appointed to liquidate all of the Debtor’s remaining non-cash assets, if any, and to distribute the Debtor’s cash assets, net of the costs of administration, to the Debtor’s creditors in accordance with the Bankruptcy Code and the Plan. The Debtor and the Committee believe that the Plan is in the best interests of all holders of Claims against the Debtor’s estate. Accordingly, Creditors are encouraged to vote in favor of the Plan. Voting instructions are set forth in Article 3 of this Disclosure Statement. **To be counted, your signed original Ballot must be fully completed, executed and received by Kurtzman Carson Consultants, L.L.C. (the “Claims Agent”) no later than 5:00 p.m. Pacific Time on January 21, 2009:**

EOS Airlines Claims Processing Center
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

It is important that Creditors and Interest Holders read and carefully consider this Disclosure Statement and the Plan, and that Creditors vote promptly on the acceptance of the Plan. The Debtor and the Committee believe that the transactions contemplated by the Plan will yield a recovery to Creditors greater than the return that could be achieved through other liquidation alternatives or liquidation under Chapter 7 of the Bankruptcy Code.

YOU SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN ITS ENTIRETY BEFORE VOTING ON THE PLAN. THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN TERMS OF THE PLAN, BUT THE PLAN ITSELF IS THE GOVERNING DOCUMENT. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN CONTROL.

If you have any questions concerning the Plan, please contact legal counsel to the Debtor, Nicholas J. Brannick, Squire, Sanders & Dempsey L.L.P., 41 South High Street, Suite 2000, Columbus, Ohio 43215, telephone number: 614.365.2700, facsimile number: 614.365.2499, or legal counsel to the Committee, Joseph M. Vann, Cohen, Tauber, Spievack & Wagner, P.C., 420

Lexington Avenue Suite 2400, New York, NY 10170, telephone number: 212.586.5800, facsimile number: 212.586.5095.

A SUMMARY DESCRIPTION OF THE CLASSIFICATION OF ALL CLAIMS OR EQUITY INTERESTS AND THE TREATMENT PROPOSED UNDER THE PLAN ARE CONTAINED IN ARTICLE 2 OF THIS DISCLOSURE STATEMENT.

The Debtor and Committee reserve the right to amend, modify, or supplement the Plan at any time before the confirmation of the Plan, provided that such amendments or modifications are not inconsistent with the Bankruptcy Code and do not materially alter the treatment of, or distributions to, Creditors under the Plan.

THE FINANCIAL PROJECTIONS CONTAINED IN THIS DISCLOSURE STATEMENT REPRESENT THE DEBTOR'S ESTIMATES OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS MORE FULLY DESCRIBED BELOW, SOME OR ALL OF WHICH MAY NOT BE REALIZED. NONE OF THE FINANCIAL ANALYSES CONTAINED IN THIS DISCLOSURE STATEMENT ARE CONSIDERED TO BE A "FORECAST" OR "PROJECTION" AS TECHNICALLY DEFINED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE USE OF WORDS SUCH AS "ANTICIPATE," "SHOULD," "FORECAST," "PROJECT," OR "PROJECTION" WITHIN THIS DISCLOSURE STATEMENT RELATE TO THE BROAD EXPECTATIONS OF FUTURE EVENTS OR MARKET CONDITIONS AND QUANTIFICATIONS OF THE POTENTIAL RESULTS OF OPERATIONS UNDER THOSE CONDITIONS.

ALL FINANCIAL INFORMATION PRESENTED IN THIS DISCLOSURE STATEMENT WAS PREPARED BY THE DEBTOR WITH THE ASSISTANCE OF ITS PROFESSIONAL FINANCIAL ADVISORS. EACH CREDITOR IS URGED TO REVIEW THE PLAN IN FULL BEFORE VOTING ON THE PLAN TO ENSURE A COMPLETE UNDERSTANDING OF THE PLAN AND THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS, INTEREST HOLDERS AND OTHER PARTIES IN INTEREST AND FOR THE SOLE PURPOSE OF ASSISTING THEM IN MAKING AN INFORMED DECISION ABOUT THE PLAN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS IN CONJUNCTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR IN THE BALLOTS. IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR OR THE COMMITTEE.

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION TO PERMIT CREDITORS TO VOTE ON THE PLAN. APPROVAL OF THE LEGAL ADEQUACY OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT IS NOT A CERTIFICATION BY THE BANKRUPTCY COURT AS TO THE TRUTH OR ACCURACY

OF THE FACTUAL MATTERS THAT ARE CONTAINED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT.

CAPITALIZED TERMS USED BUT NOT DEFINED IN THIS DISCLOSURE STATEMENT HAVE THE DEFINITIONS GIVEN TO THEM IN THE PLAN.

THE DEBTOR AND THE COMMITTEE STRONGLY URGE YOU TO VOTE FOR THE PLAN AS THEY BELIEVE THAT THE PLAN WILL PROVIDE FOR A LARGER DISTRIBUTION TO HOLDERS OF CLAIMS THAN WOULD OTHERWISE RESULT IF AN ALTERNATIVE RESTRUCTURING PLAN WERE PROPOSED OR THE DEBTOR'S CHAPTER 11 CASE WERE CONVERTED TO A PROCEEDING UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

**ARTICLE 1
SUMMARY OF CLASSIFICATION**

As set forth above, the Plan provides for the liquidation of the Debtor's remaining assets and distribution of the proceeds and all cash on hand to Creditors. Interest Holders will receive no distribution under the Plan and all equity interests in the Debtor will be cancelled. Set forth below is a summary of the classification and treatment of Claims and Equity Interests in the Debtor:

<u>Class</u>	<u>Title</u>	<u>Estimated Recovery</u>	<u>Entitled To Vote</u>	<u>Distributions</u>
Class 1	Allowed Secured Claims	100%	No	On the Effective Date, either (A) return of the Collateral securing such Claim; (B) if the value of the Collateral exceeds the value of the Allowed Secured Claim, proceeds from the sale of the Collateral in the amount of any Allowed Secured Claim; (C) such other treatment as necessary for holder to be unimpaired.
Class 2	Allowed Priority Unsecured Non-Tax Claims	100%	No	Cash on the Effective Date.
Class 3	Allowed Unsecured WARN Act Claims	100%	Yes	Distribution of 35.5% of funds available for distribution to Class 4 General Unsecured Claims on each Distribution Date. Governed by the WARN Act Settlement Agreement.
Class 4	Allowed General Unsecured Claims	Approximately 1.3% to 6.0%	Yes	Pro Rata distribution from Available Cash on hand on each Distribution Date.
Class 5	Allowed Equity Interests and Equity Related Claims	0%	No	No distribution. Equity Interests to be cancelled.

As described more fully in this Disclosure Statement, the Plan provides for the liquidation of all of the Debtor's remaining assets and the cancellation of all of the Debtor's equity securities. Under the Plan, the Liquidating Trustee will be responsible for payments to

holders of all Unclassified Claims and Allowed Claims in Classes 1-4. Set forth in the following Article 2 is a summary of the classification and treatment of Claims and Interests under the Plan.

The Plan divides the Claims of all Creditors and Interests Holders into Classes and sets forth the treatment afforded to each Class. The classification of Claims and the distributions to be made under such classification takes into account the relative priorities of Claims, Equity Interests, and Equity Related Claims. The Debtor and Committee believe that all Claims, Interests, and Equity Related Claims have been classified in compliance with the provisions of Section 1122 of the Bankruptcy Code.

If the Plan is confirmed by the Bankruptcy Court, each holder of an Allowed Claim, Allowed Equity Interest or Equity Related Claim will receive the same treatment as all holders of other Allowed Claims, Allowed Equity Interests or Equity Related Claims in the same Class, regardless of whether a particular holder voted to accept the Plan. Moreover, upon confirmation, the Plan will be binding on all Creditors and Interest Holders regardless of whether such Creditors or Interest Holders voted to accept the Plan.

In accordance with Section 1123(a)(1) of the Bankruptcy Code, all Claims of Creditors and Interest Holders (except those Unclassified Claims receiving treatment as set forth in Article 2) are placed in the Classes described below for all purposes, including voting on, confirmation of, and distribution under, the Plan:

ARTICLE 2

TREATMENT OF CLAIMS AND EQUITY INTERESTS; IMPAIRMENT

The following describes the Plan's classification of Claims against the Debtor and Equity Interests in the Debtor and the treatment the holders of Allowed Claims and Allowed Equity Interests will receive under the Plan. The treatment of Claims and Equity Interests set forth below is consistent with the requirements of Section 1129(a)(9)(A) of the Bankruptcy Code.

2.1 Treatment of Unclassified Claims Under the Plan. As provided in Section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Claims and Allowed Priority Unsecured Tax Claims against the Debtor are not classified for purposes of voting on, or receiving Distributions under, the Plan. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately in accordance with Section 2 of the Plan and in accordance with the requirements set forth in Section 1129(a)(9)(A) of the Bankruptcy Code.

(a) Payment of Administrative Claims and Professional Fees. Allowed Administrative Claims and Allowed Professional Fees shall be paid by the Liquidating Trustee from Trust Cash within ten (10) days after the Allowance Date.

(b) Payment of Allowed Priority Unsecured Tax Claims. Any Allowed Priority Unsecured Tax Claim shall, at the Liquidating Trustee's discretion, either: (i) be paid in full by the Liquidating Trustee from Trust Cash within ten (10) days from the Allowance Date, or (ii) receive in regular installments of Cash, the total value of such Claim as of the Effective Date over a period of not more than five years from the Petition Date.

(c) **U.S. Trustee Fees.** All fees owing to the United States Trustee pursuant to 28 U.S.C. § 1930 shall be paid by the Debtor as such fees may become due for periods up to and including the Effective Date. Following the Effective Date and the transfer of all Estate Assets to the Trust, all U.S. Trustee Fees thereafter due or payable from the Debtor shall be payable by the Trust, including statutory interest, if any, until entry of a final decree dismissing or closing the Chapter 11 Case.

2.2 Bar Dates for Unclassified Claims. The Plan proposes the establishment of the following bar dates for certain Unclassified Claims:

(a) **Administrative Claim Bar Date.** All requests for payment of Administrative Claims (except for Professional Fees) must be filed with the Bankruptcy Court by the Administrative Claim Bar Date and served on the Debtor, Debtor's Counsel, Committee Counsel, and the Liquidating Trustee, or the holders thereof shall be forever barred from asserting such Administrative Claims and shall not be entitled to any Distributions under the Plan on account of such Administrative Claim.

(b) **Professional Fee Bar Date.** All requests for payment of Professional Fees arising on or before the Effective Date shall be filed with the Bankruptcy Court and served on the Debtor, Debtor's Counsel, Committee Counsel, and the Liquidating Trustee within thirty (30) days following the Effective Date. Any Professional Fees for which an application or request for payment is not filed within that time period shall be deemed released and forever barred, and shall not be entitled to any Distribution under the Plan.

2.3 Class 1 – Secured Claims. Class 1 consists of all Secured Claims.

(a) **Impairment and Voting.** Class 1 is unimpaired by the Plan; consequently, all holders of Allowed Claims in Class 1 are deemed to accept the Plan and are not entitled to vote on the Plan.

(b) **Treatment.** Each holder of an Allowed Secured Claim shall receive (i) the Collateral securing such Claim; (ii) if Collateral is sold for Cash pursuant to this Section 4, proceeds in the amount of such Allowed Secured Claim, to the extent the value of the Collateral exceeds the Allowed Secured Claim but subject to any costs or expenses of preservation allowable under Section 506(c) of the Bankruptcy Code; or (iii) such other consideration as is necessary to render such Allowed Secured Claim as unimpaired.

(c) **Sale of Collateral.** The Liquidating Trustee may sell for Cash any Trust Asset serving as Collateral for an Allowed Secured Claim. Any sale proceeds remaining after full satisfaction of the Allowed Secured Claim as set forth in Section 4.1.2 of the Plan shall remain a Trust Asset and shall be free and clear of all interests, Liens, Claims, and encumbrances.

(d) **Transfer of Collateral.** Except as otherwise provided in Section 4.1 of the Plan, the Liquidating Trustee may satisfy any Allowed Secured Claim by transferring and conveying any Trust Asset serving as collateral for such Claim to the holder of the Allowed Secured Claim to the extent of such Claim. Any collateral remaining after satisfaction of the Allowed Secured Claim shall remain a Trust Asset and shall be free and clear of any interests, Liens, Claims, and encumbrances.

(e) **Retention of Lien.** Except as otherwise provided in the Plan, each holder of an Allowed Secured Claim shall retain the Liens on Estate Property securing such Allowed Secured Claim until such Allowed Secured Claim is satisfied in accordance with the Plan or until such earlier date agreed to by the holder of the Allowed Secured Claim and the Liquidating Trustee. Upon satisfaction of an Allowed Secured Claim, whether in Cash or in kind, such Liens shall be deemed automatically released, and any Trust Asset formerly securing such Allowed Secured Claim shall be free and clear of all interests, Liens, Claims and encumbrances. Holders of satisfied Secured Claims will execute all necessary Lien releases and file such releases with the appropriate Governmental Units or deliver such releases to the Liquidating Trustee within seven (7) business days of receiving satisfaction or notice thereof.

(f) **Deficiency Claim.** If the holder of an Allowed Secured Claim has an Unsecured Deficiency Claim, the Unsecured Deficiency Claim shall be treated under the Plan as a Class 4 General Unsecured Claim or Priority Unsecured Tax Claim, as determined by the Bankruptcy Court or consented to by the holder of the Allowed Secured Claim and the Liquidating Trustee.

(g) **Interest.** Pursuant to Section 506(b) of the Bankruptcy Code, holders of Allowed Secured Claims secured by Collateral, the value of which exceeds the allowed amount of such Secured Claim, may receive interest from the Allowance Date at the Federal Judgment Rate. All holders of Allowed Secured Claims seeking interest under Section 506(b) of the Bankruptcy Code must notify the Debtor, Debtor's Counsel, Committee Counsel, and the Liquidating Trustee on or before the Administrative Claim Bar Date of the amount of such interest demanded or be forever barred from asserting a right to such interest.

2.4 Class 2 - Allowed Priority Non-Tax Claims. Class 2 consists of all Allowed Priority Non-Tax Claims.

(a) **Impairment and Voting.** Class 2 is unimpaired by the Plan; consequently, all holders of Allowed Claims in Class 2 are deemed to accept the Plan and are not entitled to vote on the Plan.

(b) **Treatment.** Holders of Allowed Class 2 Claims shall be paid by the Liquidating Trustee from Trust Cash within ten (10) days after the Allowance Date.

2.5 Class 3 - Allowed Unsecured WARN Act Claims. Class 3 consists of all Allowed Unsecured WARN Act Claims.

(a) Impairment and Voting. Class 3 is impaired by the Plan, and all holders of Allowed Unsecured WARN Act Claims are entitled to vote on the Plan, except as otherwise provided by contract.

(b) Deemed Acceptance. Pursuant to the terms of the WARN Act Settlement Agreement, holders of Allowed Unsecured WARN Act Claims are deemed to have voted in favor of the Plan.

(c) Treatment. Class 3 Allowed Unsecured WARN Act Claims shall be treated in accordance with the terms of the WARN Act Settlement Agreement which shall govern Class 3 Allowed WARN Act Claims in all respects.

2.6 Class 4 – General Unsecured Claims. Class 4 consists of all General Unsecured Claims.

(a) Impairment and Voting. Class 4 is impaired by the Plan, and all holders of Allowed General Unsecured Claims are entitled to vote on the Plan, except as otherwise provided by the Plan, any contract to which such holders are bound or the Bankruptcy Code.

(b) Treatment. Each holder of an Allowed General Unsecured Claim in Class 4 shall receive its Pro Rata share of the Available Cash on each Distribution Date until the Trust has been fully administered, all Estate Property completely liquidated and all resulting Trust Cash Distributed.

2.7 Class 5 – Equity Interests and Equity Related Claims. Class 5 consists of all Equity Interests, and Equity Related Claims.

(a) Equity Interests. As of the Effective Date, all Equity Interests in the Debtor shall be cancelled, terminated, extinguished and void. Interest Holders will neither receive nor retain any property on account of their Equity Interests under the Plan, are deemed to reject the Plan, and are not entitled to vote to accept or reject the Plan.

(b) Equity Related Claims. Pursuant to Section 510(b) of the Bankruptcy Code, all Equity Related Claims are subordinated to all Unclassified Claims and Allowed Class 1-4 Claims. Because Class 4 Claims will not be satisfied in full, holders of Equity Related Claims will likely receive no Distribution under the Plan and are, therefore, deemed to have rejected the Plan.

ARTICLE 3 VOTING AND CONFIRMATION PROCEDURES

3.1 Enclosures. This Disclosure Statement is accompanied by copies of the following: (a) the Plan, attached as Exhibit A-1 to this Disclosure Statement; (b) an Order of the

Bankruptcy Court approving, among other things, the Disclosure Statement under Section 1125 of the Bankruptcy Code and setting the Confirmation Hearing attached as **Exhibit A-2**; and (c) a Ballot to accept or reject the Plan, the form of which is attached as **Exhibit A-3**.

3.2 Ballots. The appropriate form of Ballots are to be used by holders of Claims in Class 4. Holders of Unclassified Claims and Claims in Classes 1 and 2 are unimpaired under the Plan and are deemed to have accepted the Plan without voting. Holders of Claims in Class 3 are deemed to have accepted the Plan and holders of Equity Interests and Equity Related Claims in Class 5 are deemed to have rejected the Plan.

3.3 Who May Vote. Under the Bankruptcy Code, impaired Classes of Claims or Equity Interests are entitled to vote to accept or reject a plan of reorganization. A Class that is not impaired under a plan is deemed to have accepted a Plan and does not vote. A Class is “impaired” under the Bankruptcy Code when the legal, equitable, and contractual rights of the holders of Claims or Equity Interests in that Class are modified or altered. For purposes of the Plan, and in accordance with the Bankruptcy Code, holders of Claims in Class 4 are impaired and Class 4 is the only Class entitled to vote on the Plan.

If, however, an objection is filed by the Debtor or any party in interest with respect to your Claim, you will have the responsibility to request that the Bankruptcy Court temporarily grant allowance of your Claim for purposes of voting on the Plan. Rule 3018 of the Federal Rules of Bankruptcy Procedure provides that the Bankruptcy Court after notice and hearing may temporarily allow the Claim in an amount which the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. If an objection is filed with respect to your Claim, you are urged to seek the assistance of an attorney with respect to this matter.

3.4 Voting Instructions. All votes to accept or reject the Plan must be cast by using the appropriate form of Ballot enclosed with this Disclosure Statement. No votes other than ones using such Ballots will be counted, except to the extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has set November 25, 2008 as the Voting Record Date under the Plan. The Voting Record Date is the date for the determination of record holders of Claims entitled to receive a copy of this Disclosure Statement and vote, using appropriate Ballots, to accept or reject the Plan. All Ballots must be actually received by the Claims Agent by **5:00 p.m.** Pacific Time, on **January 21, 2009** (the “Voting Deadline”), unless the Bankruptcy Court extends such date prior to the Voting Deadline.

For your vote to count, your Ballot must be properly completed according to the voting instructions on the Ballot and received no later than the Voting Deadline by the Claims Agent. Any Ballot not indicating an acceptance or rejection will be deemed an acceptance of the Plan.

For questions about voting procedures, the amount of your Claim, or the packet that you received, please contact the Claims Agent:

Karen M. Wagner
Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

Tel: 310.823.9000
Fax: 310.751.1845
www.kcellc.com

If you have any questions concerning the Plan, please contact:

Nicholas J. Brannick
Squire, Sanders & Dempsey L.L.P.
41 South High Street, Suite 2000
Columbus, Ohio 43215
Tel: 614.365.2700
Fax: 614.365.2499

3.5 Acceptance or Rejection of the Plan. Under the Bankruptcy Code, a class of claims entitled to vote is deemed to have accepted a plan if it is accepted by creditors in such class who, of those actually voting on the plan, hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class. A class of equity interests entitled to vote is deemed to have accepted the plan if it is accepted by holders of equity interests who hold at least two-thirds in amount of the equity interests of such class that have actually voted on the plan.

If a plan is not accepted by all impaired classes of allowed claims, the plan may still be confirmed by a bankruptcy court under Section 1129(b) of the Bankruptcy Code if: (a) the plan has been accepted by at least one impaired class of claims; and (b) a bankruptcy court determines, among other things, that the plan “does not discriminate unfairly” and is “fair and equitable” with respect to each non-accepting impaired class (the “**Cramdown Provisions**”). If the Plan is not accepted by all Impaired Classes of Allowed Claims or Equity Interests, the Debtor reserves the right to ask the Bankruptcy Court to confirm the Plan under the Cramdown Provisions.

3.6 Confirmation Hearing; Objections. Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to hold a confirmation hearing. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of a plan. Under Section 1128 of the Bankruptcy Code and Rule 3017(c) of the Bankruptcy Rules, the Bankruptcy Court has scheduled the Confirmation Hearing before the Honorable Adlai S. Hardin, Courtroom 520, 300 Quarropas Street, White Plains, NY 10601-4140 at 11:00 a.m. Eastern Time on January 28, 2009. A notice (the “**Confirmation Hearing Notice**”) setting forth the time and date of the Confirmation Hearing has been included along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of such adjourned hearing date by the Bankruptcy Court in open court at such hearing.

Any objection to confirmation of the Plan must be in writing, must comply with the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, and must be filed and served as required in the Confirmation Hearing Notice.

ARTICLE 4
BACKGROUND AND EVENTS PRECIPITATING THE CHAPTER 11 FILING

4.1 Overview of the Debtor's History and Business Operations.

Eos was incorporated as a Delaware corporation on April 8, 2003 and was a United States certified scheduled international passenger airline that provided air transportation between the United States and the United Kingdom. As of the Petition Date, Eos provided single class premium service between New York's John F. Kennedy International Airport ("**JFK**") and London's Stansted Airport ("**Stansted**") using four uniquely configured Boeing 757 aircraft containing 48 seats (the "**Low-Density Aircraft**"). Eos also provided charter service using the Low-Density Aircraft and a Boeing 757 with a more conventional two-class cabin configuration. Eos commenced flight operations in October of 2005. Prior to that, Eos was in a pre-operating and development stage, which included obtaining an operating certificate and various regulatory approvals, raising capital, acquiring aircraft and spare parts, recruiting and training flight personnel, establishing systems and building a business strategy.

As of the Petition Date, Eos employed approximately 458 employees, of which 118 were stationed at the Debtor's headquarters in Purchase, New York, 297 were stationed at JFK, and 43 were stationed at Stansted.

Also as of the Petition Date, Eos leased seven aircraft from three lessors. Three aircraft were leased from International Lease Finance Corporation ("**ILFC**"), three aircraft were subleased from Compania Mexicana de Aviacion, S.A. de C.V. ("**Mexicana**"), and one aircraft was leased from Wells Fargo Bank Northwest, National Association ("**Wells Fargo**"), not in its individual capacity but solely as owner trustee. The aircraft leased from Wells Fargo was, in fact, owned by Aircastle Limited ("**Aircastle**"). Four of the aircraft were configured as Low-Density Aircraft, one of the aircraft had a standard high-density 757 configuration and two of the aircraft were in Mexico City for retro-fitting to Low-Density Aircraft, including one aircraft subleased from Mexicana and the aircraft leased from Aircastle.

4.2 History of Financing and Operating Losses

Throughout its existence, Eos' operations and losses were funded primarily through equity financing resulting in the issuance of one series of common stock and four series of convertible preferred stock: Class A Convertible Preferred Stock, Class B Convertible Preferred Stock, Class C Convertible Preferred Stock, and Class D Convertible Preferred Stock.

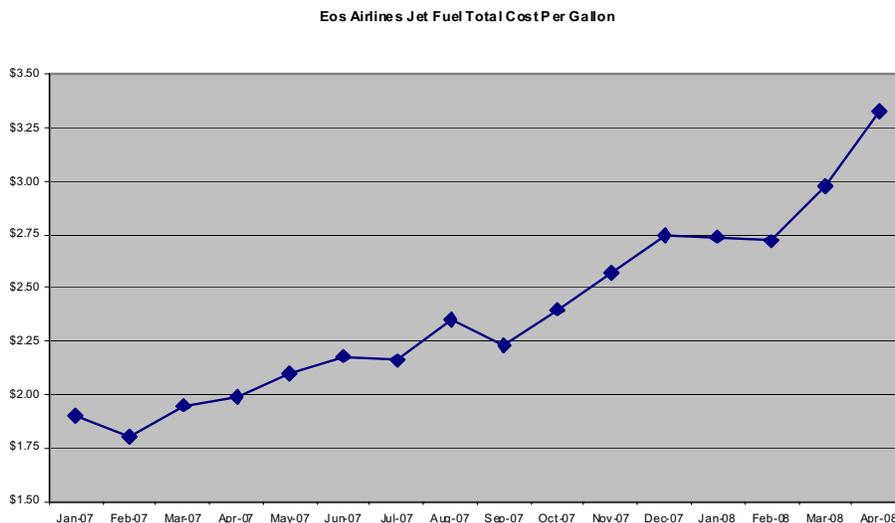
On October 27, 2006, Eos completed a private placement of \$75 million to certain institutional and individual accredited investors for 7,031,250 shares of Class C Convertible Preferred Stock, a new class of stock, at \$10.67 per share. The immediate proceeds of the private placement, \$65 million, were used to satisfy the principal and capitalized interest on a revolving credit facility of \$22.2 million and costs of issuance. The balance of the proceeds were used for working capital to support future growth. The Company received the final \$10 million of the \$75 million subscribed in January 2007.

Most recently, on August 17, 2007, Eos closed a private placement of \$50 million to certain individual accredited investors for 8,559,540 shares of Class D-1 Convertible Preferred

Stock at \$5.84 per share. Half of the proceeds were received at closing and the remainder was paid by September 27, 2007. Despite obtaining the Class D-1 financing, Eos management, its board of directors (the “**Board**”) and its shareholders knew, based on Eos’ projections and modeling, that an additional \$50 million in financing would be necessary by April of 2008 in order to continue executing Eos’ business plan and Eos promptly started efforts to obtain an additional round of fundraising.

For the years ended December 31, 2005, December 31, 2006 and December 31, 2007, Eos generated revenues of approximately \$1 million, \$36 million and \$85 million, respectively. For these same periods the Debtor realized operating losses of approximately \$37 million, \$67 million and \$52 million, respectively and used approximately \$32 million, \$51 million and \$42 million in cash due to operating activities. For the first three months of 2008, Eos generated total revenues of approximately \$25 million, incurred an operating loss of approximately \$17.3 million and used cash of approximately \$50 million.

The Debtor’s operating losses and use of cash accelerated between the end of fiscal 2007 and the end of the first three months of 2008 due to several factors, including an unprecedented increase in jet fuel prices and the loss of significant business as investment bankers and other professionals stopped traveling due to the precipitous decline in the market for mergers and acquisitions in both the United States and United Kingdom. As the following table shows, between April 2007 and April 2008, Eos’ total jet fuel prices increased by 67.3%.



Source: Bureau of Transportation Statistics.

4.3 Efforts to Raise Additional Capital

Eos’ last financing efforts commenced shortly after the closing of the Class D Preferred Stock financing in August of 2007, and Eos was engaged in serious discussions with possible financing sources as early as September and October of 2007. One possible source, a hedge fund, presented a term sheet to Eos, but the parties were unable to come to agreement after discussions throughout September and October of 2007.

During the months of November and December 2007, Eos engaged in extensive efforts to launch a route between London and Dubai and another between Newark and London, and these routes were announced to the public on February 11, 2008. Simultaneously, Eos was engaged in preliminary discussions with various parties regarding the structure and form of the new round of financing, and commenced discussions with investment banks regarding leading a fundraising effort. Furthermore, Eos was engaged in preliminary discussions with other airlines regarding possible strategic transactions that may have eliminated the need for additional financing or changed the environment for obtaining such financing.

At the January 23, 2008 Board meeting, the Board authorized the company to engage Jefferies & Company, Inc. (“**Jefferies**”), a full-service investment bank, and SkyWorks Capital, LLC (“**SkyWorks**”), a specialty investment advisor in the airline industry, and Eos and those entities worked over the following weeks to finalize the engagement, prepare investor materials and investment models, and evaluate the investment security to be offered.

Throughout February and March of 2008, Eos pursued various avenues to obtain financing and expand its business model and base. Specifically, on or about March 7, 2008, Eos engaged Jefferies to raise up to \$50 million for Eos. Additionally, Eos was in direct discussions with Silkroute, an entity that was contemplating making an investment of at least \$50 million in Eos and also potentially creating a joint venture in the Gulf Cooperation Council (“**GCC**”) region to own and operate an Eos-branded airline and pay licensing and various start-up and management fees to Eos. Furthermore, Eos was simultaneously in discussions with Addax Bank, a Bahraini bank, regarding Addax Bank leading an effort to raise funds from its clients for Eos and the possible formation of an Eos-branded GCC-based airline to be owned by Addax Bank clients that would obtain various services from Eos for a fee, and license Eos’ brand and various intellectual property for a licensing fee. This GCC-based initiative was designed to be supportive of Eos’ efforts to raise capital. Addax Bank was the investment bank involved in placing Series D Preferred Stock with Rizon United Corporation (“**Rizon**”), a Cayman Islands entity controlled by GCC interests, representing a 23% ownership interest in Eos.

During March of 2008, Eos’ management inquired of its institutional and major stockholders regarding participation in another round of equity financing through a Class E preferred share offering. All declined except Rizon, though Parrish Capital Advisers, LLP, which held less than 5% of Eos’ shares, subsequently indicated it would participate up to its pro rata share of the offered security. Rizon consistently stated that it would acquire its pro rata share of the offering. During the end of March, 2008 and beginning of April, 2008, Jefferies and Jack Williams, Eos’ former chief executive officer, made presentations regarding an investment in convertible debt to various possible investors, including: Harbinger Capital Investments, LLC, a Bahraini entity; Guggenheim Partners LLC; Avenue Capital Group; Highland Capital Partners; Indigo and Deutsche Bank. Furthermore, Eos had various discussions with Airline Partner Associates/TransPacific Airlines and its investors regarding an investment in a to-be-created Class E Preferred Stock, including discussions on a proposed term sheet.

Efforts to raise capital from new sources proved unsuccessful as the airline industry fell victim to rising fuel costs. While Eos was attempting to raise capital, the markets witnessed the shut down and bankruptcy of several airlines, including MAXjet - one of the Debtor’s primary competitors - on December 24, 2007, Aloha Airlines on March 20, 2008, ATA Airlines on April

2, 2008 and Skybus Airlines on April 4, 2008. On April 10, 2008, Frontier Airlines sought bankruptcy protection in order to reorganize. Finally, on May 30, 2008, just one month after the Petition Date, Eos' other primary competitor, Silverjet, shut down.

On April 18, 2008, Eos and Dawn Finance Co. ("**Dawn**"), an affiliate of Rizon, entered into a term sheet setting forth the main terms for Dawn to make a \$50 million investment in Eos. However, during the afternoon of Friday, April 25, 2008, Dawn unexpectedly informed Eos that it was terminating the term sheet. Eos attempted to negotiate an alternative transaction structure with Dawn throughout the evening on April 25, 2008 and during the morning of April 26, 2008. On Saturday, April 26, 2008, Dawn indicated that it had no interest in pursuing a transaction with Eos.

4.4 Bankruptcy Preparation and Filing

In late March of 2008, Eos' management realized that, if it was unable to find the additional \$50 million in financing, the company would likely run out of cash by May or June and that a bankruptcy filing would be necessary. As a result, Eos retained both restructuring counsel and financial advisors to assist in the process of analyzing possible reorganization scenarios, while at the same time seeking the necessary financing.

During the first week of April, Eos management and the company's restructuring advisors began the process of determining when Eos would likely need to seek relief under the Bankruptcy Code if the necessary financing was not obtained. Management's stated goal was to accomplish an orderly wind-down - a "soft landing" - with sufficient post-petition flying to avoid the "slam down" scenario, where passengers and employees are simply stranded when the airline abruptly ceases all flying. Initially, management and its advisors believed that filing a bankruptcy petition on April 19, 2008 would allow for sufficient post-petition flying to accomplish the goal of a "soft landing."

By April 16, 2008, Eos believed that it had a deal in principle in place with Rizon through its affiliate, Dawn. As a result, Eos' management decided to delay any potential bankruptcy filing until April 22, 2008. At this time, Eos' management and financial advisors also realized that Eos would not be able to continue flying for two to three weeks as anticipated after a bankruptcy filing on April 22, 2008 and would need to cease operations on April 28, 2008.

Pre-petition efforts to obtain concessions from Eos' aircraft lessors prompted preemptory lease termination notices from all three lessors. Specifically, Eos received termination notices from ILFC and Mexicana on April 16, 2008 and a termination notice from Aircastle on April 17, 2008. Each of the termination notices asserted various defaults or events of default under the leases, all of which Eos denied. Eos' former chief executive officer met with a senior vice president of ILFC on April 18, 2008. Following this meeting, both ILFC and Mexicana agreed to withdraw their termination notices. Aircastle continued to assert that events of default had occurred, which Eos disputed.

On April 19, 2008, Eos received a signed term sheet from Dawn. Around this time, most bankruptcy preparation efforts were suspended in order for the Debtor and its advisors to respond

to due diligence requests received from Dawn. However, as indicated above, on April 25, 2008, Dawn abruptly and unexpectedly terminated the term sheet. Eos' desperate efforts to restructure the terms of a transaction with Dawn proved unsuccessful. During a Board call on Saturday, April 26, 2008, the Board authorized Eos' management to seek relief under Chapter 11 of the Bankruptcy Code. Eos' Chapter 11 petition was filed on the evening of April 26, 2008 before the Bankruptcy Court.

4.5 Financial Statements. Attached as **Exhibit B** to this Disclosure Statement are income statements and balance sheets of the Debtor for the prior fiscal years ending December 31, 2006 and 2007. Unless otherwise indicated, this information is un-audited.

4.6 Current Directors and Executive Officers.

(a) Directors. Listed below are the names of each director of Debtor (each a "Director"), the entity represented by such Director, and the year of commencement of each person's term as a Director of the Debtor. As of the Effective Date of the Plan, the Debtor's current Directors will no longer serve in their appointed capacities.

Name	Entity Represented	Year of Commencement of Term
Jake Mizrahi	Golden Gate Capital	2004
Jesse Rogers	Golden Gate Capital	2004
Ronald Graves	Maveron	2005
David Pottruck	Red Eagle Ventures	2005
G. Leonard Baker	Sutter Hill Ventures	2004
David Coltman	Independent Director	2007
Ghassan Bin Abdullah Al Binali	Rizon United Corp.	2007
William Curtis	Rizon United Corp.	2007
Ghanim Bin Saad Alsaad	Rizon United Corp.	2007
Charles Merritt	Parish Capital Advisors, LLP	2008
Jack Williams	N/A (Eos CEO)	2007
David Dominik	Golden Gate Capital	2004

(b) Executive Officers. All of the Debtor's executive officers were either terminated or voluntarily resigned from the Debtor's employ no later than June 9, 2008. On June 12, 2008, the Board appointed Caralyn Galletta as Chief Responsible Officer and Michael Gumliela as Vice Chief Responsible Officer and vested these individuals with all authority necessary to complete the Debtor's liquidation and to propose a plan of liquidation. The following table provides a list of the Debtor's executive officers (the "Executives") as of the Petition Date.

Name	Title	Year of Commencement of Term
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Jack Williams	President and Chief Executive Officer	2007
Thomas Martin	Chief Financial Officer	2008
Andrew "Gil" Morgan	Chief Operations Officer	2004
Holly Nelson	Vice President Finance and Controller	2007
Dave Spurlock	Founder and Chief Commercial Officer	2004
John Turnipseed	Chief People & Culture Officer	2007

(c) **Capital Structure**

(i) **General.** The Debtor is a Delaware corporation and the Debtor was governed by Articles of Incorporation and By-Laws, as amended, under Delaware law.

(ii) **Stock.** The Debtor was privately owned and had one series of common stock and four series of preferred stock issued and outstanding.

**ARTICLE 5
SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE**

5.1 Commencement of the Chapter 11 Case. On the Petition Date, the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Chapter 11 Case was assigned to the Honorable Adlai S. Hardin, United States Bankruptcy Court for the Southern District of New York (White Plains). Since the Petition Date, the Debtor has continued to operate its business and manage its property as debtor-in-possession under Sections 1107(a) and 1108 of the Bankruptcy Code. No trustee has been appointed in the Chapter 11 Case.

5.2 Commencement of United Kingdom Ancillary Proceeding. On April 28, 2008, the Debtor also commenced ancillary UNCITRAL proceedings (the "UK Proceedings") in the United Kingdom (the "UK") under the local equivalent of Chapter 15 of the Bankruptcy Code via Part 2 of the UK Insolvency Act 1986. Andrew Stoneman and Geoff Bouchier (of Menzies Corporate Restructuring), were appointed as administrators (the "**Administrators**") by the Supreme Court of England and Wales, court reference 3439/08. The purpose of the UK Proceedings was to support the Chapter 11 Case by providing the Debtor with protection from its creditors within the UK. The Administrators were also responsible for liquidating the Debtor's assets in the UK and paying certain priority claims under UK law. After the payment of the legal fees of the Administrators and the Administrators' fees and commissions, the Debtor anticipates that funds held by the Administrators in the UK will be repatriated to the United States.

5.3 First Day Orders. Shortly after the Petition Date, the Bankruptcy Court entered several orders authorizing the Debtor to pay wages, salaries, employment taxes, employee benefit payments, and workers compensation payments related to employees remaining in the Debtor's employ following the Petition Date, authorizing the Debtor to pay certain sales, use and

various transportation taxes and authorizing the Debtor to maintain certain bank accounts, cash management systems and business forms.

5.4 Retention of Professionals. During the Bankruptcy Case, the Bankruptcy Court entered orders authorizing the Debtor to retain, among others:

Professional	Employment	Bankruptcy Court Order
Squire, Sanders & Dempsey, L.L.P.	Counsel to the Debtor	May 16, 2008
Alvarez & Marsal Transaction Advisory Group, LLC	Financial Advisor to the Debtor	May 22, 2008
A. Uzzo & Co.	Audit of 401(k) Plan	June 23, 2008
Burkhardt & Co.	Accountant	September 25, 2008

5.5 Non-Management Incentive Plan. On May 13, 2008, the Bankruptcy Court entered an order authorizing the Debtor to implement a non-management incentive plan (the “**Incentive Plan**”) in order to induce certain employees to remain in the Debtor’s employ for a sufficient period to assist in the orderly wind-down of the Debtor’s operations and the liquidation of the Debtor’s assets. None of the Executives found in the table at Article 4.6 above were entitled to receive benefits under the Incentive Plan. Under the Incentive Plan, employees asked to remain through various retention periods received a bonus of 50% of that employee’s pre-petition pay during each pay period plus all accrued but unpaid vacation. Certain employees that remained following the final retention period, which ended July 15, 2008, also received a bonus of one month’s salary. As of the date of this Disclosure Statement, the Debtor has only three employees remaining.

5.6 Appointment of Official Unsecured Creditors’ Committee. On May 8, 2008, the Office of the United States Trustee filed the Appointment of Committee of Unsecured Creditors. The Committee is comprised of: Servisair, LLC; Systems and Software Enterprises, Inc. d/b/a IMS Consultants; Pan Am International Flight Academy; Peter Mochnal; and Sourcespeed LLC. The Bankruptcy Court authorized the Committee to employ and retain the law firm of Cohen, Tauber, Spievack & Wagner P.C. as its legal counsel.

5.7 Effort to Sell Assets. Shortly after the Petition Date, the Debtor entered into negotiations to sell either its entire business or various assets to several parties. Certain former Executives undertook an effort to obtain the necessary financing to restart the Debtor’s business. The Debtor held early negotiations with an air carrier that expressed interest in acquiring the Debtor’s operating certificates and possibly its aircraft leases. However, as fuel prices continued to escalate after the Petition Date, these negotiations were terminated.

In an effort to maximize the value of the Debtor’s assets, the Debtor filed a motion seeking the approval of various sale, auction and bidding procedures for the Debtor’s assets. These procedures were approved by the Bankruptcy Court over the objections of ILFC, Mexicana and Delta Airlines, Inc. on May 22, 2008. Thereafter, the Debtor, its counsel and financial advisors and counsel for the Committee engaged in the process of actively marketing both the Debtor’s business and its assets. These efforts included negotiations with various

parties interested in either purchasing the Debtor's operating certificate and parties that expressed an interest in recapitalizing the Debtor and restarting its business. Neither of these scenarios, however, could be brought to fruition in light of the continuing rise in fuel prices and decline of the airline industry following the Petition Date. On July 31, 2008, the Debtor returned its operating certificate to the Federal Aviation Administration.

The Debtor's effort to market and sell its assets resulted in the following transactions, approved by the Bankruptcy Court:

Asset	Purchaser	Sales Price	Date Approved by Bankruptcy Court
All Spares Parts and Rotables	GoIndustry U.S.A., Inc.	\$915,000	June 23, 2008
U.S. Ground Service Equipment	F&E Aircraft Maintenance (New York) LLC	\$69,000	July 10, 2008

In addition, pursuant to an order of the Bankruptcy Court authorizing the sale of *de minimis* assets of the Debtor, the Debtor entered into the following transactions:

Asset	Purchaser	Sales Price	Date
Eos Promotions	Various	\$10,255	May 22, 2008
Office Supplies	Worktopia	\$1,071	June 2, 2008
IT Equipment	Worktopia	\$4,555	June 19, 2008
Vehicles	Robert Caldwell	\$8,000	July 17, 2008
IT Equipment ¹	National Computer Liquidators	\$31,250	July 21, 2008
Catering Equipment	Inflight Supplies & Services	\$20,952	July 24, 2008
Eos Headsets	Robert Caldwell	\$4,158	July 25, 2008
Desktop Flight Simulator	Marlon Ramos	\$3,500	July 28, 2009

5.8 Bar Date for Filing Proofs of Claim. The Bankruptcy Court set a deadline of July 28, 2008 for holders of Claims other than Governmental Units to submit their proofs of claim. The Bankruptcy Court set October 23, 2008, as the bar date for Governmental Units to submit their proofs of claim.

¹ No single asset was valued in excess of \$25,000.

5.9 Termination or Rejection of Aircraft Leases. On May 13, 2008, the Bankruptcy Court approved a stipulation between the Debtor and Aircastle providing for the return of the Aircastle aircraft and the return of \$50,000 to the Debtor and termination of the aircraft lease between the Debtor and Aircastle. On May 27, 2008, the Bankruptcy Court entered an order authorizing the Debtor to utilize an expedited lease and contract rejection process under which the Debtor could reject any lease or executory contract with two business days' notice. On May 28, 2008, the Debtor rejected all of its remaining leases or subleases of aircraft with ILFC and Mexicana, effective May 30, 2008. All of the Debtor's remaining aircraft were returned to ILFC or Mexicana shortly thereafter.

5.10 WARN Act Litigation. On April 28, 2008, Peter Mochnal, a former employee of the Debtor, commenced a class action lawsuit against the Debtor alleging violations of the Worker Adjustment and Retraining Notification (WARN) Act. The WARN Act is a federal statute that requires, among other things, 60 days advance notice prior to certain layoffs or plant shutdowns. Mr. Mochnal alleged that the Debtor's shutdown and the termination of substantially all of its employees without the requisite 60 days notice violated the WARN Act. The Debtor asserted various defenses to these allegations, including that the Debtor was actively seeking capital at the time of its shutdown that, if obtained, would have obviated the need for such a shutdown, that the shutdown was the result of unforeseen events, and that the Debtor was not actually an employer, as required by the statute, at the time of the shutdown. The Debtor, counsel for the Committee and counsel for Mr. Mochnal agreed to undertake mediation in an effort to resolve the WARN Act litigation. While this mediation did not immediately produce a settlement, the parties continued to negotiate thereafter.

On August 29, 2008, the Debtor, the Committee and counsel for Mr. Mochnal entered into the Warn Act Settlement Agreement, which provided for, among other things: certification of a class of former employees as the WARN Act Class, appointment of Mr. Mochnal's counsel as counsel for the WARN Act Class; allowance of a \$350,000 Administrative Claim against the Debtor's estate for the benefit of the WARN Act Class; and payment of 35.5% of all funds available for distribution to holders of Allowed Class 4 Unsecured Claims to the WARN Act Class.

Judgment in favor of the WARN Act Class could have resulted in an Administrative Claim or Priority Unsecured Non-Tax Claim against the Debtor's estate in excess of \$3.8 million, which would have likely rendered the Debtor's estate administratively insolvent. The Debtor and the Committee believe that the compromise set forth in the WARN Act Settlement Agreement would substantially decrease the likelihood of the Debtor being rendered administratively insolvent, substantially increase the likelihood of a distribution - and the amount distributed - to holders of Class 4 Unsecured Claims, and eliminate significant administrative costs in the form of attorneys' fees and expenses. On September 25, 2008 the Bankruptcy Court entered an order approving the WARN Act Settlement Agreement.

5.11 Resolution of Significant Claims Against the Estate. During the pendency of the Chapter 11 Case the Debtor resolved several significant Claims against the Estate. The Debtor and its Professionals proactively returned goods subject to reclamation under Section 546(c) of the Bankruptcy Code, some of which were delivered during the twenty days preceding the Petition Date and could have been entitled to administrative priority under Section 503(b)(9)

of the Bankruptcy Code. The Debtor estimates that these efforts reduced potential Administrative Claims by approximately \$655,000.

Prior to the Petition Date the Debtor obtained jet fuel primarily from Servisair, LLC (“Servisair”) or its affiliates. Servisair asserted an Administrative Claim against the estate in the amount of \$1,105,085.95 and an Unsecured Claim in the amount of \$26,532.48. The Debtor resolved these Claim, resulting in the allowance of an Administrative Claim against the Debtor’s estate in the amount of \$1,098,500, of which the Debtor paid \$933,725, and an allowed Unsecured Claim against the estate in the amount of \$197,893, resulting in administrative savings to the Estate of approximately \$164,775.

Mexicana has asserted a Claim (the “**Mexicana Claim**”) against the Debtor’s Estate in the amount of approximately \$21,602,457.20, consisting of \$20,401,731.90 related to the Debtor’s subleases with Mexicana and \$1,200,725.30 related to a maintenance agreement between the Debtor and Mexicana. According to Mexicana, the Mexicana Claim was partially secured by deposits totaling \$2,300,000, maintenance reserves totaling \$1,444,558.57, and various parts and equipment belonging to the Debtor located at a Mexicana facility in Mexico City. Pursuant to the Mexicana Claim, Mexicana asserted an Administrative Claim in the amount of \$940,000, Secured Claims of \$3,700,000, and an Unsecured Claim of approximately \$16,962,457.20. The Debtor engaged in negotiations with Mexicana resulting in a settlement that provided Mexicana with an Allowed Administrative Claim of \$317,647.05, of which the Debtor paid \$270,000. Mexicana retained all lease deposits and maintenance reserves and all of the Debtor’s equipment located in Mexico City. Mexicana agreed to release all additional Claims against the Estate, *except, however* for partial indemnification by the Debtor of Mexicana with regard to a certain alleged lien against one of the aircraft subleased by the Debtor from Mexicana, and the Debtor agreed to release all potential claims, Avoidance Actions or other Causes of Action against Mexicana.

5.12 Remaining Assets of the Debtor. Substantially all of the Debtor’s assets have now been liquidated. The remaining assets (excluding Avoidance Actions and other Causes of Action) consist primarily of: (i) potential claims against various banks with which the Debtor had credit card processing agreements with regard to amounts “held back” under those agreements; (ii) the seat sets that were used in the Debtor’s uniquely configured aircraft and (iii) claims against certain parties to charter agreements regarding funds held in escrow.

(a) Credit Card Holdbacks. The Debtor had agreements with several banks whereby the banks processed customer payments by credit card. Each of these contracts allowed the bank to hold back at least 100% of all amounts processed on behalf of the Debtor in order to protect the bank against so-called “charge backs,” or customer requests for refunds. The Debtor believes that certain banks are holding approximately \$2.3 million in excess of amounts necessary to satisfy all potential charge backs and intends to seek recovery of this amount.

(b) Seat Sets. The Debtor installed custom seats in its aircraft in order to provide its unique 48-seat configuration. As of the Petition Date, the Debtor owned six sets of 48 seats (“**Seat Sets**”), four installed on aircraft and two uninstalled. The Debtor has received an offer to purchase three of these Seat Sets

for \$25,000 per Seat Set. However, these Seat Sets were installed in an aircraft leased directly from ILFC and ILFC has asserted that it now owns these Seat Sets. The Debtor disputes ILFC's claim to ownership of the Seat Sets. Title to the remaining three Seat Sets passed to Mexicana pursuant to a settlement between the Debtor and Mexicana regarding the Mexicana Claim.

(c) **Charter Funds.** Prior to the Petition Date, the Debtor offered both public and private charter services. Under U.S. Department of Transportation regulations, all charters must be evidenced by a written charter agreement and estimated charter costs must be paid in advance and held in escrow. As of the Petition Date, the Debtor was party to several charter contracts. All escrow funds relating to charter contracts that the Debtor would not be able to perform under were returned to the contract counterparties. However, the Debtor believes that it is entitled to retain certain other escrow funds. The Debtor has commenced two adversary proceedings against parties to charter contracts seeking turnover of approximately \$880,000 held in escrow. Certain de minimis amounts related to other charter agreements remain in the Debtor's escrow account to which the Debtor believes it is entitled due to rights of setoff and recoupment.

5.13 Claims Against the Debtor's Estate. Approximately 790 Claims had been filed as of July 28, 2008. The Debtor believes that the amount of Claims filed significantly overstates the likely amount of Allowed Claims in each Class after the claims reconciliation process is completed for the several reasons, including but not limited to:

(i) Many of the Claims filed as Secured Claims have been improperly characterized, are not entitled to such treatment or have not accounted for the application of collateral, such as security deposits;

(ii) Certain Administrative Claims are significantly overstated and seek to recover amounts that are not entitled to administrative priority under the Bankruptcy Code;

(iii) Many claims have been filed as "priority" claims under Section 507(a) of the Bankruptcy Code that, on the face of such Claims, are not entitled to such priority.

(iv) Many unsecured claims have been filed in duplicate, are improperly calculated or do not account for mitigation of damages;

(v) Certain filed claims have previously been paid as they constituted ordinary course, post-petition administrative claims or were paid pursuant to various orders entered by the Bankruptcy Court.

Thus, the Debtor believes that the amount of Claims against the Estate will be reduced significantly. The Debtor has filed or will file several objections to Claims in order to begin the Claims reconciliation process.

ARTICLE 6 OVERVIEW OF THE PLAN

A copy of the Plan accompanies this Disclosure Statement as **Exhibit A-1**. The following summary of the material provisions of the Plan is qualified in its entirety by the specific provisions of the Plan, including the Plan's definitions of certain terms used below. The following is intended to provide a general description of the Plan. For more specific information, please refer to the attached Plan. Please note that the Debtor has attempted to minimize the use of defined terms in describing the Plan. However, any capitalized terms that are not defined in this Disclosure Statement are defined in the Plan. It is recommended that one refer to those definitions when reading this document.

6.1 Brief Explanation of Chapter 11 Liquidation. The Debtor is being liquidated under Chapter 11 of the Bankruptcy Code ("**Chapter 11**"). Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. However, under Chapter 11, a debtor is authorized to liquidate its business and/or assets for the benefit of its creditors and other parties in interest. Confirmation of a plan of reorganization or liquidation is the principal objective of a Chapter 11 case.

In general, a Chapter 11 plan of liquidation (a) divides claims and equity interests into separate classes, (b) specifies the property that each class is to receive under the plan, and (c) contains other provisions necessary to the reorganization of the debtor. A Chapter 11 plan may provide that certain classes of claims or equity interests are either: (i) to be paid in full upon the effective date of the plan; (ii) reinstated; or (iii) the legal, equitable and contractual rights of claim or interest holders are to remain unchanged by the reorganization or liquidation effectuated by the plan. These classes are referred to under the Bankruptcy Code as "unimpaired" and, because of such treatment, are deemed to accept the Chapter 11 plan. Accordingly, it is not necessary to solicit votes from the holders of claims or equity interest in such unimpaired classes. A Chapter 11 plan may also provide that certain classes will not receive any distributions of property. Such classes are deemed to reject the plan.

All other classes of claims and/or equity interests contain "impaired" claims and/or equity interests which have the right to vote on the Chapter 11 plan, except as provided under the Bankruptcy Code. An "impaired" class is generally a class which will receive something less than the full amount of its claim under the plan of liquidation. Before a plan can be confirmed by the bankruptcy court, the Bankruptcy Code generally requires that each impaired class of claims or equity interests votes to accept a plan. Acceptances must be received (a) from the holders of claims constituting at least two-thirds in dollar amount and more than one-half in number of the allowed claims in each impaired class of claims that have voted to accept or reject the plan, and (b) from the holders of at least two-thirds in dollar amount of the allowed equity interests in each impaired class of equity interests that have voted to accept or reject the plan. However, even if an "impaired" class rejects the plan, the bankruptcy court may confirm the plan if certain minimum treatment standards are met with respect to such class or classes. These standards are discussed in Article 9.3 of this Disclosure Statement.

Chapter 11 of the Bankruptcy Code does not require each holder of a claim or equity interest to vote in favor of a plan of liquidation in order for the bankruptcy court to confirm the plan. However, the bankruptcy court must find that the plan of liquidation meets a number of tests (other than the voting requirements described in this section) before it may confirm, or approve, the plan of liquidation. Many of these tests are designed to protect the interests of holders of claims or equity interests who do not vote to accept the plan of reorganization but who will nonetheless be bound by the plan's provisions if it is confirmed by the bankruptcy court.

6.2 Solicitation of Acceptances of the Plan. The Debtor and the Committee are seeking acceptances of the Plan from holders of Allowed Claims in Class 4 under the Plan, which is the only Class entitled to vote under the Plan. Holders of Unclassified Claims and those holding Claims in Classes 1 and 2 are deemed to accept the Plan. Pursuant to the WARN Act Settlement Agreement, Class 3 is deemed to have voted in favor of the Plan. Holders of Claims in Class 5 will receive nothing under the Plan and are deemed to have rejected the Plan. If the requisite acceptances by Class 4 are received, the Debtor will use those acceptances, as evidenced by the Ballots solicited in accordance with this Disclosure Statement and the Disclosure Statement Approval Order, to seek confirmation of the Plan under Chapter 11.

If any impaired Class is determined to have rejected the Plan in accordance with Section 1126 of the Bankruptcy Code, the Debtor or the Committee may use the provisions of Section 1129(b) of the Bankruptcy Code to satisfy the requirements for confirmation of the Plan. This process is further described in Article 9.3 of this Disclosure Statement.

The Debtor and Committee believe that this Disclosure Statement complies with applicable bankruptcy and non-bankruptcy law. This Disclosure Statement and the Plan are being transmitted to all known holders of impaired Claims and Equity Interests. The Debtor and Committee believe that this Disclosure Statement contains adequate information for all holders of impaired Claims entitled to vote on the Plan to cast an informed vote to accept or reject the Plan. Furthermore, the Debtor and Committee believe that holders of impaired Claims will obtain a greater recovery under the Plan than they would otherwise obtain if the Chapter 11 Case were immediately converted to a proceeding under Chapter 7 of the Bankruptcy Code.

If the Plan is confirmed by the Bankruptcy Court, each holder of an impaired Claim will receive the same pro rata consideration as other holders of Claims in the same Class, whether or not such holder voted to accept the Plan. Moreover, upon Confirmation, the Plan will bind all Creditors and Interest Holders regardless of whether or not such Creditors and Interest Holders voted to accept the Plan.

6.3 Classification of Claims and Equity Interests. Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify claims against a debtor. Under Section 1122 of the Bankruptcy Code, a plan must classify claims and equity interests into classes that contain substantially similar claims and equity interests. The Plan divides the Claims of known Creditors and the Equity Interests into Classes and sets forth the treatment offered each Class. The Debtor and Committee believe that all Claims and Equity Interests have been classified in compliance with the provisions of Section 1122 of the Bankruptcy Code, but it is possible that a Creditor or Interest Holder may challenge such classification of Claims and Equity Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be

confirmed. If so, the Debtor and the Committee intend, to the extent permitted by the Bankruptcy Code and the provisions of the Plan, to amend or revoke the Plan and file an amended or different Plan that would make modifications to the classification of Claims or Equity Interests required by the Bankruptcy Court for Confirmation.

The Classes under the Plan take into account the differing nature and priority of Claims against the Debtor. Section 101(5) of the Bankruptcy Code defines “Claim” as a “right to payment, whether or not such right is reduced to judgment, liquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or a “right to an equitable remedy for breach of performance if such breach gives rise to a right to payment whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.” A “Claim” against the Debtor also includes a Claim against the Debtor’s property as provided in Section 102(2) of the Bankruptcy Code. An “interest” in the Debtor is an Equity Interest in the Debtor.

For the holder of a claim to participate in a reorganization plan and receive the treatment offered to the class in which it is classified, its claim must be allowed. Under the Plan, an Allowed Claim is defined as a Claim: (a) proof of which, requests for payment of which, or application for allowance of which, was filed or deemed filed on or before the Bar Date, Administrative Claim Bar Date, or the Professional Fee Bar Date, as applicable, for filing proofs of claim or requests for payment for Claims of such type against the Debtor; (b) if no proof of claim is filed, which has been or is ever listed by the Debtor in the Schedules as liquidated in amount and not disputed or contingent; or (c) a Claim that is allowed in any contract, instrument, indenture, or other agreement entered into in connection with the Plan and, in the case of (a), (b) or (c), a Claim as to which no objection to its allowance has been interposed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court.

6.4 Treatment of Claims and Equity Interests under the Plan. See Article 2 of this Disclosure Statement.

6.5 Distributions Under the Plan. Except as otherwise provided in the Plan or the Confirmation Order, Distributions to holders of Claims shall be governed by the Trust Agreement, attached to the Plan as **Appendix A**.

ARTICLE 7 ADDITIONAL IMPLEMENTATION OF THE PLAN

7.1 Selection of the Liquidating Trustee. The Committee may select a qualified entity or individual to serve as Liquidating Trustee under the Trust Agreement. If the Committee elects to appoint the Liquidating Trustee, the Committee shall file with the Bankruptcy Court and serve on the Debtor, the United States Trustee, and all parties then receiving notice of pleadings in this Chapter 11 Case pursuant to Federal Rule of Bankruptcy Procedure 2002, not later than five (5) days prior to the Confirmation Hearing, a disclosure identifying a candidate for Liquidating Trustee, said person or entity’s qualifications for serving as Liquidating Trustee, and the terms of any fee arrangement. If the Committee does not appoint the Liquidating Trustee, the Debtor shall file with the Bankruptcy Court and serve on the Committee, the United States

Trustee, and all parties then receiving notice of pleadings in this Chapter 11 Case pursuant to Federal Rule of Bankruptcy Procedure 2002, not later than three (3) days prior to the Confirmation Hearing, a disclosure identifying a candidate for Liquidating Trustee, said person or entity's qualifications for serving as Liquidating Trustee, and the terms of any fee arrangement. The candidate identified pursuant to Section 5.1 of the Plan to serve as Liquidating Trustee shall be approved and confirmed by the Bankruptcy Court at the Confirmation Hearing to serve as Liquidating Trustee.

7.2 Dissolution of the Committee. The appointment and operation of the Committee shall terminate upon the appointment of the Oversight Committee under the Trust. Any dissolution or termination of the appointment and operations of the Committee shall not prejudice the rights of any agents of the Committee (including their Professionals and individual Committee Members) to pursue their separate claims for compensation and reimbursement of expenses, including Professional Fees, under the provisions of Sections 328, 330, 331 and/or 503(b)(3)(F) of the Bankruptcy Code.

7.3 Section 1145 Determination. Confirmation of the Plan shall constitute a determination, in accordance with Section 1145 of the Bankruptcy Code, that except with respect to an entity that is an underwriter as defined in section 1145(b) of the Bankruptcy Code, Section 5 of the Securities Act, the Securities Exchange Act and any other federal, state or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, broker or dealer in, a security do not apply to the offer, sale, or issuance under the Plan of the Trust Assets or the Beneficial Interests in exchange for Claims against the Debtor. Without in any manner limiting the foregoing, if registration and reporting under the Securities Act, Securities Exchange Act or any other federal, state or local law is required or advisable, the Liquidating Trustee will take steps to comply with those requirements.

7.4 Settlement and Compromise. Pursuant to Section 1123(b)(3) of the Bankruptcy Code, to the extent that the Plan incorporates any compromise or settlement, and (to the extent necessary), the Plan constitutes a motion under Bankruptcy Rule 9019 to approve such compromises and settlements.

7.5 Vesting of Assets. Upon the Effective Date, title to all of the Estate Property, in whatever form and wherever found, shall vest in the Trust.

7.6 Satisfaction and Release of all Claims. Except as provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Equity Interests under the Plan and under the Trust are in exchange for and in complete satisfaction, and release of, all Claims against the Debtor or Estate Property and termination of all Equity Interests. Except as provided in the Plan or the Confirmation Order, on the Effective Date: (a) all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code shall be deemed satisfied and released, whether or not: (i) a proof of claim based on such debt is filed or deemed filed under Section 501 of the Bankruptcy Code; (ii) a Claim based on such debt is Allowed under Section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) all Equity Interests and other rights of Equity Interests in the Debtor shall be terminated. Except as otherwise provided in the Plan, the Confirmation Order shall be a judicial

determination of the satisfaction and release of all of the Debtor's liabilities arising before the Effective Date. Pursuant to Bankruptcy Code Section 524, the Confirmation of the Plan shall void any judgment against the Debtor at any time obtained (to the extent it relates to a Claim treated under the Plan), and operates as an injunction against the prosecution of any action against the Debtor, the Estate Property, or the Liquidating Trustee (to the extent such action relates to a Claim treated under the Plan). The satisfaction and release of Claims contained within the Plan shall not constitute a discharge of the Debtor pursuant to Bankruptcy Code Section 1141(d).

7.7 Injunction. Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim that is deemed satisfied and released pursuant to the Plan or an Equity Interest, Equity Related Claim, or other right of an Interest Holder that is terminated under the Plan, are permanently enjoined from taking any of the following actions on account of any such Claims, or terminated Equity Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Debtor, the Liquidating Trustee, the Trust, the Committee or any individual Committee Member (including any officer or director acting as a representative of the Debtor, the Liquidating Trustee, the Trust, the Committee or individual Committee Member) to the extent that such action or proceeding arises from any act or omission of such party in connection with, relating to, or arising out of the Chapter 11 Case, the negotiation and pursuit of Confirmation of the Plan or the consummation of the Plan; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, or order against the Debtor, the Trust, the Liquidating Trustee, the Committee or any individual Committee Member, or their respective property; (c) creating, perfecting, or enforcing any lien or encumbrance against the Debtor, the Liquidating Trustee, the Trust, the Committee or any individual Committee Member, or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability, or obligation due to the Debtor, the Liquidating Trustee, the Trust, the Committee or any individual Committee Member, or their respective property; and (e) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent with the provisions of the Plan or the Bankruptcy Code, provided, however, that the foregoing shall not apply to any acts or omissions by any of the foregoing parties constituting gross negligence, willful misconduct, fraud, criminal conduct, unauthorized use of confidential information that causes damage or *ultra vires* acts, each as finally determined by a court of competent jurisdiction.

7.8 Exculpation. None of Debtor, the Committee, or any individual Committee Member or any of their respective members, officers, directors (excluding the Debtor's officers and directors except any Chief Responsible Officer or Vice Chief Responsible Officer appointed after the Petition Date), employees or Professionals have or may incur any liability to any holder of a Claim or Equity Interest, including the holder of any Equity Related Claim, or any other Person or party in interest, or any of their respective members or former members, agents, employees, representatives, financial advisors, attorneys or affiliates, or any of their successors or assigns, for any Chapter 11 Activities within the scope of Bankruptcy Code Section 1125(e), except for acts or omissions by any of the foregoing constituting willful misconduct, gross negligence, fraud, criminal conduct, unauthorized use of confidential information that causes damages or *ultra vires* acts, each as finally determined by a court of competent jurisdiction, and in all respects are entitled to reasonably rely upon the advice of counsel with respect to their

duties and responsibilities in connection with any Chapter 11 Activities within the scope of Bankruptcy Code Section 1125(e). No holder of a Claim, Equity Interest, Equity Related Claim or any other Person or party in interest, including their respective agents, employees, representatives, financial advisors, attorneys or affiliates, have any right of action against the Debtor, the Trust, the Liquidating Trustee, the Committee, or any individual Committee Member or any of their respective officers, directors, employees or Professionals for any act or omission in connection with any Chapter 11 Activities within the scope of Bankruptcy Code Section 1125(e), except for acts or omissions by any of the foregoing constituting willful misconduct, gross negligence, fraud, criminal conduct, unauthorized use of confidential information that causes damages or *ultra vires* acts, each as finally determined by a court of competent jurisdiction.

7.9 Governmental Unit Claims Against Non-Debtor Parties. No provision of the Plan shall be interpreted or construed to give rise to a release, discharge or injunction against, or exculpation from, any liability of any non-Debtor entity to any Governmental Unit for any act or omission unrelated to or not arising during the Chapter 11 Case or any Chapter 11 Activities.

7.10 Retention of Causes of Action/Reservation of Rights. Except as set forth in the Plan or the Confirmation Order, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Debtor or the Debtor's Estate may have or that the Trust or Liquidating Trustee may choose to assert on behalf of the Debtor or the Debtor's Estate under any provision of the Bankruptcy Code or any applicable non-bankruptcy law, including, without limitation: (i) any and all claims against any Person, to the extent such Person asserts a cross-claim, counterclaim and/or claim for setoff or recoupment that seeks affirmative relief against the Debtor or its officers, directors or representatives; (ii) the turnover of any Estate Property; and (iii) rights against financial advisors, underwriters, lenders or auditors relating to acts or omissions occurring prior to the Petition Date.

Except as set forth in the Plan or the Confirmation Order, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any claim, right of setoff or other legal or equitable defense that the Debtor had immediately prior to the Petition Date or arising thereafter. The Liquidating Trustee shall have, retain, reserve and be entitled to assert all such Claims, rights of setoff and other legal or equitable defenses that the Debtor had immediately prior to the Petition Date or arising thereafter and all of the Debtor's legal and equitable rights with regard to any Claim may be asserted by the Liquidating Trustee after the Effective Date.

Schedule 3b of the Debtor's Statement of Financial Affairs reflects that, within ninety (90) days before the Petition Date, approximately \$41.5 million in potential preference payments were made. Many of those payments, however, may be subject to one or more defenses under Section 547(c) of the Bankruptcy Code. As of the date of this Disclosure Statement, the Debtor has not undertaken a comprehensive review of the above payments, but believes that the actual amount of recoverable preferences, if any, will be substantially lower than \$41.5 million. The Debtor may also have Causes of Action against third parties under other provisions of the Bankruptcy Code or under applicable non-bankruptcy law, but no significant analysis of these claims has yet been performed.

NEITHER THE DEBTOR NOR THE COMMITTEE HAVE UNDERTAKEN A COMPLETE INVESTIGATION OR ANALYSIS OF THE CAUSES OF ACTION THE DEBTOR MAY HAVE, INCLUDING, BUT NOT LIMITED TO, AVOIDANCE ACTIONS UNDER CHAPTER 5 OF THE BANKRUPTCY CODE. AS A RESULT, EXCEPT FOR PERSONS OR ENTITIES RECEIVING AN EXPRESS RELEASE FROM THE DEBTOR, ALL PERSONS AND ENTITIES SHOULD UNDERSTAND THAT THEY MAY BECOME A DEFENDANT IN AN ACTION BROUGHT BY THE DEBTOR OR THE LIQUIDATING TRUSTEE, EVEN THOUGH IT IS NOT POSSIBLE AT THIS TIME TO ENUMERATE ALL SUCH ACTIONS OR IDENTIFY ALL SUCH DEFENDANTS. ALL PARTIES ARE DIRECTED TO SCHEDULE 3b OF THE DEBTOR'S STATEMENT OF FINANCIAL AFFAIRS TO DETERMINE IF SUCH PARTY RECEIVED A PAYMENT FROM THE DEBTOR DURING THE NINETY (90) DAYS PRECEDING THE PETITION DATE. THIS SCHEDULE IS AVAILABLE AT <http://www.kccllc.net/eosairlines>.

7.11 Preservation Of Insurance. Nothing in the Plan or confirmation of the Plan diminishes or impairs the enforceability of any insurance policy that may cover Claims against the Debtor or any other Person, including but not limited to any D&O Policy, all of which D&O Policies shall continue to remain in effect and enforceable against the insurer in accordance with their terms.

7.12 Retention of Jurisdiction. Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court retains such jurisdiction over the Chapter 11 Case after the Effective Date as is legally permissible including, without limitation, jurisdiction to:

(a) Allow, disallow, determine, liquidate, classify, estimate, reconsider, value, compromise, settle, adjust, or establish the amount, priority, validity, or secured or unsecured status of any Claim, including the resolution of any request for payment of any Unclassified Claim and the resolution of any and all objections to the allowance or priority of Claims or objections to Professional Fees;

(b) Grant or deny any applications for allowance of compensation or reimbursement of expenses arising out of or related to the Chapter 11 Case, including but not limited to Professional Fees, or any Claim or Equity Interest authorized under the Bankruptcy Code or the Plan;

(c) Resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtor is a party and to hear, determine and, if necessary, liquidate, any Claims arising from, or cure amounts related to, such assumption or rejection.

(d) Ensure that Distributions to holders of Allowed Claims are accomplished in accordance with the Plan;

(e) Decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters and grant or deny any applications or motions involving the Debtor that may be pending on the Effective Date or commenced thereafter by the Liquidating Trustee;

(f) Entertain such proceedings and enter such orders as may be necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan or the Disclosure Statement, except as otherwise provided in the Plan;

(g) Resolve any case, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any Person's obligations incurred in connection with the Plan;

(h) Modify the Plan before or after the Effective Date under Section 1127 of the Bankruptcy Code or modify the Disclosure Statement or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Disclosure Statement, including, without limitation, the Trust Agreement, whether under Section 1127 of the Bankruptcy Code or as otherwise permitted by law, the Plan or, in respect of the Trust Agreement, the Trust Agreement; or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Disclosure Statement, including, without limitation, the Trust Agreement, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code, and determine matters concerning federal, state, and local taxes in accordance with Sections 346, 505, and 1146 of the Bankruptcy Code or other applicable law;

(i) Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation or enforcement of the Plan, except as otherwise provided in the Plan;

(j) Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

(k) Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, the Trust Agreement or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, the Confirmation Order or the Trust Agreement except as otherwise provided in the Plan;

(l) Enter an order closing the Chapter 11 Case which provides for retention of jurisdiction for the Bankruptcy Court for purposes of Article 7.8;

(m) Adjudicate any Causes of Action (including those to be initiated and prosecuted by the Liquidating Trustee as the Estate's representative under Section 1123(b)(3)(B) of the Bankruptcy Code), and any other Cause of Action or claims of the Debtor;

(n) Resolve any disputes between the Liquidating Trustee and any holder of a Beneficial Interest; and

(o) Approve settlements of any Causes of Action or other disputes.

7.13 Amendment of the Plan. At any time before the Confirmation Date, the Debtor and Committee may alter, amend, or modify the Plan pursuant to Section 1127(a) of the Bankruptcy Code *provided* that such alteration, amendment, or modification is not inconsistent with the Bankruptcy Code and does not materially and adversely affect the treatment and rights of the holders of Class 4 Claims under the Plan. After the Confirmation Date and before Substantial Consummation of the Plan, the Debtor or Committee may, under Section 1127(b) of the Bankruptcy Code, and after the Effective Date the Liquidating Trustee may, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, the Confirmation Order or any document executed in connection with or contemplation of the Plan or Trust Agreement, and such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially and adversely affect the treatment of holders of Claims under the Plan; *provided, however*, that prior written notice of such proceedings shall be served in accordance with the Bankruptcy Rules or applicable order of the Bankruptcy Court, as applicable.

ARTICLE 8 EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 Executory Contracts and Unexpired Leases. Unless otherwise provided for in the Plan, on the Effective Date, all executory contracts and unexpired leases not previously rejected by the Debtor during the Chapter 11 Case shall be deemed rejected.

8.2 Rejection Damage Claim Bar Date. Except as otherwise provided in Article 8.1, all Rejection Damage Claims shall be filed with the Bankruptcy Court no later than thirty (30) days after the Effective Date. Any Rejection Damage Claim not filed by the applicable deadline shall be forever barred and shall not be entitled to any Distributions under the Plan. The Debtor and the Liquidating Trustee shall have the right to object to any Rejection Damage Claim.

ARTICLE 9 ACCEPTANCE AND CONFIRMATION OF THE PLAN

The following is a brief summary of the provisions of the Bankruptcy Code relevant to acceptance and confirmation of a plan of reorganization. Holders of Claims are encouraged to review the relevant provisions of the Bankruptcy Code with their own attorneys.

9.1 Acceptance of the Plan. This Disclosure Statement is provided in connection with the solicitation of acceptances or rejection of the Plan. The Bankruptcy Code defines acceptance of a plan of liquidation by a class of claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the allowed claims of that class that have actually voted or are deemed to have voted to accept or reject a plan. The Bankruptcy Code defines acceptance of a plan of liquidation by a class of interests as acceptance by at least two-thirds in amount of the allowed interests of that class that have actually voted or are deemed to have voted to accept or reject a plan.

If one or more impaired Class rejects the Plan, the Debtor and Committee may, in their discretion, nevertheless seek confirmation of the Plan if the Debtor and Committee believe that the requirements of Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan (which are summarized below) will be met, despite the lack of acceptance by all impaired Classes.

9.2 Confirmation.

(a) Confirmation Hearing. Section 1128(a) of the Bankruptcy Code requires the bankruptcy court, after notice, to hold a hearing on confirmation of a plan. Notice of the Confirmation Hearing regarding the Plan has been provided to all known holders of Claims and Equity Interests or their respective representatives along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

(b) Objection to Confirmation. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to Confirmation of the Plan must be in writing, must conform with the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, must set forth the name of the objecting party, the nature and amount of Claims or Equity Interests held or asserted by that party against the Debtor's Estate or property, and the specific basis for the objection. Such objection must be filed with the Bankruptcy Court, with a copy forwarded directly to the chambers of the Honorable Adlai S. Hardin, together with a proof of service, and served on all parties by the date set forth on the Confirmation Hearing Notice.

(c) Statutory Requirements for Confirmation of the Plan. At the Confirmation Hearing, the Debtor will request that the Bankruptcy Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If the Bankruptcy Court so determines, the Bankruptcy Court will enter an order confirming the Plan. The applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

(i) The Plan must comply with the applicable provisions of the Bankruptcy Code;

(ii) The Debtor must have complied with the applicable provisions of the Bankruptcy Code;

(iii) The Plan must have been proposed in good faith and not by any means forbidden by law;

(iv) Any payment made or promised to be made by the Debtor under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with the Plan, must have been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Plan must be reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment must be subject to the approval of the Bankruptcy Court as reasonable;

(v) The Debtor must have disclosed the identity and affiliates of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the Debtor under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, must be consistent with the interests of holders of Claims and Equity Interests and with public policy, and the Debtor must have disclosed the identity of any insider that the reorganized debtor, if any, will employ or retain, and the nature of any compensation for such insider;

(vi) With respect to each Class of impaired Claims or Equity Interests, either each holder of a Claim or Equity Interest of such Class must have accepted the Plan, or must receive or retain under the Plan on account of such Claim or Equity Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtor were liquidated on such date under Chapter 7 of the Bankruptcy Code. In a Chapter 7 liquidation, creditors and interest holders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments until all amounts due to senior classes have either been paid in full or payment in full is provided for: (i) first to secured creditors (to the extent of the value of the collateral), (ii) next to priority creditors, (iii) next to unsecured creditors, (iv) next to debt expressly subordinated by its terms or by order of the bankruptcy court, and (v) last to holder of equity interests. Attached as **Exhibit C** to this Disclosure Statement is a liquidation analysis prepared by the Debtor's financial advisors, which indicates that, in light of the foregoing priority scheme, if the Chapter 11 Case were converted to a Chapter 7 liquidation, holders of Allowed Claims and Equity Interests would receive less than they will receive under the Plan;

(vii) Each Class of Claims or Equity Interests must have either accepted the Plan or not be impaired under the Plan;

(viii) Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Allowed Administrative and Priority Claims (other than Allowed Priority Tax Claims) will be paid in full on the Effective Date and that Allowed Priority Tax Claims will either be paid in full or receive on account of such Claims deferred Cash payments, over a period not exceeding five years after the Petition Date equal to the value of the Allowed amount of such Claim;

(ix) At least one impaired Class of Claims must have accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of such Class; and

(x) Confirmation of the Plan must not be likely followed by the liquidation, or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan unless such is specifically provided for under the Plan.

9.3 Confirmation Without Acceptance by All Impaired Classes. Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan, even if such plan has not been accepted by all impaired classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class. If any impaired Classes reject or are deemed to have rejected the Plan, the Debtor and the Committee reserve their rights to seek the application of the requirements set forth in Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan despite the lack of acceptance by all impaired Classes.

Section 1129(b) of the Bankruptcy Code provides that, notwithstanding the failure of an impaired class to accept a plan or reorganization, the plan must be confirmed, on request of the plan proponent, in a procedure commonly known as “cramdown,” so long as the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each class of impaired claims or interests that has not accepted the plan.

The condition that a plan be “fair and equitable” with respect to a rejecting class of secured claims includes the requirements that (a) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan, and (b) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant’s interest in the debtor’s property subject to the liens.

The condition that a plan be “fair and equitable” with respect to a rejecting class of unsecured claims includes the requirement that either (a) such class receive or retain under the plan property of a value as of the effective date of the plan equal to the allowed amount of such claim or (b) if the class does not receive such amount, no class junior to the non-accepting class will receive a distribution under the plan.

The condition that a plan be “fair and equitable” with respect to a rejecting class of equity interests includes the requirements that either (a) the plan provides that each holder of an equity interest in such class receive or retain under the plan, on account of such equity interest, property of a value, as of the effective date of the plan, equal to the greater of (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such equity interest, or (b) if the class does not receive such amount, no class of equity interests junior to the rejecting class will receive a distribution under the plan.

ARTICLE 10 CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain material federal income tax consequences of the Plan is provided below. Such description only applies to holders of Allowed Claims in Class 4. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan and no tax opinion is given by this Disclosure Statement. No rulings or determination letters from the Internal Revenue Service (“IRS”) or any other tax authorities have been obtained or sought with respect to the Plan, and the description below is not binding upon the IRS or such other tax authorities.

The following discussion of federal income tax consequences is based on the Internal Revenue Code of 1986, as amended (the “Code”), regulations promulgated thereunder, judicial decisions, and published administrative rulings and pronouncements of the IRS as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated in the future could alter or modify the analyses and conclusions set forth below.

This discussion does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign entities, nonresident alien individuals, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, broker-dealers, and tax-exempt organizations). Furthermore, estate and gift tax issues are not addressed herein.

No representations are made regarding the particular tax consequences of the Plan to any individual holder of an Allowed Claim in Class 4. Each holder of an Allowed Claim in Class 4 is strongly urged to consult its own tax advisor regarding the federal, state, local and foreign tax consequences of the transactions described herein and in the Plan.

10.1 Federal Income Tax Consequences to the Holders of Allowed Claims in Class 4. If a holder of an Allowed Claim in Class 4 receives cash in full satisfaction of such Class 4 Allowed Claim, the holder may be permitted to recognize a loss (or may be required to recognize gain) equal to the difference between (i) the adjusted tax basis such holder had in its Class 4 Allowed Claim, and (ii) the amount of cash received. Depending upon the manner in which the Class 4 Allowed Claim arose, such loss (or gain) may either be capital or ordinary in nature. Due to limitations set forth in the Code, a holder of a Class 4 Allowed Claim that recognizes a capital loss upon the receipt of cash in full satisfaction of such Class 4 Allowed Claim may not be able to utilize such capital loss in the taxable year it arises or possibly ever.

If a holder of an Allowed Claim in Class 4 receives property in partial or full satisfaction of such Class 4 Allowed Claim, the holder may be permitted to recognize a loss (or may be required to recognize gain). Such loss (or gain) will equal the difference between (i) the adjusted tax basis such holder had in the portion of its Class 4 Allowed Claim that is satisfied by the receipt of property, and (ii) the fair market value of the property on the date it is received. Depending upon the manner in which the Class 4 Allowed Claim arose, such loss (or gain) may either be capital or ordinary in nature. Due to limitations set forth in the Code, a holder of a Class 4 Allowed Claim may not be able to utilize a capital loss in the taxable year it arises or possibly ever.

If a holder of a Class 1 Allowed Claim also has an Allowed Unsecured Deficiency Claim, such holder shall also be a Beneficiary (as defined below) of the Trust with regard to the Allowed Unsecured Deficiency Claim because, pursuant to the terms of the Plan, such Allowed Unsecured Deficiency Claim is deemed to be in Class 4. (The federal income tax consequences of which are discussed below).

10.2 Federal Income Tax Consequences Associated With the Trust. If the Trust is operated in accordance with the guidelines set forth in the Plan and the Trust Agreement, it will be a “grantor trust” under the Code. For federal income tax purposes, the holders of the Allowed Claims in Class 4 will be treated as the grantors, owners and beneficiaries of the Trust. (The holders of the Allowed Claims in Class 4 will be referred to as the “Beneficiaries” in the remainder of this discussion regarding the federal income tax consequences of the Plan).

10.3 Federal Income Tax Consequences to the Beneficiaries. For federal income tax purposes, on the Effective Date, the Debtor will be deemed to transfer to the Beneficiaries, the Trust Assets (i.e., all remaining property of the Debtor’s estate) followed by a deemed transfer of such assets by the Beneficiaries to the Trust. Each holder of an Allowed Claim in Class 4 will be treated as receiving its pro rata share of the Trust Assets upon the transfer of the Trusts Assets to the Trust.

Each Beneficiary may be permitted to recognize a loss (or may be required to recognize gain) upon the deemed transfer of the Trust Assets by the Debtor to the Beneficiaries. Each Beneficiary’s loss (or gain) will equal the difference between (i) the adjusted tax basis such Beneficiary had in its Allowed Claim, and (ii) the fair market value of such Beneficiary’s pro rata share of the Trust Assets on the Effective Date. The fair market value of any Avoidance Actions or other Causes of Action will be determined by the Liquidating Trustee and will be binding on the Beneficiaries, but will not be binding on the IRS. Depending upon the manner in which the Allowed Claim arose, such loss (or gain) may either be capital or ordinary in nature. Due to limitations set forth in the Code, a Beneficiary who recognizes a capital loss as a result of the deemed transfer to it of its pro rata share of the Trust Assets may not be able to utilize such capital loss in the taxable year it arises or possibly ever.

Although many Beneficiaries will not be required to recognize gain/income as a result of the deemed transfer to them of Pro Rata shares of the Trust Assets, certain situations may exist which will require a Beneficiary to do so. For example, if a Beneficiary’s Allowed Claim relates to a transaction pursuant to which the Beneficiary is required to recognize gain upon payment (for example, an installment sale), the Beneficiary may be required to recognize gain as a result

of the deemed transfer to it of its pro rata share of the Trust Assets. Also, if (1) a Beneficiary previously took a deduction or loss relating to the partial or entire worthlessness of its Allowed Claim, and (2) the fair market value of such Beneficiary's pro rata share of the Trust Assets exceeds its remaining adjusted tax basis, if any, in its Allowed Claim, such Beneficiary will be required to recognize gain/income. There are also numerous other reasons why a Beneficiary may be required to recognize gain/income as a result of the deemed transfer to it of its pro rata share of the Trust Assets. Therefore, each Beneficiary should consult its own tax advisor to determine if such Beneficiary will be required to recognize gain/income as a result of the deemed transfer.

Each Beneficiary's adjusted tax basis in its pro rata share of the Trust Assets will equal the fair market value of such pro rata share on the Effective Date. Because the assets of a grantor trust are deemed to be owned by the grantors, the Beneficiaries will not be required to recognize income or gain upon its deemed contribution of the Trust Assets to the Trust.

Grantor trusts are generally ignored for federal income tax purposes. Accordingly, the grantors (in this case, the Beneficiaries) of a grantor trust are treated as directly owning shares of the assets of the trust and are required to include in its taxable income its proportionate share of the trust's gains, losses, income, deductions and credits (without regard to the timing of distributions from the trust). For example, each holder of a Class 4 Allowed Claim will be required to report, as ordinary income, its pro rata share of any interest the Trust earns. Each holder of an Allowed Claim in Class 4 will also be required to recognize gain or loss when the Trust settles each Avoidance Action or other Cause of Action if such holder's adjusted tax basis in its Pro Rata share of the Avoidance Action or other Cause of Action is different than its Pro Rata share of the amount actually received by the Trust for such Avoidance Action or Cause of Action. Such gain or loss will be a capital gain or loss and may be short term or long term depending upon the date such Avoidance Action or Cause of Action is settled. The holding period for such Avoidance Action or Cause of Action will begin when the assets are placed in the Trust, and will end when each Avoidance Action or Cause of Action is finally settled. Due to limitations set forth in the Code, a holder of an Allowed Claim in Class 4 who recognizes a capital loss, may not be able to utilize such capital loss in the taxable year it arises or possibly ever. Each year the Trust is in existence, each holder of an Allowed Claim in Class 4 will receive from the Trust a statement, a copy of which will be filed with the IRS, informing such holder of the amount of income, gains, losses, deductions and credits such holder recognized from its share of the assets of the Trust.

Because each holder of an Allowed Claim in Class 4 should have been reporting on its federal income tax returns its proportionate share of the Trust's income, gain, losses, deductions and credits each taxable year, the actual cash distribution by the Trust to each such holder should not be a taxable event.

HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE TAX EFFECT OF THE PLAN IN THEIR PARTICULAR CIRCUMSTANCES.

10.4 Federal Income Tax Consequences to Holders of Equity Interests. Holders of Equity Interests will not receive or retain any property in exchange for the Equity Interests and

such Equity Interests will be cancelled on the Effective Date pursuant to the Plan. Interest Holders that hold such Equity Interests as capital assets should be entitled to a worthless stock deduction, but the proper timing of such deduction is not clear. Section 165(b) of the Code provides that if a security that is held as a capital asset becomes wholly worthless during the taxable year, the holder is entitled to a capital loss, which is treated as recognized from the sale or exchange of such security on the last day of such taxable year. The definition of “security” includes: (i) shares of stock in a corporation and (ii) the right to subscribe for shares of stock in a corporation. The amount of loss deductible is limited to the holder’s basis in the security.

10.5 Income Tax Withholdings. Necessary tax withholdings will be made by the Liquidating Trustee from all Distributions to holders of Administrative WARN Act Claims and Class 3 Unsecured WARN Act claims as described in the WARN Act Settlement Agreement, as well as all Priority Unsecured Non-Tax Claims arising under Section 507(a)(4) or (5) of the Bankruptcy Code and Unsecured Claims of the Debtor’s former employees arising from unpaid pre-petition wages or benefits.

10.6 Treasury Circular 230 Disclosure. THIS DISCLOSURE IS PROVIDED TO COMPLY WITH TREASURY CIRCULAR 230. THIS WRITTEN ADVICE IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. THIS ADVICE WAS WRITTEN TO SUPPORT THE PROMOTING, MARKETING OR RECOMMENDING OF THE TRANSACTION(S) OR MATTER(S) ADDRESSED BY THIS WRITTEN ADVICE, AND THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. NO LIMITATION HAS BEEN IMPOSED ON SQUIRE, SANDERS & DEMPSEY L.L.P. OR COHEN, TAUBER, SPIEVACK & WAGNER P.C. ON DISCLOSURE OF THE TAX TREATMENT OR TAX STRUCTURE OF THE TRANSACTION(S).

ARTICLE 11 RISK FACTORS

The liquidation of the Debtor involves a degree of risk, and this Disclosure Statement and certain of its Exhibits contain forward-looking statements that involve risks and uncertainty. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD CONSIDER CAREFULLY THE FOLLOWING FACTORS, IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, BEFORE SUBMITTING A VOTE TO ACCEPT OR REJECT THE PLAN.

11.1 Liquidation Factors. As with any plan of liquidation or other financial transaction, there are certain risk factors that must be considered. All risk factors cannot be anticipated; some events will develop in ways that were not foreseen, and many or all of the assumptions that have been used in connection with this Disclosure Statement and the Plan will not be realized exactly as assumed. Some or all of such variations may be material. While efforts have been made to be reasonable in this regard, there can be no assurance that subsequent events will bear out the analyses set forth in this Disclosure Statement. Holders of Claims and

Equity Interests should be aware of some of the principal risks associated with the contemplated reorganization:

(a) There is a risk that one of more of the required conditions or obligations under the Plan will not occur, be satisfied or waived, as the case may be, resulting in the inability to confirm the Plan.

(b) The total amount of all Claims filed in the Chapter 11 Case may be materially in excess of the estimated amounts of Allowed Claims assumed in the development of the Plan and in the valuation estimates provided above. The actual amount of all Allowed Claims in any Class may differ significantly from the estimates provided in this Disclosure Statement. Accordingly, the amount and timing of the Distributions that will ultimately be received by any particular holder of an Allowed Claim in any Class may be materially and adversely affected should the estimates be exceeded as to any Class.

(c) Proceeds realized from the liquidation of the Debtor's remaining assets may be materially lower than anticipated or the Debtor may not prevail in its efforts to either obtain or retain certain funds currently held by third parties, including credit card processors and funds held in escrow.

(d) Under the Plan, the Liquidating Trustee will be required to post a bond with respect to Trust Cash held in the Trust only if, in the view of the Committee or the Oversight Committee, such a bond is necessary in order to protect the Trust and all Beneficiaries against the risk of loss with respect to Trust Cash within control of the Liquidating Trustee and an appropriate bond can be obtained at reasonable cost to the Trust. If a bond is not posted, there is a risk of loss with respect to Estate Cash within the control of the Liquidating Trustee, which, absent a bond there may be no means to recover.

11.2 Certain Bankruptcy-Related Considerations

(a) **Risk of Non-Confirmation of the Plan.** Although the Debtor and Committee believe that the Plan will satisfy all requirements necessary for Confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. There can also be no assurance that modifications of the Plan will not be required for Confirmation, that such negotiations would not adversely affect the holders of Allowed Claims, or that such modifications would not necessitate the re-solicitation of votes.

(b) **Nonconsensual Confirmation.** If any impaired class of claims or equity interests does not accept a plan of reorganization, a bankruptcy court may nevertheless confirm such a plan of reorganization at the proponent's request if at least one impaired class has accepted the plan of reorganization (without including the acceptance of any "insider" in such class) and, as to each impaired class that has not accepted the plan of reorganization, the bankruptcy court determines that the plan of reorganization "does not discriminate unfairly" and is

“fair and equitable” with respect to rejecting impaired classes. If any Impaired Class of Claims or Equity Interests fails to accept the Plan in accordance with Section 1129(a)(8) of the Bankruptcy Code, the Debtor the Committee reserve the right to request nonconsensual Confirmation of the Plan in accordance with Section 1129(b) of the Bankruptcy Code.

ARTICLE 12

EXEMPTION FROM SECURITIES ACT REGISTRATION; REGISTRATION RIGHTS

Under the Plan, holders of Allowed Claims in Class 4 will receive securities (the uncertificated, beneficial interests in the Trust) in exchange for their Claims against the Debtor. In many cases, when securities are issued by an entity, they must be registered with the Securities and Exchange Commission and state securities commissions. However, Section 1145 of the Bankruptcy Code creates certain exemptions from the registration and licensing requirements of federal and state securities laws with respect to the issuance and distribution of securities by a debtor under a plan or reorganization to holders of claims or interests wholly or principally in exchange for those claims or interests.

12.1 Issuance of New Securities Under the Plan. In issuing the uncertificated beneficial interests in the Trust, the Debtor will rely on the exemption from the registration requirements of the Securities Act and/or the Securities Exchange Act (and the equivalent state statutes commonly referred to as “blue sky” laws) provided by Section 1145(a)(1) of the Bankruptcy Code. This means that the Debtor will not be required to register the securities with any federal or state agencies.

The specific reasons that the Debtor will not be required to register the securities is that Section 1145(a)(1) of the Bankruptcy Code exempts the issuance of securities from the requirements of the Securities Act of 1933, as amended, and the “blue sky” laws if the following conditions are satisfied:

- (a) the securities are issued by a debtor, an affiliate participating in a joint plan of reorganization with the debtor, or a successor of the debtor under a plan of reorganization;
- (b) the recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense against, the debtor; and
- (c) the securities are issued entirely in exchange for the recipient’s claim against or interest in the debtor, or are issued “principally” in such exchange and “partly” for cash or property.

The Debtor and Committee believe that the issuance of uncertificated, beneficial interests in the Trust in accordance with the Plan will satisfy these requirements and therefore, the issuance of such securities is exempt from the registration requirements of federal and state securities laws. First, the securities are issued by the Trust, which is considered a successor to the Debtor. Second, the persons and entities who receive beneficial interests in the Trust currently hold claims against and interests in the Debtor, so they are eligible to receive the securities without registering them. Third, the claims of the holders of Allowed Claims in Class

4 will be extinguished under the Liquidating Plan and in return they will receive the securities. Therefore, the requirements of the Bankruptcy Code are satisfied, and there is no need to register the securities.

12.2 Subsequent Transfer of Securities Issued Under the Liquidating Plan. The beneficial interests in the Trust issued pursuant to the Plan may not be transferred or sold by the holders of such beneficial interests other than by operation of law.

The beneficial interests will be held in book-entry form meaning that the Trust and Registrar will place each holder's name in a register with a notation indicating the fractional interest that each holder owns in the Trust. No holder of a beneficial interest will receive an actual piece of paper representing its interest unless the Trustee determines that such beneficial interests should be represented by certificates.

ARTICLE 13 ALTERNATIVES TO THE PLAN AND CONSEQUENCES OF REJECTION

If the Plan is not timely confirmed, the Chapter 11 Case may be converted to a Chapter 7 liquidation proceeding. In a Chapter 7 liquidation proceeding, a trustee would be appointed by the Bankruptcy Court to oversee the liquidation of the Debtor's assets. Such trustee would be entitled to retain a new set of professionals, including lawyers and accountants, to review and analyze all of the Claims and the Debtor's assets. In addition, the trustee would be entitled to request a commission on all distributions made to the Creditors. The Debtor and Committee believe that conversion to a Chapter 7 liquidation proceeding and the appointment of a new trustee and new estate professionals would increase professional fees and result in further delays and a reduction in distributions to the Creditors.

The Debtor could continue in a Chapter 11 proceeding while the Debtor's assets are being liquidated and distributed. In a Chapter 11 proceeding, the Debtor's assets would be sold subject to higher and better bids under Bankruptcy Court supervision, and the Debtor's Avoidance Actions and other Causes of Action would be pursued. However, the professionals would continue to be retained and their services would be necessary in preparing the motions and applications and advising the Debtor and the Committee. In addition, every action of the Debtor would be subject to the same level of scrutiny and the objections of the various parties in interest. Obviously, this would further delay the receipt of any distributions by the Creditors since the Bankruptcy Court's approval would need to be obtained prior to the sale of any assets, and the professional fees incurred in the Chapter 11 proceeding would drain the Debtor of the cash that would otherwise be paid to the Creditors.

In addition, another alternative plan could be pursued by another party-in-interest to the extent that it is allowed by the Bankruptcy Court and the Bankruptcy Code. These plans could be pursued with permission of the Bankruptcy Court or after the Debtor have failed to gain acceptance of the Plan. Pursuit of multiple plans would be expensive, since the Estate's Professionals would need to evaluate the competing plans and file objections, if appropriate, to one or more competing plans. This would incur a substantial amount of Professional Fees which would ultimately reduce the funds available to repay the Creditors of the Debtor.

The Debtor, Committee and their respective Professionals have explored various alternative scenarios, including the scenarios described above, and believe that the Plan enables the holders of Claims to realize the maximum recovery under the circumstances. The Debtor and Committee believe that the Plan is the best plan that can be proposed and served the best interests of the Debtor and other parties in interest.

Attached to this Disclosure Statement as **Exhibit C** is a liquidation analysis prepared by the Debtor with the assistance of, and in consultation with, its financial and legal advisors. The estimated recoveries set forth on **Exhibit C** are based upon, among other things, the Debtor's estimate of certain Claims to which the Debtor either has objected or will object, and expected recoveries or certain assets or Claims the Debtor holds against third parties.

ARTICLE 14 GENERAL PROVISIONS

14.1 Dissolution of the Debtor. Upon the Effective Date, the Liquidating Trustee shall be entitled to thereafter seek dissolution of the Debtor pursuant to applicable state law.

14.2 Recognition of Subordination Rights. Except as otherwise provided in the Plan, all Claims and Equity Interests based upon any claimed contractual subordination rights pursuant to any provision of the Bankruptcy Code or other applicable law, shall be deemed satisfied by the Distributions proposed under the Plan to holders of Allowed Claims having any such contractual subordination rights. The Distributions to the various classes of Claims under the Plan shall not be subject to levy, garnishment, attachment or like legal process for any holder of a Claim by reason of any claimed contractual subordination rights or otherwise of the holder of a Claim against the holder of another Claim, except as expressly provided in the Plan. On the Effective Date, all holders of Claims shall be deemed to have waived any and all contractual subordination rights that they may have with respect to such Distributions, and the Bankruptcy Court shall permanently enjoin, effective as of the Effective Date, all holders of such Claims from enforcing or attempting to enforce any such subordination rights with respect to such Distributions.

14.3 Plan Classifications. The Debtor reserves the right to separate the Classes of Claims and Equity Interests hereunder and create subclasses to the extent necessary to effectuate confirmation of the Plan.

14.4 Binding Effect. The Plan shall be binding upon and inure to the benefit of the Debtor, the holders of Claims, the holders of Equity Interests and their respective successors and assigns, *provided, however*, that if the Plan is not confirmed or the Effective Date does not occur, the Plan shall be null and void and nothing contained in the Plan or in this Disclosure Statement shall be deemed to: (i) constitute a waiver, acknowledgment or release of any Claim by or against or any Equity Interest in the Debtor or any other Person; (ii) prejudice in any manner the rights of the Debtor, its Estate or any other Person; or (iii) constitute an admission by the Debtor or any other Person with respect to any matter set forth in the Plan or this Disclosure Statement, including any liability on any Claim or the amount, priority or validity of such Claim.

14.5 No Attorneys' Fees. Other than the Professional Fees, no attorneys' fees or other professional fees shall be paid by the Debtor with respect to any Claim or Equity Interest except as specified in the Plan or as provided by the Confirmation Order or other Final Order of the Bankruptcy Court.

14.6 No Interest. Except as otherwise provided in the Plan, no interest shall accrue or be payable with respect to any Claim or Equity Interest, disputed or otherwise.

14.7 Severability. If the Bankruptcy Court determines that any provision of the Plan is unenforceable either on its face or as applied to any Claim or Equity Interest, the Debtor may modify the Plan in accordance with Section 15.9 thereof so that such provision shall not be applicable to the holder of any Claim or Equity Interest. Any such determination of unenforceability shall not (i) limit or affect the enforceability and operative effect of any other provision of the Plan or (ii) require the resolicitation of any acceptance or rejection of the Plan unless otherwise ordered by the Bankruptcy Court.

14.8 Exemption from Taxes. Pursuant to Section 1146(a) of the Bankruptcy Code, (i) the creation of any Lien or other security interest, or (ii) the making or assignment of any lease or sublease, or (iii) the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including, without limitation, any restructuring, disposition, liquidation, or dissolution, deeds, bills of sale, or transfers of tangible property, shall not be subject to any stamp tax or other similar tax. Unless the Bankruptcy Court orders otherwise, all sales, transfers and assignments of owned and leased real and personal property, approved by the Bankruptcy Court on or prior to the Effective Date are deemed to have been in furtherance of, or in connection with, this Plan.

14.9 Governing Law. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the Plan and any agreements, documents and instruments executed in connection therewith shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

ARTICLE 15 RECOMMENDATION AND CONCLUSION

The Debtor, the Committee and their respective professional advisors have analyzed different scenarios and believe that the Plan will provide for a larger distribution to holders of Claims than would otherwise result if an alternative restructuring plan were proposed or the Debtor's assets were liquidated in a Chapter 7 proceeding. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in potentially smaller distributions to the holders of Claims. Accordingly, the Debtor and the Committee recommend confirmation of the Plan and urge all holders of Impaired Claims and Equity Interests to vote to accept the Plan and to indicate acceptance by returning its Ballots so as to be received by no later than the Voting Deadline.

Dated: December 17, 2008

Eos Airlines, Inc., debtor and debtor-in-possession

By: /s/ Caralyn Galletta
Name: Caralyn Galletta
Title: Chief Responsible Officer

Official Committee of Unsecured Creditors of Eos Airlines, Inc.

By: /s/ Jim Snover
Name: Jim Snover
Title: Chairman

Respectfully submitted:

<p>SQUIRE, SANDERS & DEMPSEY L.L.P.</p> <p><u>/s/ Tim J. Robinson</u> Stephen D. Lerner (SL - 7598) Tim J. Robinson (OH 0046668) Nicholas J. Brannick (OH 0079642) 1095 Avenue of the Americas, 31st Floor New York, New York 10036 Phone: 212.872.9800 Fax: 212.872.9815</p> <p><i>Counsel for the Debtor and Debtor-in-Possession</i></p>	<p>COHEN TAUBER SPIEVACK & WAGNER P.C.</p> <p><u>/s/ Joseph M. Vann</u> Joseph M. Vann (JV-7601) Robert A. Boghosian (RB-5822) Ira R. Abel (IA-1869) 420 Lexington Avenue, 24th Floor New York, New York 10170 Ph: (212) 586-5800 Fx: (212) 586-5095</p> <p><i>Counsel to the Official Committee of Unsecured Creditors of Eos Airlines, Inc.</i></p>
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SUMMARY OF EXHIBITS

- Exhibit A-1 Plan of Reorganization of Debtor under Chapter 11 of the Bankruptcy Code dated October 23, 2007
- Exhibit A-2 Order of the Bankruptcy Court approving (i) the Disclosure Statement, (ii) forms of Ballots and (iii) notice of, and fixing the time for submitting Ballots and the Confirmation Hearing
- Exhibit A-3 Ballot to Accept or Reject Plan
- Exhibit B Income Statements and Balance Sheets for Fiscal Years Ending December 31 2006 and 2007
- Exhibit C Liquidation Analysis

EXHIBIT A-1

PLAN OF REORGANIZATION

[SEE ATTACHED]

EXHIBIT A-2

ORDER APPROVING DISCLOSURE STATEMENT

EXHIBIT A-3

BALLOT TO ACCEPT OR REJECT PLAN

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
 :
In re: :
 : **CHAPTER 11**
EOS AIRLINES, INC. :
 : **CASE NO. 08-22581 (ASH)**
Debtor :
 :
 -----X

CLASS 4 BALLOT FOR ACCEPTING OR REJECTING PLAN

**PLEASE READ AND FOLLOW THE VOTING INSTRUCTIONS CAREFULLY BEFORE
COMPLETING THIS BALLOT**

1. Eos Airlines, Inc.(the “**Debtor**”) and the Official Committee of Unsecured Creditors of Eos Airlines, Inc. have filed a Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the United States Bankruptcy Code (the “**Plan**”) in its Chapter 11 Case pending before the United States Bankruptcy Court for the Southern District of New York (the “**Court**”). By this Ballot you may vote to accept or reject the Plan.
2. The Court has approved a Disclosure Statement with respect to the Plan. The Disclosure Statement provides information to assist you in deciding how to cast your Ballot. If you do not have a Disclosure Statement, you may obtain a copy from the attorneys for the Debtor whose contact information is set forth below. Court approval of the Disclosure Statement does not indicate approval of the Plan by the Court.
3. You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your Claim under the Plan.
4. If your Ballot is not received by the Debtor’s voting agent (the “**Voting Agent**”), whose name appears below, by **5:00 p.m., prevailing Pacific Time, on January 21, 2009**, and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan.
5. If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.
6. The amount of your Class 4 General Unsecured Claim for purposes of voting on the Plan is set forth immediately below. If you disagree with this amount, you must file appropriate a timely and appropriate pleading before the Court to have your Claim estimated at a different amount for voting purposes.

AMOUNT OF CLASS 4 GENERAL UNSECURED CLAIM FOR VOTING PURPOSES: \$ _____

7. The undersigned *[check one box only]*:

ACCEPTS THE PLAN

REJECTS THE PLAN

**THE DEBTOR AND COMMITTEE RECOMMEND THAT YOU ACCEPT THE PLAN
BY CHECKING THE “ACCEPT THE PLAN” BOX ABOVE**

Dated: _____

Name *[Print or type]*: _____

Signature: _____

Title *[if corporation or partnership]*: _____

Address: _____

Telephone/Facsimile Number: _____

RETURN THIS BALLOT TO THE DEBTOR’S VOTING AGENT AT:

EOS Airlines, Inc. Ballot Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

**THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM AND WILL NOT BE
CONSIDERED A PROOF OF CLAIM**

Counsel to the Debtor: Squire, Sanders & Dempsey L.L.P., Attn: Nicholas Brannick, 2000 Huntington Center, 41 South High Street, Columbus, OH 43215, Phone: 614.365.2700

APPENDIX A
VOTING INSTRUCTIONS FOR COMPLETING THE CLASS 4 BALLOT

The Debtor and Committee are soliciting your vote with respect to the Plan. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan and the Disclosure Statement. Please review the Plan and the Disclosure Statement carefully and thoroughly before you vote.

To have your vote count, you must complete, sign and return the attached Ballot so that it is received by the Debtor's Voting Agent:

EOS Airlines, Inc. Ballot Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

in either case, no later than **5:00 p.m. prevailing Pacific Time, on January 21, 2009** (the "Voting Deadline"), unless the Debtor extends or waives such Voting Deadline, in which case the term "Voting Deadline" for such solicitation shall mean the last time and date to which such solicitation period is extended.

If a Ballot is received after the Voting Deadline, it may not be counted. Except as otherwise provided herein, delivery of Ballots will be deemed made only on the date the original executed Ballot is **actually received** by the Voting Agent. In all cases, sufficient time should be allowed to assure timely delivery. **Delivery of a Ballot to the Voting Agent by facsimile, e-mail or any other electronic means will not be accepted. No Ballot should be sent to the Debtor, counsel for the Debtor, counsel for the Committee, or the Bankruptcy Court.**

If a creditor casts simultaneous duplicative Ballots which are voted inconsistently, such Ballots shall count as one vote accepting the Plan.

The Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan.

The Ballot does not constitute, and shall not be deemed to be, a Proof of Claim or Interest or an assertion or admission of a Claim or Equity Interest.

Please be sure to sign and date your Ballot. If you are completing the Ballot on behalf of an entity, indicate your relationship with such entity and the capacity in which you are signing. In addition, please provide your name and mailing address if different from that set forth on the attached mailing label or if no such mailing label is attached to the Ballot.

PLEASE COMPLETE, SIGN AND DATE THE BALLOT AND RETURN IT TO THE VOTING AGENT IN THE ENVELOPE PROVIDED. PLEASE RETURN YOUR BALLOT PROMPTLY!

If you would like to request a copy of the Disclosure Statement via email, please send your email to nbrannick@ssd.com.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CALL THE VOTING AGENT AT 1-866-381-9100

EXHIBIT B
SELECTED FINANCIAL STATEMENTS
[SEE ATTACHED]

Eos Airlines, Inc.
Profit & Loss

	2006	2007
Statement of Operations		
Operating Revenue		
Passenger Revenue	31,538,933.51	76,866,088.96
Other Revenue	4,468,946.40	7,959,642.13
Charter Revenue	3,641,291.44	6,707,304.40
Cargo Revenue	574,062.00	350,054.70
Other	253,592.96	902,283.03
	<hr/>	<hr/>
Total Operating Revenue	36,007,879.91	84,825,731.09
	<hr/> <hr/>	<hr/> <hr/>
Operating Expenses		
Salaries & Related Costs	(21,231,197.94)	(29,487,166.68)
Aircraft Fuel	(14,813,487.90)	(26,381,623.21)
Selling & Marketing	(15,747,332.41)	(16,747,504.15)
Aircraft Rent & Maintenance Reserves	(10,057,013.68)	(14,894,516.88)
Landing Fees and Other Rents	(2,508,439.28)	(2,360,173.33)
Maintenance Materials & Repairs	(3,133,648.57)	(3,367,119.43)
Passenger Service	(9,046,104.25)	(15,198,622.42)
Depreciation & Amortization	(4,816,604.88)	(5,969,245.39)
Other Operating Expenses	(22,242,653.60)	(24,147,138.83)
	<hr/>	<hr/>
Total Operating Expenses	(103,596,482.51)	(138,553,110.32)
	<hr/> <hr/>	<hr/> <hr/>
Other Income (Expense)		
Interest Income	881,958.86	2,051,399.98
Interest Expense	(544,736.16)	(137,304.86)
Capitalized Interest	93,000.00	137,300.79
Other Income (Expense)	67,590.48	-
	<hr/>	<hr/>
Total Other Income (Expense)	497,813.18	2,051,395.91
	<hr/> <hr/>	<hr/> <hr/>
Net Income /(Loss)	(67,090,789.42)	(51,675,983.32)

Eos Airlines, Inc.
Balance Sheet

	12/31/2006	12/31/2007
Assets		
Current Assets		
Cash & Cash Equivalents	31,407,086.52	6,802,866.18
Short term Investments	3,785,000.00	32,328,125.00
Receivables, Less Allowance	3,499,048.85	8,760,624.20
Cargo Receivable	131,223.05	153,801.98
Charter Receivable	-	49,479.15
Agency Receivable	604,516.41	1,612,485.69
Taxes Receivable	290,436.96	255,347.26
Credit Cards & Other	2,543,648.43	6,747,138.18
Allowances for Bad Debts	(70,776.00)	(57,628.06)
Prepaid Expenses & Other	1,930,651.66	4,107,628.99
Total Current Assets	40,621,787.03	51,999,244.37
Flight Equipment Cost	21,660,262.13	30,401,571.51
Flight Equipment Accumulated Depreciation	(4,549,480.40)	(8,597,737.08)
Flight Equipment (Net)	17,110,781.73	21,803,834.43
Other Property & Equipment Cost	5,574,413.84	8,125,521.13
Other Property & Equipment Accun Depreciation	(1,722,309.92)	(3,528,970.41)
Other Property & Equipment (Net)	3,852,103.92	4,596,550.72
TotalProperty & Equipment	20,962,885.65	26,400,385.15
Other Assets		
Restricted Cash	346,646.60	330,763.29
Deposits & Other Assets	2,490,896.40	5,893,225.50
Total Other Assets	2,837,543.00	6,223,988.79
Total Assets	64,422,215.68	84,623,618.31
Liabilities & Stockholder's Equity		
Current Liabilities		
Accounts Payable	(6,630,264.18)	(9,486,161.09)
Air Traffic Liability	(8,470,109.62)	(15,387,268.54)
Accrued Salaries & Related Costs	(2,457,709.92)	(3,257,699.70)
Other Accrued Liabilities	(468,649.97)	(2,282,529.87)
Current Portion of Long Term Debt	(1,586,060.00)	(703,093.32)
Total Current Liabilities	(19,612,793.69)	(31,116,752.52)
Long Term Debt & Capital Lease Obligations	(834,797.09)	(503,500.91)
Long Term Liabilities	-	(462,646.64)
Stockholder's Equity		
Preferred Stock	(154.67)	(245.25)
Common Stock	(6.63)	(5.55)
Additional Paid in Capital	(160,661,651.08)	(210,903,638.24)
Preferred Stock Receivable	10,000,000.00	-
Retained Earnings (Loss)	106,687,187.48	158,363,170.80
Total Stockholder's Equity	(43,974,624.90)	(52,540,718.24)
Total Liabilities & Stockholder's Equity	(64,422,215.68)	(84,623,618.31)

EXHIBIT C

LIQUIDATION ANALYSIS

[SEE ATTACHED]

THE FINANCIAL PROJECTIONS CONTAINED IN THIS LIQUIDATION ANALYSIS REPRESENT THE DEBTOR'S ESTIMATES OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS, SOME OR ALL OF WHICH MAY NOT BE REALIZED. NONE OF THE FINANCIAL ANALYSES CONTAINED IN THIS LIQUIDATION ANALYSIS ARE CONSIDERED TO BE A "FORECAST" OR "PROJECTION" AS TECHNICALLY DEFINED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS.

NOTHING IN THIS LIQUIDATION ANALYSIS MAY BE CONSIDERED, CONSTRUED OR INTRODUCED AS EVIDENCE OF AN ADMISSION OF ANY LIABILITY OF THE DEBTOR OR ITS ESTATE OR THE AMOUNT, PRIORITY OR VALIDITY OF ANY CLAIM. CERTAIN CLAIMS HAVE BEEN ESTIMATED BASED ON THE DEBTOR'S REVIEW OF THOSE CLAIMS IN ORDER TO PROVIDE THIS LIQUIDATION ANALYSIS. THESE CLAIMS MAY BE ALLOWED AT AMOUNTS THAT ARE HIGHER THAN THE DEBTOR'S ESTIMATES OR MAY BE DISALLOWED IN FULL.

THE DEBTOR HAS NOT COMPLETED ITS ANALYSIS OF POTENTIAL AVOIDANCE ACTIONS AND, THEREFORE, NO ESTIMATED AMOUNT OF POTENTIAL RECOVERIES FROM AVOIDANCE ACTIONS IS INCLUDED IN THIS LIQUIDATION ANALYSIS. THIS INTENTIONAL OMISSION IS NEITHER AN ADMISSION AS TO THE EXISTENCE OR NON-EXISTENCE, OR THE POTENTIAL AMOUNT OF, ANY AVOIDANCE ACTION, NOR A WAIVER OF ANY POTENTIAL AVOIDANCE ACTION OR CAUSE OF ACTION THE DEBTOR OR ITS ESTATE MAY HOLD.

EOS Airlines, Inc.
Liquidation Analysis
PRELIMINARY - UNAUDITED

	Estimated Range of Recovery				Notes:
	Low	%	High	%	
Cash on Hand - 10/17/2008	\$ 4,188,337	100%	\$ 4,188,337	100%	(1)
Net Proceeds from Credit Card Holdbacks	825,000	33%	2,500,000	100%	(2)
Proceeds from Collection of Prepaid taxes	322,000	50%	644,000	100%	(3)
Proceeds from Liquidation of Assets (PP&E)					
Seat Shipsets	-	0%	75,000	100%	(4)
Charter Revenue Recovery					
Constellation	-	0%	409,281	100%	(5)
Hasan Tatanaki	-	0%	470,174	100%	(6)
Preference Recoveries	-	0%	-	100%	
Total Proceeds Available for Distribution	5,335,337		8,286,792		
Post-petition Accounts Payable	180,000		180,000		(7)
Salary and Accrued Vacation	75,029		75,029		(8)
Payroll Tax	6,973		6,973		(8)
Professional Fees	1,500,000		1,500,000		(9)
Reclamation Claims	241,123		241,123		(10)
Non Insider Retention	50,766		50,766		(8)
Post-petition aircraft rent and maintenance	950,000		950,000		(11)
WARN Litigation	350,000		350,000		(12)
Total Administrative Expenses	3,003,891		3,003,891		
Administrative Claims Estimated Recovery	100.0%		100.0%		
Net Proceeds Available for Distribution	2,331,446		5,282,901		
Priority Claims					
Pre-Petition Wages, Salary, Tax and Expenses	688,645		688,645		
Pre-Petition Accrued Vacation	281,684		281,684		
Pre-Petition Taxes	68,864		68,864		
Total Priority Claims	1,039,193		1,039,193		
Priority Claims Estimated Recovery	100.0%		100.0%		
Net Proceeds Available for Distribution	1,292,252		4,243,707		
WARN ACT Claimants	458,749		1,506,516		(12)
Net Proceeds Available for Distribution	833,503		2,737,191		
Total General Unsecured Claims	63,140,859		45,282,961		
Unsecured Claims Estimated Recovery	1.3%		6.0%		

NOTES:

- Represents cash on hand per bank statements at 10/17/2008.
- Represents the current estimate of net credit card holdback through August 2008 (includes American Express, Barclaycard, U.S. Bank, etc.).
- Represents the pre-petition prepayment for all Federal and State Taxes including Excise, Immigration, and Sales & use taxes.
- Represents the current highest bid for Eos seat shipsets (3 sets).
- Represents monies applicable to Charter flights flown and currently residing in escrow. Release of funds is subject to results pending litigation.
- Represents monies applicable to Charter flights flown and currently residing in escrow. Release of funds is subject to results pending litigation.
- Estimated amount of operating accounts payable through December 31, 2008.
- Represents remaining salary, taxes, accrued vacation and non-insider incentive payments to remaining (3) Eos employees necessary to assist in the claims reconciliation and win-down of the case.
- Represents an estimate of remaining professional fees (including current 20% holdback) for Squire Sanders, Cohen Tauber, Alvarez & Marsal and MCR assuming a December 31, 2008 confirmation.
- Represents estimate of remaining payments due on 503 (b) 9 claims.
- Represents settlement with Mexicana and reduction of administrative claim filed by ILFC to remove amounts that are clearly invalid or not entitled to administrative priority.
- Represents settlement of WARN Act litigation consisting of \$350,000 Administrative payment and 35.5% of proceeds after Priority Claims are satisfied.

EXHIBIT A-1

PLAN OF REORGANIZATION

[SEE ATTACHED]

SQUIRE, SANDERS & DEMPSEY L.L.P.
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Counsel for the Debtor and Debtor-in-Possession

Counsel to the Official Committee of Unsecured Creditors of Eos Airlines, Inc.

**UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK**

-----X
 :
In re: :
 : **CHAPTER 11**
EOS AIRLINES, INC. :
 : **CASE NO. 08-22581 (ASH)**
Debtor :
 :
 :
 -----X

**JOINT PLAN OF LIQUIDATION OF EOS AIRLINES, INC. UNDER
 CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE
 DECEMBER 18, 2009**

<p>SQUIRE, SANDERS & DEMPSEY L.L.P.</p> <p><u>/s/ Tim J. Robinson</u> Stephen D. Lerner (SL - 7598) Tim J. Robinson (OH 0046668) Nicholas J. Brannick (OH 0079642) 1095 Avenue of the Americas, 31st Floor New York, New York 10036 Phone: 212.872.9800 Fax: 212.872.9815</p> <p><i>Counsel for the Debtor and Debtor-in-Possession</i></p>	<p>COHEN TAUBER SPIEVACK & WAGNER P.C.</p> <p><u>/s/ Joseph M. Vann</u> Joseph M. Vann (JV-7601) Robert A. Boghosian (RB-5822) Ira R. Abel (IA-1869) 420 Lexington Avenue, 24th Floor New York, New York 10170 Phone: (212) 586-5800 Fax: (212) 586-5095</p> <p><i>Counsel to the Official Committee of Unsecured Creditors of Eos Airlines, Inc.</i></p>
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Eos Airlines, Inc., the debtor and debtor-in-possession in the above-captioned Chapter 11 case (“**Debtor**”) and the Official Committee of Unsecured Creditors of Eos Airlines, Inc. (the “**Committee**”), propose the following joint plan of liquidation (the “**Plan**”) for the resolution of Claims against and Equity Interests in the Debtor. All creditors and other parties-in-interest should refer to the Disclosure Statement for a discussion of the Debtor’s history, business, properties, results of operations, events leading up to the Chapter 11 Case, financial projections for Creditor recoveries, and for a summary and analysis of this Plan and certain related matters.

All holders of Claims against, and Equity Interests in, the Debtor are strongly encouraged to read this Plan, the Disclosure Statement and the related solicitation materials in their entirety before voting to accept or reject this Plan.

Subject to the restrictions on modifications set forth in Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, and the restrictions on modifications set forth in Section 13 of this Plan, the Debtor expressly reserves the right to alter, amend, or modify this Plan one or more times before its substantial consummation.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE BANKRUPTCY COURT, HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

SECTION 1 DEFINITIONS AND RULES OF INTERPRETATION

For purposes of this Plan, (i) any reference in this Plan to an existing document or exhibit filed or to be filed means that document or exhibit as it may have been or may be amended, supplemented, or otherwise modified after such filing; (ii) unless otherwise specified, all references in this Plan to sections, articles, and exhibits are references to sections, articles, or exhibits of this Plan; (iii) any and all exhibits annexed to the Plan or to the Disclosure statement are incorporated into and made a part of this Plan as if set forth in full herein; (iv) the words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to this Plan in its entirety and not to any particular portion of this Plan; (v) captions and headings contained in this Plan are inserted for convenience and reference only, and are not intended to be part of or to affect the interpretation of this Plan; (vi) wherever appropriate from the context, each term stated in either the singular or the plural includes the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and neuter gender; and (vii) the rules of construction outlined in Section 102 of the Bankruptcy Code and in the Bankruptcy Rules apply to this Plan. To the extent there are any inconsistencies between the terms of this Plan and the Disclosure Statement, the terms of this Plan shall govern.

As used in this Plan, the following terms have the meanings specified below:

Administrative Claim. A Claim, cause of action, right, or other liability, or the portion thereof, that is allowable under Section 503(b) of the Bankruptcy Code and entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including, without limitation: (a) fees payable

under 28 U.S.C. § 1930; (b) actual and necessary costs and expenses incurred after the Petition Date and in the ordinary course of the Debtor's business; (c) actual and necessary costs and expenses of preserving the Estate or administering the Chapter 11 Case; (d) all Claims for Professional Fees; (e) other Claims approved as Administrative Claims as ordered by the Bankruptcy Court and (f) the Allowed WARN Act Administrative Claim.

Administrative Claim Bar Date. The deadline set forth in Section 2.5 of this Plan for the filing of Administrative Claims, *except* Claims for Professional Fees.

Administrative Expense Reserve. The reserve of the Debtor's Cash to be established by the Liquidating Trustee prior to making any Distributions to provide for the payment of Allowed Administrative Claims.

Affiliate. Any Person within the definition set forth in Section 101(2) of the Bankruptcy Code.

Allowance Date. With respect to (a) a Disputed Claim, the date on which such Disputed Claim becomes an Allowed Claim by Final Order; (b) a Claim Allowed by Final Order, the date on which such Claim becomes an Allowed Claim under the Final Order; and (c) notwithstanding Sections 501(a), 502(a) and 1111(a) of the Bankruptcy Code, any other Claim that is not a Disputed Claim, the date that is 60 days after the Effective Date.

Allowed Claim or Allowed Equity Interest. With respect to any Claim against, or Equity Interest in, the Debtor: (a) proof of which, requests for payment of which, or application for allowance of which, was filed or deemed filed on or before the Bar Date, Administrative Claim Bar Date, the Professional Fee Bar Date or the Rejection Damage Bar Date, as applicable, for filing proofs of claim or equity interest or requests for payment for Claims of such type against the Debtor; (b) if no proof of claim or equity interest is filed, which is at the time of allowance listed by the Debtor in the Schedules as liquidated in amount and not disputed or contingent; or (c) a Claim or Equity Interest that is allowed pursuant to the terms of this Plan, provided however, that in the case of (a), (b) or (c), no objection to its allowance has been interposed within the applicable period of limitation fixed by this Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court. If a Claim becomes Allowed by virtue of an Order of the Bankruptcy Court, it shall be deemed Allowed upon the order becoming a Final Order. For purposes of determining the amount of an Allowed Claim (other than a Claim specifically allowed under this Plan), there shall be deducted therefrom an amount equal to the amount of any claim or debt that the Debtor may hold against the Creditor whether under Sections 502 or 553 of the Bankruptcy Code or otherwise.

Allowed [...] Claim. An Allowed Claim in the particular Class or category specified.

Allowed Class 5 Equity Interest. An Allowed Equity Interest in Class 5 of this Plan.

Allowed WARN Act Administrative Claim. An Administrative Claim under Section 503(b)(1) of the Bankruptcy Code in the amount of \$350,000 arising pursuant to the terms of the WARN Act Settlement Agreement and payable pursuant to the terms thereof.

Allowed Unsecured WARN Act Claim. A Claim against the Debtor's estate arising pursuant to the WARN Act Settlement Agreement entitling the WARN Act Class to 35.5% of all funds available for Distribution to holders of Allowed Class 4 General Unsecured Claims.

Available Cash. Trust Cash less (i) any Cash held in Trust Reserves; and (ii) amounts distributable to holders of Allowed Class 3 Unsecured WARN Act Claims pursuant to the terms of the WARN Act Settlement Agreement.

Avoidance Actions. All statutory causes of action preserved for the Estate under Sections 506, 510, 542, 543, 544, 545, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code.

Ballot. The form of ballot or ballots approved by the Bankruptcy Court and distributed with the Disclosure Statement to holders of Claims entitled to vote on this Plan on which an acceptance or rejection of this Plan is to be indicated.

Bankruptcy Code. Title 11 of the United States Code, 11 U.S.C. §§ 101-1532 as existing on the Petition Date and as amended thereafter to the extent the enactment of such amendments makes such amendments applicable to the Chapter 11 Case.

Bankruptcy Court. The United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Case or, in the event that court ceases to exercise jurisdiction over the Chapter 11 Case, such court that may have jurisdiction over the reorganization of the Debtor under chapter 11 of the Bankruptcy Code.

Bankruptcy Rules. Collectively, the Federal Rules of Bankruptcy Procedure as promulgated under 28 U.S.C. § 2075 and any Local Rules of the Bankruptcy Court, as applicable to the Chapter 11 Case.

Bar Date. The date or dates fixed by the Bankruptcy Court by which Persons asserting a Claim against the Debtor (*except* Administrative Claims, Claims for Professional Fees or Rejection Damage Claims arising after the Confirmation Date) must file a proof of claim or be forever barred from asserting a Claim against the Debtor or any Estate Property, from voting on this Plan, and sharing in Distributions under this Plan. The Bar Dates for non-governmental Claims was July 28, 2008, and, with respect to certain enumerated Claims set forth in a Final Order of the Bankruptcy Court, November 7, 2008. The Bar Date for Claims of Governmental Units was October 23, 2008.

Beneficial Interest. A beneficial interest in the Trust Assets that shall be allocated to each Beneficiary entitled to Distributions from the Trust pursuant to this Plan and the Trust Agreement.

Beneficiary. A Person holding a Beneficial Interest under the Trust.

Business Day. Any day other than a Saturday, Sunday, or legal holiday, as defined in Bankruptcy Rule 9006(a).

Cash. Legal tender of the United States of America and equivalents thereof, including readily marketable direct obligations of the United States of America, certificates of deposit

issued by a federally insured bank, money market accounts of federally insured banks, currency, checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks, money orders, negotiable instruments, and wire transfers of immediately available funds.

Cause of Action. Any and all claims, debts, demands, rights, defenses, actions, causes of action, suits, contracts, rights of action, choses in action, controversies, agreements, obligations, accounts, defenses, offsets, powers, privileges, provisions, rights to legal or equitable remedies and rights to payment, licenses and franchises of any kind or character whatsoever, known or unknown, suspected or unsuspected, reduced to judgment, liquidated, fixed, contingent, matured, disputed, secured or unsecured, whether arising before, on, or after the Petition Date, in contract or in tort, at law or in equity, or under any other theory of law, of the Debtor or its Estate, including (a) rights of setoff, counterclaim, or recoupment, and claims on contracts or for breaches of duties imposed by law, (b) claims pursuant to Section 362 of the Bankruptcy Code, (c) such claims and defenses as fraud, mistake, duress, and usury, and (d) all Avoidance Actions.

Chapter 11 Activities. Is defined in Section 10.4 of this Plan.

Chapter 11 Case. The case under chapter 11 of the Bankruptcy Code in which Debtor is debtor and debtor-in-possession, pending before the Bankruptcy Court, bearing case number 08-22581.

Claim. A claim, as defined in Section 101(5) of the Bankruptcy Code, against a Person or its property including, without limitation: (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured arising at any time before the Effective Date and (b) any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

Claims Agent. Kurtzman Carson Consultants, L.L.C.

Claim Objection. An objection to any Claim or Equity Interest pursuant to Section 502 of the Bankruptcy Code or otherwise.

Class. A category of holders of Claims or Equity Interests which are substantially similar in nature to the Claims or Equity Interests of other holders placed in such category, as designated in Section 3 of this Plan.

Class 4 Beneficial Interest. Any Beneficial Interest to be allocated to holders of Allowed Class 4 General Unsecured Claims pursuant to the Trust Agreement.

Collateral. Any property or interest in property of the Estate subject to a Lien to secure the payment or performance of a Claim, to the extent such Lien is not subject to avoidance under the Bankruptcy Code, disallowance under Section 506 of the Bankruptcy Code, void, invalid or unenforceable under the Bankruptcy Code or applicable state law, or subject to the costs or expenses of preservation under Section 506(c) of the Bankruptcy Code.

Committee. The Official Committee of Unsecured Creditors, appointed by the United States Trustee in the Chapter 11 Case in accordance with Section 1102(a)(1) of the Bankruptcy Code, as may be reconstituted from time to time.

Committee Member. Any current or former member of the Committee.

Confirmation Date. The date on which the Bankruptcy Court enters the Confirmation Order on the Chapter 11 Case docket maintained by the Bankruptcy Court pursuant to Bankruptcy Rules 5003 and 9021.

Confirmation Hearing. The hearing held by the Bankruptcy Court to consider confirmation of this Plan under Section 1129 of the Bankruptcy Code, as such hearing may be adjourned from time to time.

Confirmation Order. The order of the Bankruptcy Court confirming this Plan in accordance with the Bankruptcy Code.

Contingent Claim. Any Claim (a) that was listed by the Debtor in the Schedules as unliquidated or contingent and for which no proof of claim was filed in the Chapter 11 Case or (b) for which a proof of claim has been filed with the Bankruptcy Court that: (i) was not filed in a sum certain, or that has not accrued and is dependent on a future event that has not occurred and may never occur, and (ii) has not been allowed on or before the Effective Date, or such other date as the Bankruptcy Court may establish.

Creditor. Any Person within the definition in Section 101(10) of the Bankruptcy Code.

D&O Policy. Any directors and officers liability insurance policy or any errors and omissions policy applicable to current or former directors and officers of Debtor.

Debtor. Eos Airlines, Inc., as debtor and debtor-in-possession in the Chapter 11 Case, in accordance with Sections 1107 and 1108 of the Bankruptcy Code.

Debtor's Cash. All of the Cash of the Debtor as of the Effective Date.

Disclosure Statement. The written disclosure statement relating to this Plan including, without limitation, all exhibits and schedules to such disclosure statement, in the form approved by the Bankruptcy Court under Section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017.

Disclosure Statement Approval Order. The Final Order of the Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017 approving the Disclosure Statement.

Disputed Claim or Disputed Equity Interest. Any Claim or Equity Interest: (a) that is listed in the Schedules as unliquidated, disputed, or contingent, irrespective of the amount scheduled and for which no proof of Claim or proof of Equity Interest has been filed with the Bankruptcy Court; (b) every Claim, or part thereof, proof of which has been filed with the Bankruptcy Court and as to which (i) an objection to the allowance thereof, (ii) a request for estimation thereof, (iii) a request for equitable subordination or recharacterization thereof or (iv)

a request to otherwise limit recovery in accordance with the Bankruptcy Code and the Bankruptcy Rules, has been or is interposed and which objection has not been withdrawn, settled or determined by a Final Order of the Bankruptcy Court; (c) that is a Contingent Claim; or (d) with respect to an Administrative Claim, as to which an objection has been or is filed in accordance with this Plan, the Bankruptcy Code, or the Bankruptcy Rules, which objection has not been withdrawn or determined by a Final Order. For the purposes of this Plan, a Claim or Equity Interest is a Disputed Claim or Disputed Equity Interest prior to any objection to the extent that (i) the amount of a Claim or Equity Interest specified in a proof of claim or proof of interest exceeds the amount of any corresponding Claim or Equity Interest scheduled by the Debtor in the Schedules or (ii) no corresponding Claim or Equity Interest has been scheduled by the Debtor in the Schedules.

Disputed Claim Reserve. A reserve account established within the Trust and funded with Trust Cash to satisfy in full any Disputed Claim or Disputed Administrative Claim or to pay the Pro Rata portion of any Distribution to which the holder of a Disputed Claim or Disputed Administrative Claim would be entitled if such Disputed Claim or Disputed Administrative Claim were an Allowed Claim or Allowed Administrative Claim.

Disputed [...] Claim. A Disputed Claim in the particular Class or category specified.

Distribution. A distribution of Available Cash or non-Cash consideration to the Beneficiaries under the Trust Agreement.

Distribution Date. The date or dates on which the Liquidating Trustee makes a Distribution to the holders of Unclassified Claims, Allowed Class 1, Class 2, or Class 3 Claims or the holders of Beneficial Interests in the Trust. Except as otherwise set forth in the Trust Agreement, a Distribution Date shall occur not more than once each calendar quarter and not less than once every six (6) months, unless otherwise agreed to by the Oversight Committee, but in any event, not less than once per year on each anniversary date of the Initial Distribution Date.

Distribution Record Date. The Effective Date.

Effective Date. The later of: (a) the first Business Day following the tenth day (as calculated under Bankruptcy Rule 9006(a)) after the Confirmation Date and on which no stay of the Confirmation Order is in effect and (b) the Business Day on which all of the conditions to effectiveness set forth in this Plan have been satisfied or waived in writing as provided in this Plan to the satisfaction of the Committee.

Equity Interest. Any issued, unissued, authorized or outstanding capital stock, and any other equity security (as defined in Section 101(16) of the Bankruptcy Code) in the Debtor and any and all (i) shares, (ii) securities, options, warrants, rights, calls, subscriptions, agreements, commitments or understandings of any nature whatsoever, fixed or contingent, that directly or indirectly (A) call for the issuance, redemption, sale, pledge or other disposition of any shares of capital stock of the Debtor, (B) obligate the Debtor to grant, offer or enter into any of the foregoing or (C) relate to the voting or control of such capital stock, securities or rights, and (iii) “phantom stock”, stock appreciation rights or other similar rights, the value of which is related to or based upon the price or value of any class or series of capital stock of the Debtor.

Equity Related Claim. Any Claim arising from the rescission of a purchase or sale of an Equity Interest, or for damages arising from the purchase or sale of an Equity Interest, or any Claim by any Person that asserts equitable or contractual rights of reimbursement, contribution, or indemnification arising from such Claim, including any Claim that has been or may be asserted against the Debtor and their officers and/or directors asserting violations of federal securities laws including, without limitation, actions under Sections 11 and 15 of the Securities Act and Sections 10(b) and 20 of the Exchange Act, and Rule 10b-5 promulgated under the Exchange Act by the SEC, and any applicable non-federal law.

Estate. The bankruptcy estate of the Debtor and all Estate Property comprising the bankruptcy estate within the meaning of Section 541 of the Bankruptcy Code, including, without limitation, all Causes of Action and all proceeds of the foregoing (including, without limitation, “proceeds” as defined in the Uniform Commercial Code).

Estate Cash. All Cash held by the Debtor as of the Effective Date, wherever located.

Estate Property. All right, title, and interest in and to any and all property of every kind or nature owned and wherever located by the Debtor or comprising its Estate on the Effective Date, including, without limitation, all rights to recover property or Cash through Causes of Action or otherwise.

Exchange Act. The Securities Exchange Act of 1934, as amended, and the regulations promulgated under that act.

Federal Judgment Rate. Pursuant to 28 U.S.C. § 1961(a), the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System.

Final Distribution Date. The Distribution Date on which the Liquidating Trustee distributes the remaining proceeds of the Trust Assets pursuant to the Trust Agreement.

Final Order. An order or judgment: (a) as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired; (b) as to which any right to appeal, petition for certiorari, reargue, or rehear has been waived in writing in form and substance satisfactory to the Debtor or Liquidating Trustee; or (c) in the event of an appeal, writ of certiorari, or motion for reargument or rehearing has been filed, such judgment or order has not been reversed, modified, stayed, or amended; *provided, however,* that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order does not prevent such order from being a Final Order.

GAAP. Means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or in such other statements by such other entity as approved by a significant segment of the accounting profession which are in effect in the United States).

General Unsecured Claim. Any Unsecured Claim, including an Unsecured Deficiency Claim, if any, that is not a: (a) Secured Claim; (b) Administrative Claim; (d) Priority Unsecured Tax Claim; (e) Priority Unsecured Non-Tax Claim; or (f) Allowed WARN Act Unsecured Claim.

Governmental Unit. Shall have the meaning ascribed to such term under Section 101(27) of the Bankruptcy Code.

Initial Distribution Date. The first Business Day after the Effective Date or as soon thereafter as is practicable on which Distributions are made to holders of Class 1, 2, 3 or 4 Claims and Beneficial Interests in accordance with this Plan and the Liquidating Trust Agreement.

Interest Holder. Any Person holding an Equity Interest in the Debtor.

IRS. The United States Internal Revenue Service.

Lien. A lien, security interest, or other interest or encumbrance as defined in Section 101(37) of the Bankruptcy Code asserted against any Estate Property, except a lien that has been avoided in accordance with Sections 544, 545, 546, 547, 548, or 549 of the Bankruptcy Code or applicable law, that is void pursuant to Section 506(d), that is invalid or unenforceable pursuant to applicable law or that is preserved for the Estate in accordance with Section 550 of the Bankruptcy Code.

Liquidating Trustee. The Person (and any successor) appointed to serve as the liquidating trustee under the Trust Agreement.

Objection Deadline. The date by which objections to any Claims or Equity Interests must be filed with the Bankruptcy Court and served upon the holders thereof, which date shall be, unless extended by the Bankruptcy Court upon motion by the Liquidating Trustee (which request shall be granted upon any reasonable cause shown including, without limitation, additional time needed by the Liquidating Trustee to analyze Claims), (a) for Administrative Claims, forty five (45) Business Days after the Administrative Claims Bar Date; (b) for Professional Fees, the date that is thirty (30) Business Days after the Professional Fee Bar Date; (c) for Rejection Damage Claims, the date that is forty five (45) Business Days after the Rejection Damage Claim Bar Date; and (d) for all other Claims, the date that is sixty (60) Business Days after the Effective Date.

Oversight Committee. The Oversight Committee as may be appointed and reconstituted from time to time under the Trust Agreement. The Oversight Committee shall be comprised initially of those members of the Committee willing to serve, and thereafter as provided for in the Trust Agreement.

Person. shall have the meaning set forth in Section 101(41) of the Bankruptcy Code.

Petition Date. April 26, 2008.

Plan. This Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the Bankruptcy Code dated November , 2008, including all its annexed exhibits and schedules as it or they may be amended, supplemented or modified from time to time.

Priority/Secured Claim Reserve. The reserve of Trust Cash to be established by the Liquidating Trustee pursuant to the Trust Agreement for the payment of Priority Unsecured Tax Claims and Class 1 and Class 2 Claims.

Priority Unsecured Non-Tax Claim. Any Unsecured Claim (or portion of such Claim) entitled to priority under Sections 507(a)(2-7) of the Bankruptcy Code.

Priority Unsecured Tax Claim. Any Unsecured Claim (or portion of such Claim) of a Governmental Unit entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

Professionals. Those Persons (a) employed in accordance with an order of the Bankruptcy Court under Sections 327 or 1103 of the Bankruptcy Code and to be compensated for services under Sections 327, 328, 329, 330, and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement has been Allowed by the Bankruptcy Court under Section 503(b) of the Bankruptcy Code.

Professional Fee Bar Date. The date by which all applications for compensation or expense reimbursement for Professional Fees, must be filed with the Bankruptcy Court in accordance with Section 2.6 of this Plan.

Professional Fees. The Administrative Claims of Professionals for compensation and reimbursement of expenses submitted in accordance with Sections 328, 330, 331, or 503(b) of the Bankruptcy Code.

Pro Rata. As to a holder of a particular Claim, the ratio that the amount of such Claim held by such Creditor bears to the aggregate amount of all Claims in the particular Class or category of Claims to which such holder's Claim has been assigned. Such ratio shall be calculated as if all Claims in the particular Class or category asserted against the Debtor are Allowed Claims as of the Effective Date, unless specifically provided otherwise in this Plan.

Rejection Damage Claim. A Claim arising from the rejection of an executory contract or unexpired lease of non-residential real property under Section 365 of the Bankruptcy Code.

Reserved Beneficial Interest. A Beneficial Interest that has been reserved pursuant to the Trust Agreement.

Schedules. The schedules of assets and liabilities, the list of holders of interests, and the statements of financial affairs filed by the Debtor in the Chapter 11 Case under Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists, and statements may have been or may be supplemented or amended from time to time.

SEC. The United States Securities and Exchange Commission.

Secured Claim. A Claim for which a Creditor asserts a valid, perfected, and enforceable Lien, not subject to avoidance, disallowance, or subordination under the Bankruptcy Code or applicable non-bankruptcy law and to the extent not chargeable with costs or expenses of preservation under Section 506(c) of the Bankruptcy Code, or a Claim for which a Creditor asserts a setoff under Section 553 of the Bankruptcy Code, but only to the extent of the value,

determined in accordance with Section 506(a) of the Bankruptcy Code, of the Creditor's interest in the Debtor's interest in Estate Property or to the extent of the amount subject to such setoff, as the case may be, unless a timely election has been made under Section 1111(b)(2) of the Bankruptcy Code.

Securities Act. The Securities Act of 1933, as amended, and its applicable regulations.

Securities Exchange Act. The Securities Exchange Act of 1934, as amended, and its applicable regulations.

Substantial Consummation. Means: (i) the transfer of all or substantially all of the Estate Property to the Trust as proposed under this Plan; (ii) assumption by the Liquidating Trustee of the management of all or substantially all of the Estate Property as directed by this Plan and the Trust Agreement; and (iii) commencement of Distributions under this Plan, all of which shall be deemed to have occurred on the Effective Date.

Trust. The trust established pursuant to this Plan and the Trust Agreement, the funds of which shall be held in a segregated interest-bearing trust account or accounts established and maintained by the Liquidating Trustee, and into which trust account(s) shall be deposited Cash property of the Estate existing as of and following the Effective Date. The Trust is intended to be treated, at least in part, as a liquidating trust within the meaning of Treasury Regulations Section 301.7701-4(d), for the benefit of Beneficiaries entitled to Distributions and the Trust shall not conduct any trade or business but shall solely engage in such activity as is necessary or warranted for the Trust and Liquidating Trustee to satisfy their respective obligations and discharge their respective duties under the Plan and the Trust Agreement.

Trust Agreement. The Trust Agreement which shall be substantially in the form of Appendix A attached hereto, with such modifications as may be consented to on or prior to the Effective Date by the Committee.

Trust Assets. All Property of the Estate as of the Effective Date, including, but not limited to, Estate Cash, all Causes of Action and all proceeds of the foregoing (including, without limitation, "proceeds" as defined in the Uniform Commercial Code).

Trust Cash. All Cash received and held by the Trust, including (a) interest accrued thereon, and (b) Cash held in the Trust Reserves.

Trust Cost. Any reasonable cost and expense of the Liquidating Trustee of administering the Trust (including making Distributions to holders of Beneficial Interests), paying taxes on behalf of the Trust, and paying Professional Fees and expenses incurred by the Liquidating Trustee in connection with the administration of the Trust.

Trust Operating Reserve. The reserve of Trust Cash to be established under the Trust Agreement for the payment of Trust Costs.

Trust Reserve. Any reserve established and maintained by the Liquidating Trustee under the Trust Agreement into which the Liquidating Trustee shall deposit, or shall cause to be

deposited, Trust Cash in connection with the operation of the Trust or the Distributions to holders of Class 1, Class 2, Class 3 or Class 4 Claims or Beneficial Interests.

Unclassified Claims. Those Claims enumerated in Section 2.1 of this Plan.

United States Trustee. The Office of the United States Trustee for Region 2.

Unsecured Claim. A Claim that is not a Secured Claim. The term specifically includes, without limitation, any tort Claims or contractual Claims or Claims arising from damage or harm to the environment and, pursuant to Section 506(a) of the Bankruptcy Code, any Unsecured Deficiency Claim, or any Claim for damages resulting from rejection of any Executory Contract under Section 365 of the Bankruptcy Code.

Unsecured Deficiency Claims. Any portion of a Claim (a) to the extent the value of the holder's interest in the Estate Property securing such Claim is less than the amount of such Claim or (b) to the extent the amount of a Claim subject to setoff is less than the amount of the Claim, each as determined by the Bankruptcy Court under Section 506(a) of the Bankruptcy Code.

Unsecured WARN Act Claim. The Claim of the WARN Act Class arising under the WARN Act Settlement Agreement whereby the WARN Act Class is entitled to 35.5% of all Funds available for Distribution to holders of Allowed Class 4 Claims.

Voting Record Date. The date that the Bankruptcy Court enters an order on the docket of the Chapter 11 Case approving the Disclosure Statement.

WARN Act. The federal Worker Adjustment and Retraining Notification (WARN) Act, 49 U.S.C §§ 2101-2109.

WARN Act Class. Shall have the meaning ascribed to the term "Class" in the WARN Act Settlement Agreement.

WARN Act Litigation. That certain adversary proceeding captioned *Mochmal v. Eos Airlines, Inc. (In re Eos Airlines, Inc.)*, Adversary Proceeding Number 08-08279, filed before the Bankruptcy Court on April 28, 2008.

WARN Act Settlement Agreement. The settlement agreement among the Debtor, Committee and counsel for the WARN Act Class resolving the WARN Act Litigation and approved by the Bankruptcy Court on September 25, 2008.

SECTION 2 TREATMENT OF UNCLASSIFIED CLAIMS

2.1 Unclassified Claims. As provided in Section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Claims and Allowed Priority Unsecured Tax Claims against the Debtor are not classified for purposes of voting on, or receiving Distributions under, this Plan. Holders of such Claims are not entitled to vote on this Plan. All such Claims are instead treated separately in accordance with Section 2 of this Plan and in accordance with the requirements set forth in Section 1129(a)(9) of the Bankruptcy Code.

2.2 Payment of Administrative Claims and Professional Fee Claims. Allowed Administrative Claims and Allowed Professional Fees incurred through the Effective Date shall be paid by the Liquidating Trustee from Trust Cash within ten (10) days after the Allowance Date for such Administrative Claims.

2.3 Payment of Allowed Priority Unsecured Tax Claims. Any Allowed Priority Unsecured Tax Claim shall, at the Liquidating Trustee's discretion, either: (i) be paid in full by the Liquidating Trustee from Trust Cash within ten (10) days from the Allowance Date of such Priority Unsecured Tax Claim, or (ii) receive in regular installments payments in Cash of the total value of such Claim as of the Effective Date over a period of not more than five (5) years from the Petition Date.

2.4 U.S. Trustee Fees. All fees owing to the United States Trustee pursuant to 28 U.S.C. § 1930 shall be paid by the Debtor as such fees may become due for periods up to and including the Effective Date. Following the Effective Date and the transfer of all Estate Assets to the Trust, all U.S. Trustee Fees thereafter due or payable from the Debtor shall be payable by the Trust, including statutory interest, if any, until entry of a final decree dismissing or closing the Chapter 11 Case.

2.5 Administrative Claim Bar Date. All requests for payment of Administrative Claims (except for Professional Fee Claims) must be filed with the Bankruptcy Court on or prior to the Effective Date and served on the Debtor, the Committee and the Liquidating Trustee, or, unless otherwise agreed by the Oversight Committee and approved by the Court, the holders of such Administrative Claims shall be forever barred from asserting such Administrative Claims and shall not be entitled to any Distributions under this Plan.

2.6 Professional Fee Claims Bar Date. All requests for payment of Professional Fee Claims arising on or before the Effective Date shall be filed with the Bankruptcy Court and served on the Debtor, the United States Trustee, the Liquidating Trustee and the Committee within thirty (30) business days following the Effective Date. Any Professional Fee Claims for which an application or request for payment is not filed within that time period shall be deemed released and forever barred, and shall not be entitled to any Distribution under this Plan.

2.7 Post-Effective Date Professional Fees. Any Professional Fee Claims incurred by any Professionals arising after the Effective Date shall be paid by the Liquidating Trustee out of the Trust Operating Reserve without further application to the Bankruptcy Court, but subject to review and opportunity to object by the Liquidating Trustee and Oversight Committee. Any disputes regarding post-Effective Date Professional Fees shall be submitted to the Bankruptcy Court upon reasonable notice for determination.

SECTION 3 CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

3.1 Summary of Classification. In accordance with Section 1123(a)(1) of the Bankruptcy Code, all Claims of Creditors and holders of Equity Interests (except those Unclassified Claims receiving treatment as set forth in Section 2) are placed in the Classes

described below for all purposes, including voting on, confirmation of, and distribution under, this Plan:

<u>Class</u>	<u>Title</u>	<u>Estimated Recovery</u>	<u>Entitled To Vote</u>	<u>Distributions</u>
Class 1	Allowed Secured Claims	100%	No	On the Effective Date, either (A) return of the Collateral securing such Claim; (B) if the value of the Collateral exceeds the value of the Allowed Secured Claim, proceeds from the sale of the Collateral in the amount of any Allowed Secured Claim; or (C) such other treatment as necessary for holder to be unimpaired.
Class 2	Allowed Priority Unsecured Non-Tax Claims	100%	No	Cash on the Effective Date.
Class 3	Allowed Unsecured WARN Act Claims	100%	Yes	Distribution of 35.5% of funds available for distribution to Class 4 General Unsecured Claims on each Distribution Date. Governed by the WARN Act Settlement Agreement.
Class 4	Allowed General Unsecured Claims	Approximately 1.3% to 6.0%	Yes	Pro Rata distribution from Available Cash on hand on each Distribution Date.
Class 5	Allowed Equity Interests and Equity Related Claims	0%	No	No distribution. Equity Interests to be cancelled.

3.2 Specific Classification.

3.2.1 Class 1 – Secured Claims. Class 1 consists of all Allowed Secured Claims.

3.2.2 Class 2 - Allowed Priority Unsecured Non-Tax Claims. Class 2 consists of all Allowed Priority Non-Tax Claims.

3.2.3 Class 3 – Allowed Unsecured WARN Act Claims. Consists of the Allowed Unsecured WARN Act Claims held by members of the WARN Act Class.

3.2.4 Class 4 – General Unsecured Claims. Class 4 consists of all General Unsecured Claims.

3.2.5 Class 5 – Equity Interests and Equity Related Claims. Class 5 consists of all Equity Interests and Equity Related Claims.

SECTION 4 TREATMENT OF CLAIMS AND EQUITY INTERESTS; IMPAIRMENT

4.1 Class 1 – Secured Claims.

4.1.1 Impairment and Voting. Class 1 is unimpaired by this Plan; consequently, all holders of Allowed Class 1 Claims are deemed to accept this Plan and are not entitled to vote on this Plan.

4.1.2 Treatment. Each holder of an Allowed Secured Claim shall receive (i) the Collateral securing such Claim; (ii) if Collateral is sold for Cash pursuant to this Section 4, proceeds in the amount of such Allowed Secured Claim, to the extent the value of the Collateral exceeds the Allowed Secured Claim but subject to any costs or expenses of preservation allowable under Section 506(c) of the Bankruptcy Code; or (iii) such other consideration as is necessary to render such Allowed Secured Claim as unimpaired.

4.1.3 Sale of Collateral. The Liquidating Trustee may sell for Cash any Trust Asset serving as Collateral for an Allowed Secured Claim. Any sale proceeds remaining after full satisfaction of the Allowed Secured Claim as set forth in Section 4.1.2 shall remain a Trust Asset and shall be free and clear of all interests, Liens, Claims, and encumbrances.

4.1.4 Transfer of Collateral. Except as otherwise provided in this Section 4.1, the Liquidating Trustee may satisfy any Allowed Secured Claim by transferring and conveying any Trust Asset serving as Collateral for such Claim to the holder of the Allowed Secured Claim to the extent of such Claim. Any Collateral remaining after satisfaction of the Allowed Secured Claim shall remain a Trust Asset and shall be free and clear of any interests, Liens, Claims, and encumbrances.

4.1.5 Retention of Lien. Except as otherwise provided in this Plan, each holder of an Allowed Secured Claim shall retain the Liens on Estate Property securing such Allowed Secured Claim until such Allowed Secured Claim is satisfied in accordance with this Plan, including Section 4.1.2, or until such earlier date agreed to by the holder of the Allowed Secured Claim and the Liquidating Trustee. Upon satisfaction of an Allowed Secured Claim, whether in Cash or in kind, such Liens shall be deemed automatically released, and any Trust Asset formerly securing such Allowed Secured Claim shall be free and clear of all interests, Liens, Claims and encumbrances. Holders of satisfied Secured Claims shall execute all necessary Lien releases and file such releases with the appropriate Governmental Units or deliver such releases to the Liquidating Trustee within seven (7) business days of receiving satisfaction or notice thereof.

4.1.6 Unsecured Deficiency Claims. If the holder of an Allowed Secured Claim has an Unsecured Deficiency Claim, the Unsecured Deficiency Claim shall be treated under this Plan as a Class 4 General Unsecured Claim or Priority Unsecured Tax Claim, if so determined by the Bankruptcy Court or consented to by the holder of the Allowed Secured Claim and the Liquidating Trustee.

4.1.7 Interest. Pursuant to Section 506(b) of the Bankruptcy Code, holders of Allowed Secured Claims secured by Collateral the value of which exceeds the allowed amount of such Secured Claim may receive interest from the Allowance Date at the Federal Judgment Rate. All holders of Allowed Secured Claims seeking interest under Section 506(b) of the Bankruptcy Code must notify the Debtor, Debtor's Counsel, Committee Counsel, and the Liquidating Trustee on or before the Administrative Claim Bar Date of the amount of such interest demanded or be forever barred from asserting a right to such interest.

4.2 Class 2 – Allowed Priority Non-Tax Claims.

4.2.1 Impairment and Voting. Class 2 is unimpaired by this Plan; consequently, all holders of Allowed Claims in Class 2 are deemed to accept this Plan and are not entitled to vote on this Plan.

4.2.2 Treatment. Holders of Allowed Class 2 Claims shall be paid by the Liquidating Trustee from Trust Cash within ten (10) days after the Allowance Date.

4.3 Class 3 – Allowed Unsecured WARN Act Claims.

4.3.1 Impairment and Voting. Class 3 is impaired by this Plan, and all holders of Allowed Unsecured WARN Act Claims are entitled to vote on this Plan, except as otherwise provided by contract.

4.3.2 Deemed Acceptance. Pursuant to the terms of the WARN Act Settlement Agreement, holders of Allowed Unsecured WARN Act Claims are deemed to have voted in favor of this Plan.

4.3.3 Treatment. Class 3 Allowed Unsecured WARN Act Claims shall be treated in accordance with the terms of the WARN Act Settlement Agreement which shall govern Class 3 Allowed WARN Act Claims in all respects.

4.4 Class 4 – General Unsecured Claims.

4.4.1 Impairment and Voting. Class 4 is impaired by this Plan, and all holders of Allowed General Unsecured Claims are entitled to vote on this Plan, except as otherwise provided by this Plan, any contract to which such holders are bound or the Bankruptcy Code.

4.4.2 Treatment. Each holder of an Allowed General Unsecured Claim in Class 4 shall receive its Pro Rata share of the Available Cash on each Distribution Date until the Trust has been fully administered, all Estate Property completely liquidated and all resulting Trust Cash Distributed.

4.5 Class 5 – Equity Interests and Equity Related Claims.

4.5.1 Equity Interests. As of the Effective Date, all Equity Interests in the Debtor shall be cancelled, terminated, extinguished and void. Interest Holders will neither receive nor retain any property on account of their Equity Interests, are deemed to reject this Plan, and are not entitled to vote to accept or reject this Plan.

4.5.2 Equity Related Claims. Pursuant to Section 510(b) of the Bankruptcy Code, all Equity Related Claims are subordinated to all Unclassified Claims and Allowed Class 1-4 Claims. Because Class 4 Claims will not be satisfied in full, holders of Equity Related Claims will receive no Distribution under this Plan and are, therefore, deemed to have rejected this Plan.

SECTION 5 IMPLEMENTATION OF THE PLAN

5.1 Selection of the Liquidating Trustee. The Committee may select a qualified entity or individual to serve as Liquidating Trustee under the Trust Agreement. If the Committee elects to appoint the Liquidating Trustee, the Committee shall file with the Bankruptcy Court and serve on the Debtor, the United States Trustee, and all parties then receiving notice of pleadings in this Chapter 11 Case pursuant to Federal Rule of Bankruptcy Procedure 2002, not later than five (5) days prior to the Confirmation Hearing, a disclosure identifying a candidate for Liquidating Trustee, said person or entity's qualifications for serving as Liquidating Trustee, and the terms of any fee arrangement. If the Committee does not appoint the Liquidating Trustee, the Debtor shall file with the Bankruptcy Court and serve on the Committee, the United States Trustee, and all parties then receiving notice of pleadings in this Chapter 11 Case pursuant to Federal Rule of Bankruptcy Procedure 2002, not later than three (3) days prior to the Confirmation Hearing, a disclosure identifying a candidate for Liquidating Trustee, said person or entity's qualifications for serving as Liquidating Trustee, and the terms of any fee arrangement. The candidate identified pursuant to this Section 5.1 to serve as Liquidating Trustee shall be approved and confirmed by the Bankruptcy Court at the Confirmation Hearing to serve as Liquidating Trustee.

5.2 Dissolution of the Committee. The appointment and operation of the Committee shall terminate upon the appointment of the Oversight Committee under the Trust. Any dissolution or termination of the appointment and operations of the Committee shall not prejudice the rights of any agents of the Committee (including their Professionals and Committee members) to pursue their separate Claims for compensation and reimbursement of expenses, including Professional Fees under the provisions of Sections 328, 330, 331 and/or 503(b)(3)(F) of the Bankruptcy Code.

5.3 Execution and Ratification of the Trust Agreement. The Trust Agreement shall be executed by all necessary parties thereto. Each holder of a Claim shall be deemed to have ratified and become bound by the terms of the Trust Agreement.

5.4 Creation of Trust. Prior to the Effective Date, the Trust shall be created (but not funded) pursuant to the terms of the Trust Agreement and in accordance with the

Bankruptcy Code. The Trust is and shall be established for the purposes set forth in this Plan and the Trust Agreement, including, without limitation, the following (for which the Liquidating Trustee shall be granted complete authority in the Trust Agreement): (a) collecting, maintaining and administering any Trust Assets for the benefit of the Beneficiaries; (b) liquidating and distributing (including objecting to Claims and determining the proper recipients and amounts of Distributions to be made from the Trust) the Trust Assets for the benefit of the Beneficiaries who are determined to hold Allowed Claims; (c) pursuing any available Causes of Action; (d) closing the Chapter 11 Case; and (e) otherwise implementing the Plan, all in accordance with the Plan and the Trust Agreement. The Liquidating Trustee's sole activities shall be the administering and implementation of this Plan pursuant to the Trust Agreement, shall not engage in the conduct of any trade or business and shall terminate upon the completion of its liquidation and Distribution duties under this Plan and The Trust Agreement. The Trust will be a "representative of the estate" under § 1123(b)(3)(B) of the Bankruptcy Code. Beneficiaries of the Trust shall be identified by reports from the Claims Agent, as provided to the Liquidating Trustee by the Claims Agent on the Effective Date and thereafter as maintained by the Liquidating Trustee.

5.5 Transfer of Trust Assets. On the Effective Date, all Estate Property shall be conveyed and transferred by the Debtor to the Trust, free and clear of all interests, claims, Liens, and encumbrances.

5.6 Implementation of the Trust; Binding Nature of Plan and Trust. On the Effective Date, this Plan and the Trust shall become operative and binding upon all holders of Claims and Equity Interests and all other Beneficiaries. The Liquidating Trustee shall establish all necessary Trust Reserves and commence Distributions in accordance with the terms of this Plan and the Trust Agreement.

5.7 Powers and Duties of the Liquidating Trustee. As set forth in the Trust, the Liquidating Trustee shall have the power, duty and authority, in consultation with the Oversight Committee, to take all actions necessary and appropriate to administer and liquidate the Estate's remaining assets and distribute all resulting Cash to Beneficiaries and to further the provisions, goals and intent of the Plan and the Trust Agreement.

5.8 Execution of Documents. On or before the Effective Date, the Debtor shall execute and deliver all documents and perform all actions necessary and reasonably contemplated with respect to implementation of this Plan, including the Liquidating Trust Agreement. After the Effective Date, the Liquidating Trustee is authorized to execute any documents or instruments necessary to consummate this Plan.

5.9 Surrender of Instruments. Each Claimant, (a) holding a certificate or instrument evidencing a Claim against the Debtor or Estate Property and (b) whose Claim is treated under this Plan, shall surrender such certificate or instrument to the Trust prior to receiving any Distribution under this Plan, *unless* the non-availability of such certificate or instrument is established to the satisfaction of the Liquidating Trustee.

5.10 Section 1145 Determination. Confirmation of this Plan shall constitute a determination, in accordance with Section 1145 of the Bankruptcy Code, that except with respect

to an entity that is an underwriter as defined in section 1145(b) of the Bankruptcy Code, Section 5 of the Securities Act, the Securities Exchange Act and any other federal, state or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, broker or dealer in, a security do not apply to the offer, sale, or issuance under the Plan of the Trust Assets or the Beneficial Interests in exchange for Claims against the Debtor. Without in any manner limiting the foregoing, if the Liquidating Trustee determines that registration and reporting under the Securities Act, Securities Exchange Act or any other federal, state or local law is required or advisable, the Liquidating Trustee will take steps to comply with those requirements.

5.11 Settlement and Compromise. Pursuant to Section 1123(b)(3) of the Bankruptcy Code, to the extent that this Plan incorporates any compromise or settlement, and (to the extent necessary), this Plan constitutes a motion under Bankruptcy Rule 9019 to approve such compromises and settlements.

SECTION 6 EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.1 Executory Contracts and Unexpired Leases. Unless otherwise provided for in this Plan, on the Effective Date, all executory contracts and unexpired leases not previously rejected by the Debtor during the Chapter 11 Case or for which a motion for rejection is pending on the Confirmation Date shall be deemed rejected.

6.2 Rejection Damage Claim Bar Date. All Rejection Damage Claims arising by operation of Section 6.1 of this Plan shall be filed with the Bankruptcy Court no later than thirty (30) days after the Effective Date. Any Rejection Damage Claim not filed by such date shall be forever barred and shall not be entitled to any Distributions under this Plan. The Liquidating Trustee shall have the right to object to any Rejection Damage Claim.

SECTION 7 OBJECTIONS TO CLAIMS

7.1 Pre-Confirmation Objections. The Bankruptcy Court shall retain jurisdiction over any Claim Objection filed by the Debtor or Committee prior to the Confirmation Date.

7.2 Claim Objection Deadline. All Claim Objections must be filed by the applicable Objection Deadline.

7.3 Disputed Claims. Any Claim to which a timely Claim Objection is interposed shall be treated as a Disputed Claim for purposes of Distribution under this Plan and the Trust Agreement.

7.4 Prosecution of Objections. Except insofar as Claims, Administrative Claims and Professional Fees are allowed hereunder or by Final Order, the Liquidating Trustee shall have standing to object to and seek the estimation, disallowance or subordination of Claims, Administrative Claims and Professional Fees. On and after the Effective Date, except as the Bankruptcy Court may otherwise order, the filing, litigation, settlement or withdrawal of all

objections to Claims, Administrative Claims, Professional Fees or Equity Interests shall be the exclusive right of the Liquidating Trustee, in consultation with the Oversight Committee.

SECTION 8

CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS OF PLAN

8.1 Conditions To Confirmation. The following are conditions precedent to confirmation of this Plan:

8.1.1 The Bankruptcy Court shall have entered a Final Order approving the Disclosure Statement with respect to this Plan;

8.1.2 The Confirmation Order has been entered in form and substance reasonably acceptable to the Debtor and the Committee.

8.2 Conditions To Effectiveness. The following are conditions precedent to the occurrence of the Effective Date:

8.2.1 The Confirmation Date has occurred;

8.2.2 The Confirmation Order is a Final Order, except that the Debtor reserves the right to cause the Effective Date to occur, subject to the consent of the Committee, notwithstanding the pendency of an appeal of the Confirmation Order, under circumstances that would moot such appeal;

8.2.3 No request for revocation of the Confirmation Order under Section 1144 of the Bankruptcy Code has been made, or, if made, remains pending;

8.2.4 The execution and delivery of all documents necessary to implement the transactions contemplated by this Plan, which are in form and substance reasonably acceptable to the Debtor, the Committee and the Liquidating Trustee;

8.2.5 The Trust Assets have been transferred and delivered to the Trust;

8.2.6 The Bankruptcy Court has approved the appointment of the Liquidating Trustee.

8.3 Waiver Of Conditions. The conditions to confirmation and the Effective Date may be waived in whole or in part by written agreement of the Debtor and the Committee at any time without notice, an order of the Bankruptcy Court, or any further action other than proceeding to confirmation and consummation of this Plan.

8.4 Notice of Effective Date. Not more than ten (10) days after the Effective Date, the Liquidating Trustee shall cause a notice to be filed with the Bankruptcy Court that the Plan has become effective and shall serve such notice on all Creditors and Interest Holders of record on the Effective Date.

**SECTION 9
NON-ALLOWANCE OF PENALTIES AND FINES**

Except as expressly provided for in this Plan, no Distribution shall be made under this Plan on account of, and no Allowed Claim shall include, any fine, penalty, or exemplary or punitive damages relating to or arising from any default or breach by the Debtor, and any Claim on account of such fine, penalty, or exemplary or punitive damages shall be deemed to be disallowed, whether or not an objection is filed to such Claim.

**SECTION 10
TITLE TO PROPERTY; RELEASE; INJUNCTION**

10.1 Vesting of Assets. Upon the Effective Date, title to all of the Estate Property, in whatever form and wherever found, shall vest in the Trust.

10.2 Satisfaction and Release of all Claims. Except as provided in this Plan or the Confirmation Order, the rights afforded under this Plan and the treatment of Claims and Equity Interests under this Plan and under the Trust are in exchange for and in complete satisfaction, and release of, all Claims against the Debtor or Estate Property and termination of all Equity Interests. Except as provided in this Plan or the Confirmation Order, on the Effective Date: (a) all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code shall be deemed satisfied and released, whether or not: (i) a proof of claim based on such debt is filed or deemed filed under Section 501 of the Bankruptcy Code; (ii) a Claim based on such debt is Allowed under Section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt has accepted this Plan; and (b) all Equity Interests and other rights of Equity Interests in the Debtor shall be terminated. Except as otherwise provided in this Plan, the Confirmation Order shall be a judicial determination of the satisfaction and release of all of the Debtor's liabilities arising before the Effective Date. Pursuant to Bankruptcy Code Section 524, the Confirmation of this Plan shall void any judgment against the Debtor at any time obtained (to the extent it relates to a Claim treated under this Plan), and operates as an injunction against the prosecution of any action against the Debtor, the Estate Property, or the Liquidating Trustee (to the extent such action relates to a Claim treated under this Plan). The satisfaction and release of Claims contained within this Plan shall not constitute a discharge of the Debtor pursuant to Bankruptcy Code Section 1141(d).

10.3 Injunction. Except as provided in this Plan or the Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim that is deemed satisfied and released pursuant to this Plan or an Equity Interest, Equity Related Claim, or other right of an Interest Holder that is terminated under this Plan, are permanently enjoined from taking any of the following actions on account of any such Claims, or terminated Equity Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Debtor, the Liquidating Trustee, the Trust, the Committee or any individual Committee Member (including any officer or director acting as a representative of the Debtor, the Liquidating Trustee, the Trust, the Committee or individual Committee Member) to the extent that such action or proceeding arises from any act or omission of such party in connection with, relating to, or arising out of the Chapter 11 Case, the negotiation and pursuit of Confirmation of

this Plan or the consummation of this Plan; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, or order against the Debtor, the Trust, the Liquidating Trustee, the Committee or any individual Committee Member, or their respective property; (c) creating, perfecting, or enforcing any lien or encumbrance against the Debtor, the Liquidating Trustee, the Trust, the Committee or any individual Committee Member, or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability, or obligation due to the Debtor, the Liquidating Trustee, the Trust, the Committee or any individual Committee Member, or their respective property; and (e) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent with the provisions of this Plan or the Bankruptcy Code, provided, however, that the foregoing shall not apply to any acts or omissions by any of the foregoing parties constituting gross negligence, willful misconduct, fraud, criminal conduct, unauthorized use of confidential information that causes damage or *ultra vires* acts, each as finally determined by a court of competent jurisdiction.

10.4 Exculpation. None of Debtor, the Committee, or any individual Committee Member or any of their respective members, officers, directors (excluding the Debtor's officers and directors, except any Chief Responsible Officer or Vice Chief Responsible Officer appointed after the Petition Date), employees or Professionals have or may incur any liability to any holder of a Claim or Equity Interest, including the holder of any Equity Related Claim, or any other Person or party in interest, or any of their respective members or former members, agents, employees, representatives, financial advisors, attorneys or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to or arising out of the Chapter 11 Case, the negotiation and pursuit of confirmation of this Plan, the consummation of this Plan or the administration of this Plan (the "**Chapter 11 Activities**") to the extent such Chapter 11 Activities are within the scope of Bankruptcy Code Section 1125(e), except for acts or omissions of any of the foregoing constituting willful misconduct, gross negligence, fraud, criminal conduct, unauthorized use of confidential information that causes damages or *ultra vires* acts, each as finally determined by a court of competent jurisdiction, and in all respects are entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities in connection with any Chapter 11 Activities within the scope of Bankruptcy Code Section 1125(e). No holder of a Claim, Equity Interest, Equity Related Claim or any other Person or party in interest, including their respective agents, employees, representatives, financial advisors, attorneys or affiliates, have any right of action against the Debtor, the Liquidating Trustee, the Liquidating Trustee, the Committee, or any individual Committee Member or any of their respective officers, directors, employees or Professionals for any act or omission in connection with any Chapter 11 Activities within the scope of Bankruptcy Code Section 1125(e), except for acts or omissions by any of the foregoing constituting willful misconduct, gross negligence, fraud, criminal conduct, unauthorized use of confidential information that causes damages or *ultra vires* acts, each as finally determined by a court of competent jurisdiction.

10.5 Governmental Unit Claims Against Non-Debtor Parties. No provision of this Plan shall be interpreted or construed to give rise to a release, discharge or injunction against, or exculpation from, any liability of any non-Debtor entity to any Governmental Unit for any act or omission unrelated to or not arising during the Chapter 11 Case or any Chapter 11 Activities.

10.6 Retention of Causes of Action and Reservation of Rights.

10.6.1 Except as set forth in this Plan or the Confirmation Order, nothing contained in this Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Debtor or the Estate may have or that the Liquidating Trust or Liquidating Trustee may choose to assert on behalf of the Debtor or its Estate under any provision of the Bankruptcy Code or any applicable non-bankruptcy law, including, without limitation: (i) any and all Claims against any Person or entity, to the extent such Person asserts a cross-claim, counterclaim and/or right to setoff or recoupment that seeks affirmative relief against the Debtor or its officers, directors or representatives; (ii) the turnover of any Estate Property; and (iii) rights against financial advisors, underwriters, lenders or auditors relating to acts or omissions occurring prior to the Petition Date.

10.6.2 Except as set forth in the Plan or the Confirmation Order, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any Claim, right of setoff or recoupment or other legal or equitable defense that the Debtor had immediately prior to the Effective Date or arising thereafter. The Liquidating Trustee shall have, retain, reserve and be entitled to assert all such Claims, rights of setoff or recoupment and other legal or equitable defenses that the Debtor had immediately prior to the Petition Date or arising thereafter and all of the Debtor's legal and equitable rights with regard to any Claim may be asserted by the Liquidating Trustee after the Effective Date.

10.7 Preservation Of Insurance. Nothing in this Plan or confirmation of this Plan diminishes or impairs the enforceability of any insurance policy that may cover Claims against the Debtor or any other Person, including but not limited to any D&O Policy, all of which D&O Policies shall continue to remain in effect and enforceable against the insurer in accordance with their terms.

SECTION 11 EVENTS OF DEFAULT

11.1 Events of Default. An event of default shall have occurred if the Debtor, the Liquidating Trustee or any other Person takes any action, fails to take any action, or fails to refrain from taking an action prevented, required, or otherwise set forth in this Plan or the Trust Agreement.

11.2 Remedies on Default. Subject to Sections 1112 and 1144 of the Bankruptcy Code, should an event of default occur by the Debtor, Liquidating Trustee or any other Person, at least one other party-in-interest (including the Debtor) must provide written notice of the default to the defaulting party and serve copies of the notice to all parties identified in Section 15.7 of this Plan. If the default is capable of being cured and is not cured within ten (10) days after service of the notice of default, the notifying party may move the Bankruptcy Court setting a date and time when the defaulting party must appear before the Bankruptcy Court and show cause (a) why it should not be held in contempt of the Confirmation Order and (b) other relief to which the notifying party believes itself entitled. If the defaulting party is found to be in default of this Plan, the Bankruptcy Court shall:

(i) assess the costs of the Liquidating Trustee or other party-in-interest of proceeding on the order to show cause against the defaulting party, such costs to be the greater of the actual amounts incurred or \$10,000;

(ii) designate a person to appear, sign, and/or accept on behalf of the defaulting party the documents required under this Plan in accordance with Federal Rule of Civil Procedure 70, or enter such other order compelling compliance with this Plan that may be necessary and that does not materially alter the terms of this Plan as confirmed; and/or

(iii) grant equitable relief in the form of specific performance.

SECTION 12 RETENTION OF JURISDICTION

12.1 Jurisdiction. Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Case after the Effective Date as is legally permissible including, without limitation, jurisdiction to:

12.1.1 Allow, disallow, determine, liquidate, classify, estimate, reconsider, value, compromise, settle, adjust, or establish the amount, priority, validity, or secured or unsecured status of any Claim, including the resolution of any request for payment of any Unclassified Claim and the resolution of any and all Claim Objections or objections to Professional Fees;

12.1.2 Grant or deny any applications for allowance of compensation or reimbursement of expenses arising out of or related to the Chapter 11 Case, including but not limited to Claims of Professionals for Professional Fees, or any Claim, or Equity Interest authorized under the Bankruptcy Code or this Plan;

12.1.3 Resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtor is a party and to hear, determine and, if necessary, liquidate, any Claims arising from, or cure amounts related to, such assumption or rejection;

12.1.4 Ensure that Distributions to holders of Allowed Claims are accomplished in accordance with this Plan and the Trust;

12.1.5 Decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters and grant or deny any applications or motions involving the Debtor that may be pending on the Effective Date or commenced thereafter by the Liquidating Trustee;

12.1.6 Entertain such proceedings and enter such orders as may be necessary or appropriate to implement, consummate, or enforce the provisions of this Plan and all contracts, instruments, releases, and other agreements or documents created in connection with this Plan or the Disclosure Statement, except as otherwise provided in this Plan;

12.1.7 Resolve any case, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of this Plan or any Person's obligations incurred in connection with this Plan;

12.1.8 Modify this Plan before or after the Effective Date or modify the Disclosure Statement or any contract, instrument, release, or other agreement or document created in connection with this Plan or the Disclosure Statement, including, without limitation, the Trust Agreement, whether under Section 1127 of the Bankruptcy Code or as otherwise permitted by law, this Plan or, in respect of the Trust Agreement, the Trust Agreement; or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, this Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with this Plan or the Disclosure Statement, including, without limitation, the Trust Agreement, in such manner as may be necessary or appropriate to consummate this Plan, to the extent authorized by the Bankruptcy Code, and determine matters concerning federal, state, and local taxes in accordance with Sections 346, 505, and 1146 of the Bankruptcy Code or other applicable law;

12.1.9 Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation or enforcement of this Plan, except as otherwise provided in this Plan;

12.1.10 Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

12.1.11 Determine any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order, the Trust Agreement or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement, the Confirmation Order or the Trust Agreement except as otherwise provided in this Plan;

12.1.12 Enter an order closing the Chapter 11 Case which provides for retention of jurisdiction for the Bankruptcy Court for purposes of Section 10.4;

12.1.13 Adjudicate the Causes of Action (including those to be initiated and prosecuted by the Liquidating Trustee as the Estate's representative under Section 1123(b)(3)(B) of the Bankruptcy Code), and any other Cause of Action or Claims of the Debtor;

12.1.14 Resolve any disputes between the Liquidating Trustee and the Oversight Committee or the Liquidating Trustee and any holder of a Beneficial Interest; and

12.1.15 Approve settlements of any Causes of Action or other disputes.

12.2 Failure of Bankruptcy Court to Exercise Jurisdiction. If for any reason the Bankruptcy Court abstains from exercising, or refuses or declines to exercise, jurisdiction over any matter arising in, arising under or related to the Chapter 11 Case, including the matters set forth in Section 12.1 hereof, such abstention, refusal or declination shall have no effect on the exercise of jurisdiction by any other court which has jurisdiction over such matter.

SECTION 13 AMENDMENT AND WITHDRAWAL OF PLAN

13.1 Amendment of this Plan. At any time before the Confirmation Date, the Debtor and Committee may alter, amend, or modify this Plan pursuant to Section 1127(a) of the Bankruptcy Code *provided* that such alteration, amendment, or modification is not inconsistent with the Bankruptcy Code and does not materially and adversely affect the treatment and rights of the holders of Class 4 Claims under this Plan. After the Confirmation Date and before Substantial Consummation of this Plan, the Debtor or Committee may, under Section 1127(b) of the Bankruptcy Code, and after the Effective Date the Liquidating Trustee may, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in this Plan, the Disclosure Statement, the Confirmation Order or any document executed in connection with or contemplation of this Plan or Trust Agreement, and such matters as may be necessary to carry out the purposes and effects of this Plan so long as such proceedings do not materially and adversely affect the treatment of holders of Claims under this Plan; *provided, however*, that prior written notice of such proceedings shall be served in accordance with the Bankruptcy Rules or applicable order of the Bankruptcy Court, as applicable.

13.2 Revocation or Withdrawal of this Plan. The Debtor reserves the right to revoke or withdraw this Plan at any time before the Confirmation Date. If this Plan is withdrawn or revoked, then this Plan shall be deemed null and void and nothing contained in this Plan shall be deemed a waiver of any Claims by or against the Debtor or any other Person in any further proceedings involving the Debtor or an admission of any sort, and this Plan and any transaction contemplated by this Plan shall not be admitted into evidence in any proceeding.

SECTION 14 ACCEPTANCE OR REJECTION OF THE PLAN

14.1 Impaired Classes to Vote. Except as otherwise provided by agreement or the terms of this Plan, each holder of a Claim in an impaired Class shall be entitled to vote separately to accept or reject this Plan unless such holder is deemed to accept or reject this Plan.

14.2 Acceptance by Class of Creditors. An impaired Class of holders of Claims shall have accepted this Plan if this Plan is accepted by at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class that have voted to accept or reject this Plan. A Class of holders of Claims shall be deemed to accept this Plan in the event that no holder of a Claim within that Class submits a Ballot by the Ballot Date.

14.3 Cramdown. If any impaired Class of Claims entitled to vote shall not accept this Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the Debtor and Committee reserve the right to request that the Bankruptcy Court confirm this Plan under Section 1129(b) of the Bankruptcy Code. With respect to impaired Classes of Claims that are deemed to reject this Plan, the Debtor shall request the Bankruptcy Court to confirm this Plan under Section 1129(b) of the Bankruptcy Code.

SECTION 15 MISCELLANEOUS

15.1 Binding Effect. The Plan shall be binding on, and shall inure to the benefit of, the Debtor, the Liquidating Trust, and the holders of all Claims and Equity Interests, including the holders of Equity Related Claims, and their respective successors and assigns.

15.2 Dissolution of the Debtor. Upon and after the Effective Date, the Liquidating Trustee shall be entitled as may be advisable at any time to seek dissolution of the Debtor pursuant to applicable state law.

15.3 Recognition of Subordination Rights. Except as otherwise provided in this Plan, all Claims and Equity Interests based upon any claimed contractual subordination rights pursuant to any provision of the Bankruptcy Code or other applicable law, shall be deemed satisfied by the Distributions proposed under this Plan to holders of Allowed Claims having any such contractual subordination rights. The Distributions to the various classes of Claims under this Plan shall not be subject to levy, garnishment, attachment or like legal process for any holder of a Claim by reason of any claimed contractual subordination rights or otherwise of the holder of a Claim against the holder of another Claim, except as expressly provided in this Plan. On the Effective Date, all holders of Claims shall be deemed to have waived any and all contractual subordination rights that they may have with respect to such Distributions, and the Bankruptcy Court shall permanently enjoin, effective as of the Effective Date, all holders of such Claims from enforcing or attempting to enforce any such subordination rights with respect to such Distributions.

15.4 Governing Law. Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights, duties and obligations of the Debtor, the Liquidating Trustee, and any other Person arising under this Plan shall be governed by, and construed and enforced in accordance with, the internal laws of the State of New York.

15.5 Setoffs. The Debtor or the Liquidating Trustee may, but are not required to, set off or recoup against any Claim and the payments or other Distributions to be made under this Plan in respect of such Claim, claims of any nature whatsoever that arose before the Petition Date or Effective Date, as applicable, that the Debtor may have against the holder of such Claim to the extent such Claims may be set off or recouped under applicable law, but neither the failure to do so nor the allowance of any Claim under this Plan shall constitute a waiver or release by the Debtor or the Liquidating Trustee of any such claim that it may have against such holder.

15.6 Notices. Any notice required or permitted to be provided under this Plan shall be in writing and served by either: (a) certified mail, return receipt requested, postage prepaid; (b) hand delivery; (c) reputable overnight courier service, freight prepaid; or (d) by fax; addressed as follows:

If to Debtor:	Eos Airlines, Inc. Attn: Mike Gumiela P.O. Box 598 Purchase, NY 10577
With a copy to:	Squire, Sanders & Dempsey L.L.P. Attn: Tim J. Robinson 41 South High Street, Suite 2000 Columbus, OH 43215 Facsimile: 614.365.2499
If to the Committee:	Joseph M. Vann Robert A. Boghosian Ira R. Abel Cohen Tauber Spievack & Wagner P.C. 420 Lexington Avenue, Suite 2400 New York, NY 10170 Facsimile: 212.586.5095
If to the Liquidating Trustee:	_____ _____ _____ _____

15.7 Delivery Of Notices. If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted in accordance with this Plan, such communication shall be deemed delivered by the next noon at point of arrival occurring on a Business Day following transmission; if sent by overnight courier in accordance with this Plan, such communication shall be deemed delivered within twenty-four hours of deposit with such courier or noon of the first Business Day following such deposit, whichever first occurs; and if sent by U.S. Mail in accordance with this Plan, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service; or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any party to this Plan may change its address for the purposes of this Plan by giving notice of such change to the parties set forth in Section 15.7.

15.8 Severability. If any provision of this Plan is found by the Bankruptcy Court to be invalid, illegal or unenforceable, if this Plan is found by the Bankruptcy Court to be invalid, illegal or unenforceable, or if this Plan cannot be confirmed under Section 1129 of the Bankruptcy Code, the Bankruptcy Court, at the Debtor's request, shall retain the power to alter and interpret such term to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregone, is valid and enforceable in accordance with its terms.

15.9 No Attorneys' Fees. Other than the Professional Fees, no attorneys' fees or other professional fees shall be paid by the Debtor with respect to any Claim or Equity Interest

except as specified in this Plan or as provided by the Confirmation Order or other Final Order of the Bankruptcy Court.

15.10 No Interest. Except as otherwise provided in this Plan, no interest shall accrue or be payable with respect to any Claim or Equity Interest, whether a Disputed Claim, Disputed Equity Interest or otherwise.

15.11 Recipient of Distributions. All Distributions to Beneficiaries to be made under the Trust shall be made to such Beneficiaries as of the Voting Record Date as set forth on the register of Claims maintained by the Claims Agent. Changes as to the holder of a Claim or Equity Interest on or after the Voting Record Date and prior to the Effective Date shall only be valid and recognized for distribution, voting and all other purposes if notice of such change is filed with the Bankruptcy Court, in accordance with Bankruptcy Rule 3001, if applicable, and served upon the Debtor, its counsel, the Committee, its counsel and the Claims Agent.

15.12 Delivery of Distributions. Subject to Bankruptcy Rule 9010, Distributions under the Trust shall be made at the address of each Beneficiary, as set forth on the proofs of Claim filed by such Beneficiary (or at the last known address of such holder as of the Voting Record Date on the records maintained by the Claims Agent if the Debtors have not been notified in writing of a change of address). If any Distribution to a Beneficiary is returned as undeliverable, no further Distributions to such Beneficiary shall be made unless and until the Liquidating Trustee is notified of such Beneficiary's then current address, at which time all missed Distributions shall be made to such holder without interest.

15.13 Unclaimed Funds. Notwithstanding any statute, law, rule or regulation to the contrary, if any Distribution under this Plan or the Trust is returned as undeliverable, any check evidencing such payment remains uncashed for sixty (60) days after the date on which the check was issued, or if a Beneficiary fails to provide a correct address to the Liquidating Trustee, then the underlying Claim shall be deemed to be waived, and such funds shall be distributed on the next Distribution Date to holders of Beneficial Interests as if such funds were Available Cash.

15.14 De Minimis Distributions. Unless otherwise determined by the Liquidating Trustee, no distribution of less than twenty-five dollars (\$25.00) in Cash shall be made to any Beneficiary.

15.15 Means of Payment. Payments made pursuant to the Trust shall be in Cash unless stated otherwise.

15.16 Withholding and Reporting Requirements. In connection with the Plan, the Trust and all instruments issued in connection therewith and Distributions made thereunder, the Liquidating Trustee shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all Distributions under the Plan shall be subject to any such withholding or reporting requirements. Notwithstanding the above, each Beneficiary that is to receive a Distribution under the Trust shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any such federal, state or local taxing authority, including income, withholding and other tax obligations,

on account of such Distribution. The Liquidating Trustee shall file federal income tax returns for the Debtor pursuant to Section 6012(b) of the Internal Revenue Code of 1986, as amended.

15.17 Exemption from Taxes. Pursuant to Section 1146(a) of the Bankruptcy Code, (i) the creation of any Lien or other security interest, or (ii) the making or assignment of any lease or sublease, or (iii) the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, this Plan, including, without limitation, any restructuring, disposition, liquidation, or dissolution, deeds, bills of sale, or transfers of tangible property, shall not be subject to any stamp tax or other similar tax. Unless the Bankruptcy Court orders otherwise, all sales, transfers and assignments of owned and leased real and personal property, approved by the Bankruptcy Court on or prior to the Effective Date is deemed to have been in furtherance of, or in connection with, this Plan.

Eos Airlines, Inc., debtor and debtor-in-possession

By: /s/ Caralyn Galletta
Name: Caralyn Galletta
Title: Chief Responsible Officer

Official Committee of Unsecured Creditors of Eos Airlines, Inc.

By: /s/ Jim Snover
Name: Jim Snover
Title: Chairman

APPENDIX A
LIQUIDATING TRUST AGREEMENT

[see attached]

**APPENDIX B
PROPOSED CONFIRMATION ORDER**

[see attached]

EXHIBIT A-2

ORDER APPROVING DISCLOSURE STATEMENT

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
: **In re:** :
: : **CHAPTER 11**
: **EOS AIRLINES, INC.** :
: **CASE NO. 08-22581 (ASH)**
: **Debtor** :
: :
-----X

**ORDER (A) APPROVING ADEQUACY OF DISCLOSURE STATEMENT;
(B) FIXING A VOTING RECORD DATE; (C) ESTABLISHING PROCEDURES FOR SOLICITATION AND
TABULATION OF VOTES TO ACCEPT OR REJECT THE PLAN; (D) APPROVING FORM OF
SOLICITATION PACKAGE AND NOTICES;
AND (E) SCHEDULING CERTAIN DATES IN CONNECTION THEREWITH**

Upon the motion (the “Motion”),¹ dated October 30, 2008, of Eos Airlines, Inc., debtor and debtor-in-possession in the above-captioned proceeding (the debtor), seeking entry of an order (a) approving the adequacy of the Disclosure Statement, as subsequently amended and dated December 18, 2008 (the Disclosure Statement) regarding the Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the United States Bankruptcy Code dated December 18, 2008 (the Plan), (b) fixing a Voting Record Date, (c) establishing procedures for solicitation and tabulation of votes to accept or reject the Plan, (d) approving the form of the Solicitation Package and the notices to be distributed with respect thereto, and (e) scheduling certain dates, including the following: (i) the Confirmation Hearing; (ii) establishing deadlines for filing objections, if any, to the Plan; and (iii) establishing the Voting Deadline for receipt of Ballots to accept or reject the Plan; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. 157 and 1334; and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. 157(b)(2); and it appearing that venue of this proceeding and the Motion is proper in this District pursuant to 28 U.S.C. 1408 and 1409; and due, adequate and sufficient

¹ Defined terms used herein but not defined herein have meanings ascribed to such terms in the Motion.

notice of the Motion having been given, and it appearing that no other notice need be given; and after due deliberation and sufficient cause appearing therefore, it is hereby:

ORDERED, that the Motion is GRANTED; and it is further

ORDERED, that the Disclosure Statement, as amended and modified, complies with all aspects of section 1125 of the Bankruptcy Code and Local Rule 3017-1(a) and it is hereby APPROVED as containing adequate information, as defined by section 1125(a) of the Bankruptcy Code; and it is further

ORDERED, that the Debtor has provided adequate notice of the time fixed for filing objections and the hearing to consider approval of the Disclosure Statement in accordance with Bankruptcy Rules 2002 and 3017 and Local Rule 3020-1; and it is further

ORDERED, that the Disclosure Statement provides Creditors, holders of Equity Interests and parties in interest with sufficient notice regarding the injunction, exculpation and third-party release provisions contained in the Plan in compliance with Bankruptcy Rule 3016(c); and it is further

ORDERED, that the objections of the Office of the United States Trustee (the trustee to the disclosure statement filed by the Debtor on October 24, 2008 [Doc. 337] have been resolved pursuant to the provisions of the Disclosure Statement approved hereby to the extent such objections were relevant to the adequacy of the Disclosure Statement. The rights of the Trustee to further object to the Plan, as necessary or appropriate, are preserved.

ORDERED, that **November 25, 2008** shall be the Voting Record Date for determining: (a) the Creditors and holders of Equity Interests that are entitled to receive the Solicitation Package pursuant to the Solicitation Procedures; (b) the Creditors and holders of Equity Interests entitled to vote to accept or reject the Plan; and (c) whether Claims or Equity Interests have been

properly transferred to an assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote as the holder of the Claim or Equity Interest; and it is further

ORDERED, that the Voting Deadline shall be **January 21, 2009 at 5:00 p.m. (Pacific Time)**; and it is further

ORDERED, that the Solicitation Procedures attached hereto as Exhibit 1, and incorporated by reference herein, are hereby approved, provided, however, the Debtor reserves the right, subject to Court approval, to further amend or supplement the Solicitation Procedures to better facilitate the solicitation process; and it is further

ORDERED, that the procedures for distribution of the Solicitation Package set forth in the Solicitation Procedures satisfy the requirements of the Bankruptcy Code and the Bankruptcy Rules and the Debtor are directed to distribute or cause to be distributed Solicitation Packages to all parties in interest on the 2002 List as of the Voting Record Date and all parties entitled to vote to accept or reject the Plan; and it is further

ORDERED, that the form of the Debtor customized letter to holders of Claims in Class 4, substantially in the form attached hereto as Exhibit 2, is hereby approved; and it is further

ORDERED, that the form of Ballot, substantially in the form attached hereto as Exhibit 3, is hereby approved; and it is further

ORDERED, that the form of the voting instructions, substantially in the form attached to the Ballot, is hereby approved; and it is further

ORDERED, that all votes to accept or reject the Plan must be cast by using the Ballot; and it is further

ORDERED, that all Ballots must be properly executed, completed and delivered by (a) first class mail, in the return envelope provided with each Ballot; (b) overnight courier; or (c) personal delivery, so that the Ballots are actually received, by the Voting Agent, no later than the Voting Deadline at the following address: Eos Airlines, Inc. Ballot Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245; and it is further

ORDERED, that the forms of the Non-Voting Status Notices, substantially in the forms attached hereto as Exhibits 4 and 5, respectively, are hereby approved; and it is further

ORDERED, that the form of the Disputed Claims Notice, substantially in the form attached hereto Exhibit 6, is hereby approved; and it is further

ORDERED, that the form of the Confirmation Hearing Notice, substantially in the form attached hereto as Exhibit 7, complies with the requirements of Bankruptcy Rules 2002(b), 2002(d) and 3017(d) and is hereby approved; and it is further

ORDERED, that the Debtor shall be excused from mailing Solicitation Packages to those entities to whom the Debtor mailed a notice regarding the Disclosure Statement Hearing and received a notice from the United States Postal Service or other carrier that it was undeliverable. If a Creditor has changed its mailing address after the date the Solicitation Packages are mailed, the burden shall be on the Creditor or party in interest, not the Debtor, to advise the Voting Agent of the new address; and it is further

ORDERED, that the Confirmation Hearing shall commence on **January 28, 2009 at 11:00 a.m. prevailing Eastern Time**, which date may be continued from time to time by the Court or the Debtor without further notice other than adjournments announced in open court; and it is further

ORDERED, that any objections to the Plan must be filed by the Plan Objection Deadline, **January 23, 2009 at 4:00 p.m. (prevailing Eastern Time)**, and must be: (a) in writing; (b) conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court; (c) state the name and address of the objecting party and the amount and nature of the Claim or Equity Interest of such party; (d) state with particularity the basis and nature for such objection to the Plan and, if practicable, proposed modification to the Plan that would resolve such objection; and (e) filed with the Court and served such that it is actually received by the following Notice Parties:

Debtor

Eos Airlines, Inc.
P.O. Box 598
Purchase, New York 10577

Office of the United States Trustee

Attention: Brian Masumoto
33 Whitehall Street, 21st Floor
New York, New York 10004

Voting Agent

Eos Airlines Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, California 90245

Attorney for the Debtor and Debtor-in-Possession

Squire, Sanders and Dempsey L.L.P.
Attention: Nicholas J. Brannick
2000 Huntington Center
41 South High Street
Columbus, Ohio 43215
Email: nbrannick@ssd.com
Telephone: 614.365.2700
Facsimile: 614.365.2499

Counsel for the Official Committee of Unsecured Creditors

Cohen Tauber Spievack & Wagner P.C.
Attention: Joseph M. Vann
420 Lexington Avenue, Suite 2400
New York, New York 10170

Email: jvann@ctswlaw.com
Telephone: 212.586.5800
Facsimile: 212.586.5095

Judge's Chambers

Judge Adlai S. Hardin's Chambers, Room 530
300 Quarropas Street
White Plains, NY 10601

no later than **4:00 p.m. (ET) on January 23, 2009**; and it is further

ORDERED, that the terms of this Order shall be binding upon the Debtor, all Creditors and holders of Equity Interests of the Debtor, and any trustee appointed in this proceeding or any trustee appointed in any subsequent proceeding under chapter 7 or chapter 11 of the Bankruptcy Code relating to the Debtor, and all other parties in interest; and it is further

ORDERED, that all time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a); and it is further

ORDERED, that the Debtor is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order; and it is further

ORDERED, that the requirement set forth in Local Rule 9013-1(b) that any motion or other request for relief be accompanied by a memorandum of law is hereby deemed satisfied by the contents of the Motion or otherwise waived; and it is further

ORDERED, that notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, the terms and conditions of this order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED, that this Court shall retain jurisdiction, even after the closing of the Case, with respect to all matters arising from or related to the implementation of this Order.

White Plains, New York
Dated: December 18, 2008

/s/Adlai S. Hardin, Jr.
United States Bankruptcy Judge

EXHIBIT 1

(Solicitation Procedures)

SOLICITATION PROCEDURES

A. The Voting Record Date

The Bankruptcy Court has approved **November 25, 2008 at 4:00 p.m. prevailing Eastern Time** as the record date for purposes of determining which Creditors and holders of Equity Interests are entitled to vote on the Plan (the "Voting Record Date").²

B. The Voting Deadline

The Bankruptcy Court has approved **January 21, 2009 at 5:00 p.m. Pacific Time** as the voting deadline (the Voting Deadline). To be counted as votes to accept or reject the Plan, all Ballots must be properly executed, completed and delivered by using the return envelope provided or by delivery by (a) first class mail, (b) overnight courier, or (c) personal delivery, so that they are actually received, by the Debtor voting agent, Kurtzman Carson Consultants LLC (the Voting Agent) at the following address, no later than the Voting Deadline:

By first class mail, overnight courier or personal delivery	Eos Airlines, Inc. Ballot Processing c/o Kurtzman Carson Consultants LLC 2335 Alaska Ave. El Segundo, CA 90245
---	---

C. Form, Content and Manner of Notices

1. The Solicitation Package: The following materials shall constitute the solicitation package (the Solicitation Package):

- a. the Confirmation Hearing Notice;
- b. the Ballot and Voting Instructions;
- c. a pre-addressed, postage pre-paid return envelope;
- d. a CD-ROM containing the Disclosure Statement with all exhibits, including the Plan, and any other supplements or amendments to these documents which may be filed with the Bankruptcy Court;
- e. a CD-ROM containing a letter from the Debtor to the holders of Claims in Class 4 requesting that they vote to accept the Plan; and
- f. a CD-ROM containing the Disclosure Statement Order, which, among other things (a) approves the Disclosure Statement as containing adequate information in accordance with section 1125 of the Bankruptcy Code, (b) fixes a Voting Record Date, (c)

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan, Disclosure Statement, or Disclosure Statement Order, as applicable.

approves solicitation and voting procedures with respect to the Plan, (d) approves the form of the Solicitation Package and the notices to be distributed with respect thereto, and (e) schedules certain dates in connection therewith (without exhibits except for Exhibit 1 (Solicitation Procedures)).

2. Distribution of the Solicitation Package. All parties in interest on the 2002 List as of the Voting Record Date, United States Bankruptcy Judge Adlai S. Hardin Chambers, the Office of the United States Trustee for the Southern District of New York, counsel to the Official Committee of Unsecured Creditors, and all parties entitled to vote to accept or reject the Plan shall be served with copies of the Disclosure Statement Order, the Disclosure Statement and all exhibits to the Disclosure Statement, including the Plan. The Solicitation Package (except the Ballots) can also be obtained by any party by accessing the Voting Agent website at www.kccllc.net/eosairlines. Moreover, all parties entitled to vote to accept or reject the Plan shall receive a Solicitation Package containing copies of the Confirmation Hearing Notice, a Ballot and the Solicitation Procedures.

The Debtor shall serve the Solicitation Package in the manner described above on the 2002 List and the United States Bankruptcy Judge Adlai S. Hardin's Chambers, the Office of the United States Trustee for the Southern District of New York, and counsel to the Official Committee of Unsecured Creditors. Additionally, the Solicitation Package documents, including (i) the Confirmation Hearing Notice, (ii) Ballot and Voting Instructions, (iii) a CD-ROM containing the Disclosure Statement (and all exhibits thereto, including the Plan), (iv) a CD-ROM containing the Disclosure Statement Order (without exhibits except for Exhibit 1); (v) a CD-ROM containing a letter from the Debtor to holders of Claim in Class 4, and (vi) a pre-addressed, postage pre-paid return envelope; shall be served, in the manner described above, on holders of Claims in Class 4 as follows:

a. the holders of Claims for which Proofs of Claim have been timely filed, as reflected on the official claims register, as of the close of business on the Voting Record Date, with the exception of those Claims subject to a pending objection filed before the Voting Deadline, unless such Claims are allowed for voting purposes pursuant to a Resolution Event as defined in Section D.4 hereof; provided, however, to the extent that the Debtor has reached a settlement on a Claim for which a Proof of Claim has been timely filed, the terms of such settlement shall govern for purposes of determining the holder of the Claim and the amount of the Claim;

b. the holders of scheduled Claims that are listed in the Debtor's Schedules of assets and liabilities filed with the Bankruptcy Court (as may have been amended, the "Schedules"), with the exception of those scheduled Claims that are listed as contingent, unliquidated or Disputed Claims (excluding such scheduled Claims that have been superseded by a timely-filed proof of claim);³

³ Pursuant to Bankruptcy Rule 3003(c)(2), with respect to all persons or entities who are listed on the Debtor Schedules as having a Claim or a portion of a Claim that is disputed, unliquidated or contingent which Person or entity did not timely file a proof of claim, the Debtor shall not distribute any documents or notices on behalf of such Claim.

c. the holders of Claims arising pursuant to an agreement or settlement with the Debtor executed prior to the close of business on the Voting Record Date, as reflected in a court pleading, stipulation, term sheet, agreement or other document filed with the Bankruptcy Court, in an Order entered by the Bankruptcy Court, or in a document executed by the Debtor pursuant to authority granted by the Bankruptcy Court regardless of whether a proof of claim has been filed;

d. the holder of any Disputed Claim (as defined in Section D.4 herein) that has been allowed to vote pursuant to a Resolution Event (as defined below) pursuant to the procedures set forth in Section D.4 herein; and

e. the United States Trustee for the Southern District of New York.

The Debtor shall make every reasonable effort to ensure that Creditors who have more than one Claim in Class 4 (as defined in the Plan) receive no more than one set of the Solicitation Package materials.

3. Non-Voting Status Notices: Notwithstanding the above, certain Creditors whose Claims are not classified in accordance with 11 U.S.C. 1123(a)(1) or who are not entitled to vote because they are deemed to accept or reject the Plan under 11 U.S.C. 1126(f) or 1126(g) will receive only the Confirmation Hearing Notice and one of the following additional notices: (i) Notice of Non-Voting Status With Respect to Unimpaired Classes Deemed to Accept the Plan, Impaired Classes Deemed to Accept the Plan, and Unclassified Classes, or (iii) Notice of Non-Voting Status With Respect To Impaired Classes Deemed To Reject the Plan, as applicable, each substantially in the forms attached to the Disclosure Statement Order as Exhibits 4 and 5, respectively (collectively, the on-Voting Status Notices . The Non-Voting Status Notices will instruct these Creditors that they may obtain copies of the Plan, the Disclosure Statement, the Disclosure Statement Order, and all other materials in the Solicitation Package (excluding a Ballot) by requesting a copy from the Debtor Voting Agent by writing to Eos Airlines Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Ave., El Segundo, CA 90245, by calling 1-866-381-9100, or by accessing the case website at www.kccllc.net/eosairlines.

D. Approval of Voting and Tabulation Procedures

1. Claim Holders Entitled to Vote: Only the following holders of Claims in Voting Classes shall be entitled to vote with regard to such Claims:

a. the holders of Claims for which proofs of claim have been timely filed, as reflected on the official claims register, as of the close of business on the Voting Record Date, with the exception of those Claims subject to a pending objection filed before the Voting Deadline, unless such Claims are allowed for voting purposes pursuant to a Resolution Event (as defined below) pursuant to the procedures in Section D.4 herein; provided, however, to the extent that the Debtor has reached a settlement on a Claim for which a proof of claim has been timely filed, the terms of such settlement shall govern for purposes of determining the holder of the Claim and the amount of the Claim;

b. the holders of scheduled Claims that are listed in the Debtor's Schedules, with the exception of those scheduled Claims that are listed as contingent, unliquidated or Disputed Claims (excluding such scheduled Claims that have been superseded by a timely-filed Proof of Claim); and

c. the holders of Claims arising pursuant to an agreement or settlement with the Debtor executed prior to the close of business on the Voting Record Date, as reflected in a court pleading, stipulation, term sheet, agreement or other document filed with the Bankruptcy Court, in an Order entered by the Bankruptcy Court, or in a document executed by the Debtor pursuant to authority granted by the Bankruptcy Court regardless of whether a proof of claim has been filed.

The assignee of a transferred and assigned Claim (whether a timely-filed or scheduled Claim) shall be permitted to vote such Claim only if appropriate transfer/assignment of claim documentation has been noted on the Bankruptcy Court's docket as 4:00 p.m. prevailing Eastern Time on the day following the Voting Record Date.

2. Establishing Claim Amount: In tabulating votes, the following hierarchy shall be used to determine the Claim amount associated with each Creditor's vote:

a. The Claim amount settled and/or agreed upon by the Debtor prior to the Voting Record Date, as reflected in a court pleading, stipulation, term sheet, agreement or other document filed with the Bankruptcy Court, in an Order entered by the Bankruptcy Court, or in a document executed by the Debtor pursuant to authority granted by the Bankruptcy Court;

b. The Claim amount allowed (temporarily or otherwise) pursuant to a Resolution Event under the procedures set forth in Section D.4 below;

c. The Claim amount contained on a proof of claim that has been timely filed by the applicable Bar Date (or deemed timely filed by the Bankruptcy Court under applicable law), provided, however, that Ballots cast by Creditors whose Claims are not listed on the Debtor's Schedules, but who timely file proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed before the Voting Deadline, will count for satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, and will count as Ballots for Claims in the amount of \$1.00 solely for the purposes of satisfying the dollar amount provisions of Section 1126(c) of the Bankruptcy Code; provided, further, however, that to the extent the Claim amount contained in the proof of claim is different from the Claim amount set forth in a Court pleading, stipulation, term sheet, agreement, or other document filed with the Bankruptcy Court as referenced in D.1 above, the Claim amount in the court pleading, stipulation, term sheet, agreement, or other document filed with the Bankruptcy Court shall supercede the Claim amount set forth on the respective proof of claim;

d. The Claim amount listed in the Debtor's Schedules, provided that such Claim is not scheduled as contingent, disputed or unliquidated and has not been paid; and

- e. In the absence of any of the foregoing, zero (\$0.00).

The Claim amount established pursuant to this Section D.2 shall control for voting purposes only, and shall not constitute the Allowed amount of any Claim.

3. Ballot Tabulation: The following voting procedures and standard assumptions shall be used in tabulating ballots:

- a. Except as otherwise provided herein, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, the Debtor shall reject such Ballot as invalid and, therefore, decline to count it in connection with confirmation of the Plan;

- b. The Voting Agent will date and time-stamp all Ballots when received. The Voting Agent shall retain the original Ballots and an electronic copy of the same for a period of one (1) year after the Effective Date of the Plan, unless otherwise ordered by the Bankruptcy Court;

- c. The Debtor will file the Voting Report with the Bankruptcy Court in accordance with the Local Rules. The Voting Report shall, among other things, enumerate every Ballot that does not conform to the Voting Instructions or that contains any form of irregularity (each an “Irregular Ballot”) including, but not limited to, those Ballots that are late or (in whole or in material part) illegible, unidentifiable, not denominated in U.S. dollars, lacking signatures or lacking necessary information, received via facsimile or electronic mail or damaged. The Voting Report shall indicate the Debtor’s intentions with regard to such Irregular Ballots;

- d. The method of delivery of Ballots to be sent to the Voting Agent is at the election and risk of each Creditor, except as otherwise provided, a Ballot will be deemed delivered only when the Voting Agent actually receives the original executed Ballot;

- e. An original executed Ballot is required. Delivery of a Ballot to the Voting Agent by facsimile, email or any other electronic means will not be accepted;

- f. No Ballot should be sent to the Bankruptcy Court, the Clerk of the Bankruptcy Court, the Debtor, the Debtor’s agents (other than the Voting Agent), or the Debtor’s legal or financial advisors, and if so sent will not be counted;

- g. The Debtor expressly reserves the right to amend from time to time the terms of the Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the terms of the Plan regarding modification). If the Debtor makes material changes to the terms of the Plan or the Debtor waives a material condition to Plan confirmation, as determined by the Bankruptcy Court, the Debtor will disseminate additional solicitation materials and will extend the solicitation, in each case only to the extent directed by the Court;

h. If multiple Ballots are received from the same Creditor with respect to the same Claim or Equity Interest prior to the Voting Deadline, the last Ballot timely received will be deemed to reflect that voter's intent and will supersede and revoke any prior Ballot;

i. Creditors must vote all of their Claims or Equity Interests within a particular Plan Class either to accept or reject the Plan and may not split their vote. Accordingly, a Ballot that partially rejects and partially accepts the Plan will not be counted. Further, to the extent there are multiple Claims within the same Class, the Debtor may, in its discretion, aggregate the Claims of any particular holder within a Class for the purpose of counting votes;

j. A Person signing a Ballot in its capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of corporations, or otherwise acting in a fiduciary or representative capacity should indicate such capacity when signing and, if required or requested by the Voting Agent, the Debtor or the Bankruptcy Court, must submit proper evidence to the requesting party to so act on behalf of such claimant;

k. The Debtor, subject to contrary order of the Bankruptcy Court, may waive any defects or irregularities as to any particular Ballot at any time, either before or after the close of voting provided however, that any such waivers will be documented in the Voting Report;

l. Neither the Debtor, nor any other person or entity, will be under any duty to provide notification of defects or irregularities with respect to delivered Ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification;

m. Unless waived or as ordered by the Bankruptcy Court, any defects or irregularities in connection with the return of Ballots must be cured prior to the Voting Deadline or such Ballots will not be counted;

n. In the event a designation of lack of good faith is requested by a party-in-interest under Section 1126(e) of the Bankruptcy Code, the Court will determine whether any vote to accept and/or reject the Plan cast with respect to that Claim will be counted for purposes of determining whether the Plan has been accepted and/or rejected;

o. Subject to any contrary order of the Bankruptcy Court, the Debtor reserves the right to reject any and all Ballots not in proper form, the acceptance of which, in the opinion of the Debtor, would not be in accordance with the provisions of the Bankruptcy Code or the Bankruptcy Rules, provided however, that any such rejections will be documented in the Voting Report;

p. If a Claim has been estimated or otherwise allowed for voting purposes only by final order of the Bankruptcy Court, such Claim shall be temporarily allowed in the amount so estimated or allowed by the Bankruptcy Court for voting purposes only, and not for purposes of Allowance or Distribution;

q. If an objection to a Claim or Equity Interest is filed prior to the Voting Record Date, such Claim or Equity Interest shall be treated in accordance with the procedures set forth in Section D.4 below. If an objection is filed after the Voting Record Date, the related Claim or Equity Interest shall be treated in accordance with the procedures set forth in Section D.5 below; and

r. The following Ballots shall not be counted in determining the acceptance or rejection of the Plan: (i) any Ballot that is illegible or contains insufficient information to permit the identification of the Creditor; (ii) any Ballot cast by a person or entity that does not hold a Claim in a Class that is entitled to vote on the Plan; (iii) any Ballot cast for a Claim scheduled as unliquidated, contingent or disputed for which no Proof of Claim was timely filed; (iv) any unsigned Ballot; (v) any Ballot not marked to accept or reject the Plan, or marked both to accept and reject the Plan; and (vi) any Ballot submitted by any party not entitled to vote pursuant to the procedures described herein.

4. Temporary Allowance of Disputed Claims for Voting Purposes: If an objection to a Claim or Equity Interest is pending on the Voting Record Date, the holder of such Claim or Equity Interest shall receive a copy of the Confirmation Hearing Notice and a *Notice of Non-Voting Status with Respect to Disputed Claims* (“Disputed Claims Notice”), substantially in the form attached as Exhibit 6 to the Disclosure Statement Order, in lieu of a Solicitation Package. The Disputed Claim Notice shall inform such person or entity (i) that its Claim (“Disputed Claim”) or Equity Interest (“Disputed Equity Interest”) has been objected to; and (ii) that the holder of such Disputed Claim or Disputed Equity Interest cannot vote unless one or more of the following has taken place at least five (5) Business Days before the Voting Deadline: (a) an order is entered by the Bankruptcy Court allowing such Disputed Claim or Disputed Equity Interest pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing; (b) an order is entered by the Bankruptcy Court temporarily allowing such Disputed Claim or Disputed Equity Interest for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing; (c) a stipulation or other agreement is executed between the holder of the Disputed Claim or Disputed Equity Interest and the Debtor resolving the objection and allowing the Disputed Claim or Disputed Equity Interest in an agreed upon amount; (d) a stipulation or other agreement is executed between the holder of the Disputed Claim or Disputed Equity Interest and the Debtor temporarily allowing the holder of the Disputed Claim or Disputed Equity Interest to vote its Claim or Equity Interest in an agreed upon amount; or (e) the pending objection to the Disputed Claim or Disputed Equity Interest is voluntarily withdrawn by the Debtor (each, a “Resolution Event”). No later than two (2) Business Days after a Resolution Event, the Voting Agent shall distribute a Solicitation Package to the relevant holder of the Disputed Claim or Disputed Equity Interest, which must be returned to the Voting Agent by no later than the Voting Deadline.

5. If an objection to a Disputed Claim or Disputed Equity Interest is filed by the Debtor after the Voting Record Date, the Ballot of the holder of such Disputed Claim or Disputed Equity Interest will not be counted absent a Resolution Event occurring prior to the Voting Deadline.

E. Third Party Release, Exculpation, and Injunction Language in Plan

The third party release, exculpation, and injunction language in Section 10 of the Plan is included in Article 7 of the Disclosure Statement and further notice is provided in the Confirmation Hearing Notice.

EXHIBIT 2

(Form of Letter to Voting Class)

[EOS LETTERHEAD]

Dear Class 4 Claim Holder:

You have received this letter and the enclosed materials because, as the holder of a Class 4 General Unsecured Claim against Eos Airlines, Inc. (the “Debtor”), you are entitled to vote on the *Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the United States Bankruptcy Code*, as it may be amended from time to time (the “Plan”).⁴

The enclosed materials constitute the Debtor Solicitation Package and consist of:

- (a) the *Notice of (I) Confirmation Hearing and Objection Deadline with Respect to the Debtor Plan, and (II) Solicitation and Voting Procedures* (the Confirmation Hearing Notice);
- (b) the Ballot and Voting Instructions;
- (c) a pre-addressed, postage pre-paid return envelope;
- (d) a CD-ROM containing the Disclosure Statement, as approved by the Bankruptcy Court (with all exhibits thereto, including the Plan) and any other supplements or amendments to these documents which may be filed with the Bankruptcy Court;
- (e) a CD-ROM containing any supplemental solicitation materials the Debtor may file with the Bankruptcy Court or that the Bankruptcy Court orders to be made available;
- (f) a CD-ROM containing the *Order (A) Approving Adequacy of Disclosure Statement; (B) Fixing a Voting Record Date; (C) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject the Plan; (D) Approving Form of Solicitation Package and Notices; and (E) Scheduling Certain Dates in Connection Therewith* (the Disclosure Statement Order (without exhibits except for Exhibit 1 (Solicitation Procedures))); and
- (g) this letter.

The Debtor and the Official Committee of Unsecured Creditors (the Committee believe that the Plan is in the best interests of all creditors. Accordingly, **THE DEBTOR AND THE COMMITTEE THEREFORE RECOMMEND THAT ALL CREDITORS ENTITLED TO VOTE TO SUBMIT A TIMELY BALLOT VOTE TO ACCEPT THE PLAN.**

The materials in the Solicitation Package are intended to be self-explanatory. If you should have any questions or if you request paper copies of any of the documents contained on the enclosed CD-ROM, please feel free to contact the Debtor Voting Agent by writing to Eos

⁴ Capitalized terms not defined in this letter have the meaning given them in the Plan.

Airlines Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Ave., El Segundo, California 90245 or by calling 1-866-381-9100.

Eos Airlines, Inc., debtor and debtor-in-possession

By: /s/ Caralyn Galletta

Name: Caralyn Galletta

Title: Chief Responsible Officer

EXHIBIT 3

(Class 4 Ballot)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X

In re:

EOS AIRLINES, INC.

Debtor

-----X

:
:
: **CHAPTER 11**
:
: **CASE NO. 08-22581 (ASH)**
:
:

CLASS 4 BALLOT FOR ACCEPTING OR REJECTING PLAN

**PLEASE READ AND FOLLOW THE VOTING INSTRUCTIONS CAREFULLY BEFORE
COMPLETING THIS BALLOT**

1. Eos Airlines, Inc.(the **ebtor** and the Official Committee of Unsecured Creditors of Eos Airlines, Inc. have filed a Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the United Staets Bankruptcy Code (the **lan** in its Chapter 11 Case pending before the United States Bankruptcy Court for the Southern District of New York (the **ourt** . By this Ballot you may vote to accept or reject the Plan.
2. The Court has approved a Disclosure Statement with respect to the Plan. The Disclosure Statement provides information to assist you in deciding how to cast your Ballot. If you do not have a Disclosure Statement, you may obtain a copy from the attorneys for the Debtor whose contact information is set forth below. Court approval of the Disclosure Statement does not indicate approval of the Plan by the Court.
3. You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your Claim under the Plan.
4. If your Ballot is not received by the Debtor voting agent (the **oting Agent** , whose name appears below, by **5:00 p.m., prevailing Pacific Time, on January 21, 2009**, and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan.
5. If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.
6. The amount of your Class 4 General Unsecured Claim for purposes of voting on the Plan is set forth immediately below. If you disagree with this amount, you must file

appropriate a timely and appropriate pleading before the Court to have your Claim estimated at a different amount for voting purposes.

AMOUNT OF CLASS 4 GENERAL UNSECURED CLAIM FOR VOTING PURPOSES: \$ _____

7. The undersigned *[check one box only]*:

ACCEPTS THE PLAN

REJECTS THE PLAN

**THE DEBTOR AND COMMITTEE RECOMMEND THAT YOU ACCEPT THE PLAN
BY CHECKING THE ACCEPT THE PLAN BOX ABOVE**

Dated: _____

Name *[Print or type]*: _____
Signature: _____
Title *[if corporation or partnership]*: _____
Address: _____
Telephone/Facsimile Number: _____

RETURN THIS BALLOT TO THE DEBTOR VOTING AGENT AT:

EOS Airlines, Inc. Ballot Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

**THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM AND WILL NOT BE
CONSIDERED A PROOF OF CLAIM**

Counsel to the Debtor: Squire, Sanders & Dempsey L.L.P., Attn: Nicholas Brannick, 2000
Huntington Center, 41 South High Street, Columbus, OH 43215, Phone: 614.365.2700

APPENDIX A
VOTING INSTRUCTIONS FOR COMPLETING THE CLASS 4 BALLOT

The Debtor and Committee are soliciting your vote with respect to the Plan. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan and the Disclosure Statement. Please review the Plan and the Disclosure Statement carefully and thoroughly before you vote.

To have your vote count, you must complete, sign and return the attached Ballot so that it is received by the Debtor Voting Agent:

EOS Airlines, Inc. Ballot Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

in either case, no later than **5:00 p.m. prevailing Pacific Time, on January 21, 2009** (the **oting Deadline** , unless the Debtor extends or waives such Voting Deadline, in which case the term **oting Deadline** for such solicitation shall mean the last time and date to which such solicitation period is extended.

If a Ballot is received after the Voting Deadline, it may not be counted. Except as otherwise provided herein, delivery of Ballots will be deemed made only on the date the original executed Ballot is **actually received** by the Voting Agent. In all cases, sufficient time should be allowed to assure timely delivery. **Delivery of a Ballot to the Voting Agent by facsimile, e-mail or any other electronic means will not be accepted. No Ballot should be sent to the Debtor, counsel for the Debtor, counsel for the Committee, or the Bankruptcy Court.**

If a creditor casts simultaneous duplicative Ballots which are voted inconsistently, such Ballots shall count as one vote accepting the Plan.

The Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan.

The Ballot does not constitute, and shall not be deemed to be, a Proof of Claim or Interest or an assertion or admission of a Claim or Equity Interest.

Please be sure to sign and date your Ballot. If you are completing the Ballot on behalf of an entity, indicate your relationship with such entity and the capacity in which you are signing. In addition, please provide your name and mailing address if different from that set forth on the attached mailing label or if no such mailing label is attached to the Ballot.

PLEASE COMPLETE, SIGN AND DATE THE BALLOT AND RETURN IT TO THE VOTING AGENT IN THE ENVELOPE PROVIDED. PLEASE RETURN YOUR BALLOT PROMPTLY!

If you would like to request a copy of the Disclosure Statement via email, please send your email to nbrannick@ssd.com.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CALL THE VOTING AGENT AT **1-866-381-9100**

EXHIBIT 4

(Notice of Non-Voting Status Deemed to Accept)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
:
In re: :
: **CHAPTER 11**
:
EOS AIRLINES, INC. :
: **CASE NO. 08-22581 (ASH)**
Debtor :
:
-----X

**NOTICE OF NON-VOTING STATUS WITH RESPECT TO UNIMPAIRED
CLASSES DEEMED TO ACCEPT THE PLAN, IMPAIRED CLASSES
DEEMED TO ACCEPT THE PLAN, AND UNCLASSIFIED CLASSES**

PLEASE TAKE NOTICE that on December __, 2008, the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) approved the above-captioned Debtor’s Disclosure Statement (as amended from time to time and including all exhibits and supplements, the “Disclosure Statement”) for the Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the United States Bankruptcy Code (as amended from time to time and including all exhibits and supplements, the “Plan”) for use by the Debtor and Official Committee of Unsecured Creditors of Eos Airlines, Inc. in soliciting acceptances or rejections of the Plan from holders of Impaired Claims and Equity Interests who are (or may be) entitled to receive distributions under the Plan.⁵

THE DEBTOR DISCLOSURE STATEMENT, PLAN, DISCLOSURE STATEMENT ORDER, AND OTHER SOLICITATION PACKAGE MATERIALS ARE AVAILABLE BY CONTACTING THE DEBTOR VOTING AGENT IN WRITING AT EOS AIRLINES PROCESSING, C/O KURTZMAN CARSON CONSULTANTS LLC, 2335 ALASKA AVE., EL SEGUNDO, CA 90245, BY CALLING 1-866-381-9100, OR BY ACCESSING THE CASE WEBSITE AT <http://www.kccllc.net/eosairlines>.

YOU ARE RECEIVING THIS NOTICE BECAUSE UNDER THE TERMS OF SECTIONS 2 AND 4 OF THE PLAN, EITHER: (A) YOUR CLAIM(S) IS/ARE UNCLASSIFIED PURSUANT TO SECTION 1123(a)(1) OF THE BANKRUPTCY CODE AND THEREFORE YOU ARE NOT ENTITLED TO VOTE ON THE PLAN; (B) YOUR CLAIM(S) AGAINST THE DEBTOR IS/ARE IMPAIRED BUT, PURSUANT TO THE WARN ACT SETTLEMENT AGREEMENT, YOU ARE (I) DEEMED TO HAVE ACCEPTED THE PLAN AND (II) NOT ENTITLED TO VOTE ON THE PLAN; OR (C) YOUR CLAIM(S) AGAINST, OR INTEREST(S) IN, THE DEBTOR IS/ARE UNIMPAIRED AND, THEREFORE, IN ACCORDANCE WITH SECTION 1126(f) OF THE UNITED STATES BANKRUPTCY CODE, YOU ARE (I) DEEMED TO HAVE ACCEPTED THE PLAN AND (II) NOT ENTITLED TO VOTE ON THE PLAN. ACCORDINGLY, THIS NOTICE AND THE

⁵ Capitalized terms not defined in this letter have the meaning given them in the Plan, filed before the Bankruptcy Court on October 24, 2008 [Doc. 338].

“NOTICE OF (I) CONFIRMATION HEARING AND OBJECTION DEADLINE WITH RESPECT TO THE DEBTOR’S PLAN, AND (II) SOLICITATION AND VOTING PROCEDURES” ARE BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY.

IF YOU HAVE ANY QUESTIONS ABOUT THE STATUS OF YOUR CLAIM(S) OR EQUITY INTEREST(S), YOU SHOULD CONTACT THE DEBTOR’S VOTING AGENT AT THE ADDRESS OR TELEPHONE NUMBER SET FORTH ABOVE.

EXHIBIT 5

(Notice of Non-Voting Status Deemed to Reject)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
:
In re: :
: **CHAPTER 11**
EOS AIRLINES, INC. :
: **CASE NO. 08-22581 (ASH)**
Debtor :
:
-----X

**NOTICE OF NON-VOTING STATUS WITH RESPECT
TO IMPAIRED CLASSES DEEMED TO REJECT THE PLAN**

PLEASE TAKE NOTICE that on December __, 2008, the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) approved the above-captioned Debtor’s Disclosure Statement (as amended from time to time and including all exhibits and supplements, the “Disclosure Statement”) for the Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the United States Bankruptcy Code (as amended from time to time and including all exhibits and supplements, the “Plan”) for use by the Debtor and Official Committee of Unsecured Creditors of Eos Airlines, Inc. in soliciting acceptances or rejections of the Plan from holders of Impaired Claims and Equity Interests who are (or may be) entitled to receive distributions under the Plan.⁶

THE DEBTOR DISCLOSURE STATEMENT, PLAN, DISCLOSURE STATEMENT ORDER, AND OTHER SOLICITATION PACKAGE MATERIALS ARE AVAILABLE BY CONTACTING THE DEBTOR VOTING AGENT IN WRITING AT EOS AIRLINES PROCESSING, C/O KURTZMAN CARSON CONSULTANTS LLC, 2335 ALASKA AVE., EL SEGUNDO, CA 90245, BY CALLING 1-866-381-9100, OR BY ACCESSING THE CASE WEBSITE AT <http://www.kccllc.net/eosairlines>.

YOU ARE RECEIVING THIS NOTICE BECAUSE UNDER THE TERMS OF SECTION 4 OF THE PLAN, YOU ARE NOT ENTITLED TO RECEIVE OR RETAIN ANY PROPERTY ON ACCOUNT OF YOUR CLAIM(S) AGAINST, OR EQUITY INTEREST(S) IN, THE DEBTOR AND THEREFORE, IN ACCORDANCE WITH SECTION 1126(g) OF THE UNITED STATES BANKRUPTCY CODE, YOU ARE (I) PRESUMED TO HAVE REJECTED THE PLAN AND (II) NOT ENTITLED TO VOTE ON THE PLAN. ACCORDINGLY, THIS NOTICE AND THE “NOTICE OF (I) CONFIRMATION HEARING AND OBJECTION DEADLINE WITH RESPECT TO THE DEBTOR’S PLAN AND (II) SOLICITATION AND VOTING PROCEDURES” ARE BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY.

⁶ Capitalized terms not defined in this letter have the meaning given them in the Plan, filed before the Bankruptcy Court on October 24, 2008 [Doc. 338].

IF YOU HAVE ANY QUESTIONS ABOUT THE STATUS OF YOUR CLAIM(S) OR EQUITY INTEREST(S), YOU SHOULD CONTACT THE DEBTOR'S VOTING AGENT AT THE ADDRESS OR TELEPHONE NUMBER ABOVE.

EXHIBIT 6

(Notice of Disputed Claims)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
: **CHAPTER 11**
: **CASE NO. 08-22581 (ASH)**
: **Debtor**
: **EOS AIRLINES, INC.**
: **In re:**
-----X

NOTICE OF NON-VOTING STATUS WITH RESPECT TO DISPUTED CLAIMS

PLEASE TAKE NOTICE that on December __, 2008, the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) approved the above-captioned Debtor’s Disclosure Statement (as amended from time to time and including all exhibits and supplements, the “Disclosure Statement”) for the Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the United States Bankruptcy Code (as amended from time to time and including all exhibits and supplements, the “Plan”) for use by the Debtor and Official Committee of Unsecured Creditors of Eos Airlines, Inc. in soliciting acceptances or rejections of the Plan from holders of Impaired Claims and Equity Interests who are (or may be) entitled to receive distributions under the Plan.⁷

THE DEBTOR DISCLOSURE STATEMENT, PLAN, DISCLOSURE STATEMENT ORDER, AND OTHER SOLICITATION PACKAGE MATERIALS ARE AVAILABLE BY CONTACTING THE DEBTOR VOTING AGENT IN WRITING AT EOS AIRLINES PROCESSING, C/O KURTZMAN CARSON CONSULTANTS LLC, 2335 ALASKA AVE., EL SEGUNDO, CA 90245, BY CALLING 1-866-381-9100, OR BY ACCESSING THE CASE WEBSITE AT <http://www.kcellc.net/eosairlines>.

YOU ARE RECEIVING THIS NOTICE BECAUSE AS OF THE VOTING RECORD DATE, NOVEMBER 25, 2008, YOU ARE THE HOLDER OF A CLAIM OR EQUITY INTEREST THAT IS SUBJECT TO A PENDING OBJECTION BY THE DEBTOR. YOU ARE NOT ENTITLED TO VOTE ON THE DEBTOR’S PLAN UNLESS AT LEAST FIVE (5) BUSINESS DAYS BEFORE THE JANUARY 6, 2009 VOTING DEADLINE: (A) YOUR CLAIM OR EQUITY INTEREST IS ALLOWED BY THE BANKRUPTCY COURT PURSUANT TO SECTION 502(b) OF THE BANKRUPTCY CODE, AFTER NOTICE AND A HEARING; (B) YOUR CLAIM OR EQUITY INTEREST IS TEMPORARILY ALLOWED FOR VOTING PURPOSES ONLY BY THE BANKRUPTCY COURT PURSUANT TO BANKRUPTCY RULE 3018(a), AFTER NOTICE AND A HEARING; (C) A STIPULATION OR OTHER AGREEMENT HAS BEEN EXECUTED BY YOU AND THE DEBTOR RESOLVING THE OBJECTION AND ALLOWING YOUR CLAIM OR EQUITY INTEREST IN AN AGREED UPON AMOUNT; (D) A STIPULATION OR OTHER AGREEMENT IS EXECUTED BY

⁷ Capitalized terms not defined in this letter have the meaning given them in the Plan, filed before the Bankruptcy Court on October 24, 2008 [Doc. 338].

YOU AND THE DEBTOR TEMPORARILY ALLOWING YOU TO VOTE YOUR CLAIM OR EQUITY INTEREST IN AN AGREED UPON AMOUNT; OR (E) THE DEBTOR'S OBJECTION HAS BEEN VOLUNTARILY WITHDRAWN BY THE DEBTOR (EACH, A "RESOLUTION EVENT"). ACCORDINGLY, THIS NOTICE AND THE "NOTICE OF (I) CONFIRMATION HEARING AND OBJECTION DEADLINE WITH RESPECT TO THE DEBTOR'S PLAN, AND (II) SOLICITATION AND VOTING PROCEDURES" ARE BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY.

IF A RESOLUTION EVENT OCCURS, THEN, NO LATER THAN TWO (2) BUSINESS DAYS THEREAFTER, THE VOTING AGENT SHALL DISTRIBUTE A BALLOT AND A PRE-ADDRESSED, POSTAGE PRE-PAID ENVELOPE TO YOU, WHICH MUST BE RETURNED TO THE VOTING AGENT BY NO LATER THAN THE VOTING DEADLINE, JANUARY 6, 2009 AT 5:00 P.M. PACIFIC TIME.

IF YOU HAVE ANY QUESTIONS ABOUT THE STATUS OF YOUR CLAIM(S) OR EQUITY INTEREST(S), YOU SHOULD CONTACT THE DEBTOR'S VOTING AGENT AT THE ADDRESS OR TELEPHONE NUMBER ABOVE.

EXHIBIT 7

(Confirmation Hearing Notice)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

In re:

EOS AIRLINES, INC.

Debtor

:
:
: CHAPTER 11
:
: CASE NO. 08-22581 (ASH)
:
:

-----X

**NOTICE OF (I) CONFIRMATION HEARING AND OBJECTION
DEADLINE WITH RESPECT TO THE JOINT PLAN, (II) CERTAIN BAR
DATES UNDER THE PLAN AND (III) SOLICITATION AND VOTING PROCEDURES**

TO ALL CREDITORS, EQUITY INTEREST HOLDERS AND PARTIES IN INTEREST:

1. Approval of Disclosure Statement and Solicitation Procedures. On December __, 2008, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered an order (the "Disclosure Statement Order") approving the Disclosure Statement, dated December 18, 2008 (as amended from time to time and including all exhibits and supplements, the "Disclosure Statement") for the Joint Plan of Liquidation of Eos Airlines, Inc. Under Chapter 11 of the United States Bankruptcy Code (as amended from time to time and including all exhibits and supplements, the "Plan"), as containing adequate information, as required under section 1125(a) of title 11 of the United States Code (the "Bankruptcy Code"), and authorized Eos Airlines, Inc., the debtor and debtor-in-possession (the "Debtor") and the Official Committee of Unsecured Creditors of Eos Airlines, Inc. (the "Committee") to solicit votes with regard to the acceptance or rejection of the Plan.⁸

2. Confirmation Hearing. A hearing to confirm the Plan (the Confirmation Hearing) will commence at 11:00 a.m. prevailing Eastern Time on **January 28, 2009** before the Honorable Adlai S. Hardin, United States Bankruptcy Judge, located at 300 Quarropas Street, White Plains, New York 10601. The Confirmation Hearing may be continued from time to time by announcing such continuance in open court or otherwise, without further notice to parties in interest. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. The Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to interest parties.

3. Voting Deadline. If you hold a Claim against the Debtor as of November 25, 2008, the Voting Record Date, and are entitled to vote to accept or reject the Plan, you have received a Ballot and voting instructions for your Claim(s). For your vote to accept or reject the Plan to be counted, you must complete all required information on the Ballot, execute and return the completed Ballot to the address indicated on the Ballot by 5:00 p.m. Pacific Time on **January __, 2009** (the Voting Deadline). Any failure to follow the voting instructions included with the Ballot may disqualify your Ballot and your vote.

4. Objection to the Plan. The Bankruptcy Court has established **January 23, 2009** at 4:00 p.m. prevailing Eastern Time, as the last date and time for filing and serving objections to the confirmation of the Plan (the Plan Objection Deadline). Any objections to the Plan must be in writing, and state the name and address of the objecting party and the amount and nature of the Claim or Equity Interest of such party, provide a concise statement of the basis for such objection or proposed modification, conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court and shall be served and filed, together with proof of service, with the Bankruptcy Court so that they are received no later than 4:00 p.m. prevailing Eastern Time, on **January 23, 2009** by (a) the Clerk of the Bankruptcy Court, Judge Adlai S. Hardin Chambers, Room 530, 300 Quarropas Street, White Plains, New York 10601; (b) Eos Airlines, Inc., P.O. Box 598, Purchase, New York 10577; (c) Squire, Sanders and Dempsey L.L.P., 2000 Huntington Center, 41 South High Street, Columbus, Ohio 43215, Attn: Tim J. Robinson,

⁸ All capitalized terms used, but not defined herein, shall have the meanings ascribed to such terms in the Plan or the Disclosure Statement, as applicable.

attorneys for the Debtor; (d) Cohen Tauber Spievack & Wagner P.C., 420 Lexington Avenue, Suite 240, New York, New York 10170, Attn: Joseph M. Vann, attorneys for the Official Committee of Unsecured Creditors; (e) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Brian Masumoto; and (f) Eos Airlines Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Ave., El Segundo, California 90245, the Voting Agent (collectively, the Office Parties).

5. Bar Dates. The Plan establishes dates by which certain Claims must be filed. Specifically, (i) all Administrative Claims must be filed on or prior to the Effective Date; (ii) all Claims for Professional Fees must be filed and served within thirty (30) business days of the Effective Date; and (iii) Claims arising from the rejection of executory contracts pursuant to the Plan must be filed and served within thirty (30) business days after the Effective Date.

6. Inquiries. The Plan, Disclosure Statement, Disclosure Statement Order, and all other materials in the Debtor Solicitation Package may be obtained from the Voting Agent website www.kccllc.net/eosairlines (except the Ballots) or by contacting the Debtor's Voting Agent in writing at Eos Airlines Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245 or calling 1-866-381-9100. The Debtor will serve copies of the Disclosure Statement Order, the Disclosure Statement, and all exhibits to the Disclosure Statement, including the Plan, on all parties on the 2002 List as of the Voting Record Date and all parties entitled to vote to accept or reject the Plan. Creditors who are entitled to vote to accept or reject the Plan shall receive a Solicitation Package containing copies of this Confirmation Hearing Notice, Ballot(s) and the Solicitation Procedures.

7. Temporary Allowance of Claims for Voting Purposes. Holders of Claims and Equity Interests that are subject to a pending objection by the Debtor as of the Voting Record Date cannot vote on the Plan unless one or more of the following has taken place at least five (5) Business Days before the Voting Deadline: (a) an order is entered by the Bankruptcy Court allowing such Disputed Claim or Disputed Equity Interest pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing; (b) an order is entered by the Bankruptcy Court temporarily allowing such Disputed Claim or Disputed Equity Interest for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing; (c) a stipulation or other agreement is executed between the holder of the Disputed Claim or Disputed Equity Interest and the Debtor resolving the objection and allowing the Disputed Claim or Disputed Equity Interest in an agreed upon amount; (d) a stipulation or other agreement is executed between the holder of the Disputed Claim or Disputed Equity Interest and the Debtor temporarily allowing the holder of the Disputed Claim or Disputed Equity Interest to vote its Claim or Equity Interest in an agreed upon amount; or (e) the pending objection to the Disputed Claim or Disputed Equity Interest is voluntarily withdrawn by the Debtor (each, a "Resolution Event"). If an objection to a Claim or Equity Interest is filed by the Debtor after the Voting Record Date but before 15 days prior to the Confirmation Hearing, any vote by the holder of such Disputed Claim or Disputed Equity Interest will not be counted unless there is a Resolution Event.

8. Release, Exculpation, and Injunction Language in the Plan. PLEASE BE ADVISED THAT THE PLAN CONTAINS CERTAIN RELEASE, EXCULPATION AND INJUNCTION PROVISIONS. YOU ARE ADVISED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

Dated: December __, 2008

<p>SQUIRE, SANDERS & DEMPSEY L.L.P.</p> <p><u>/s/ Tim J. Robinson</u></p> <p>Stephen D. Lerner (SL - 7598) Tim J. Robinson (OH 0046668) Nicholas J. Brannick (OH 0079642) 1095 Avenue of the Americas, 31st Floor New York, New York 10036 Phone: 212.872.9800 Fax: 212.872.9815</p>	<p>COHEN TAUBER SPIEVACK & WAGNER L.L.P.</p> <p><u>/s/ Joseph M. Vann</u></p> <p>Joseph M. Vann (JV-7601) Robert A. Boghosian (RB-5822) Ira R. Abel (IA-1869) 420 Lexington Avenue, 24th Floor New York, New York 10170 Ph: (212) 586-5800 Fx: (212) 586-5095</p>
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Counsel for the Debtor and Debtor-in-Possession

*Counsel to the Official Committee of Unsecured Creditors of
Eos Airlines, Inc.*