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and subsidiaries including, but not limited
to, NetJets Aviation, Inc.*

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

In re:)	Chapter 11
)	
HAWKER BEECHCRAFT, INC., <i>et al.</i> , ¹)	Case No. 12-11873 (SMB)
)	
Debtors.)	(Jointly Administered)
)	
)	Related Doc. Entry Nos: 20 & 53

**LIMITED OBJECTION OF NETJETS, INC. TO DEBTORS' MOTION
FOR THE ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING
THE DEBTORS (A) TO OBTAIN POST-PETITION FINANCING PURSUANT
TO 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) AND 364(e)
AND (B) TO UTILIZE CASH COLLATERAL PURSUANT TO 11 U.S.C. §§ 361, 362,
363, AND 364; (II) GRANTING ADEQUATE PROTECTION TO
PREPETITION SECURED LENDERS; AND (III) SCHEDULING A
FINAL HEARING PURSUANT TO BANKRUPTCY RULES 4001(b) AND (c)**

¹ The Debtors in the chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Hawker Beechcraft, Inc. (2598); Arkansas Aerospace, Inc. (7496); Beech Aircraft Corporation (continued next page)

NetJets, Inc. on behalf of itself and its affiliates and subsidiaries (collectively, “NetJets”) files this Limited Objection to the Debtors’ Motion for the Entry of Interim and Final Orders (I) Authorizing the Debtors (A) to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. §§ 361, 362, 363, and 364; (II) Granting Adequate Protection to Prepetition Secured Lenders; and (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c) [Docket No. 20] (the “Financing Motion”), and respectfully states as follows:

BACKGROUND

1. On May 3, 2012 (the “Petition Date”), the above-captioned debtors (the “Debtors”) each filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Court”).

2. The Debtors continue to operate their respective businesses as debtors-in-possession.

3. On May 4, 2012, the Debtors filed the Financing Motion seeking, *inter alia*, approval to obtain post-petition financing, to use cash collateral, and to grant various forms of adequate protection to the Debtors’ lenders.

4. After conducting the “First Day” hearing on May 4, 2012, the Court entered the Interim Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing Pursuant to 11

(0487); Beechcraft Aviation Company (3548); Hawker Beechcraft Acquisition Company, LLC (8770); Hawker Beechcraft Corporation (5770); Hawker Beechcraft Defense Company, LLC (5891); Hawker Beechcraft Finance Corporation (8763); Hawker Beechcraft Global Customer Support Corporation (7338); Hawker Beechcraft Holding, Inc. (6044); Hawker Beechcraft International Delivery Corporation (6640); Hawker Beechcraft International Holding LLC (6757); Hawker Beechcraft International Service Company (9173); Hawker Beechcraft Notes Company (0498); Hawker Beechcraft Quality Support Company (7800); Hawker Beechcraft Regional Offices, Inc. (3889); HBC, LLC (N/A); and Rapid Aircraft Parts Inventory and Distribution Company, LLC (N/A). The location of the Debtors’ corporate headquarters and the Debtors’ service address is: 10511 East Central, Wichita, Kansas 67206.

U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e) and (B) Utilize Cash Collateral of Prepetition Secured Entities Pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection to Prepetition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364, (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), and (IV) Granting Related Relief [Docket No. 53] (the “Interim Financing Order”). The Debtors are seeking entry of a final financing order (the “Final Financing Order”) at the May 30, 2012 hearing.

**PROPERTY OWNED BY NETJETS AND
JOINTLY OWNED BY NETJETS AND THE DEBTORS**

5. Pursuant to that certain Memorandum of Understanding² dated July 18, 2006, the Debtors possess and store, at no charge, certain wheels and tires (the “Wheel Assemblies”) at strategic facilities across the United States (the “Facilities”) in a ready to use condition for exclusive use on NetJets’ fleet of Hawker 800XPC and 900XP aircraft.

6. Approximately fifty-four (54) AHA1814 Main Wheels and approximately forty-six (46) AH52339 Nose Wheels kept at the Facilities are owned outright by NetJets (the “NetJets Owned Wheel Assemblies”). The actual number of NetJets Owned Wheel Assemblies changes over time as Wheel Assemblies are used and replenished.

7. Approximately twenty-four (24) AHA1814 Main Wheels and approximately fourteen (14) AH52339 Nose Wheels kept at the Facilities are owned jointly (i.e., 50/50) by NetJets and the Debtors (the “Jointly Owned Wheel Assemblies”). The actual number of Jointly Owned Wheel Assemblies changes over time as Wheel Assemblies are used and replenished.

²For confidentiality purposes, a copy of the Memorandum of Understanding is not attached hereto, but will be made available to the Court for an *in camera* inspection upon request.

8. As noted above, the NetJets Owned Wheel Assemblies and Jointly Owned Wheel Assemblies are kept at no charge and in a ready to use condition for exclusive use on NetJets' fleet of Hawker 800XPC and 900XP aircraft.

9. At the May 4, 2012 "First Day" hearing, counsel to NetJets informed the Court of the NetJets Owned Wheel Assemblies and Jointly Owned Wheel Assemblies so that nothing in the Interim Financing Order prejudices NetJets' ownership rights in the NetJets Owned Wheel Assemblies and Jointly Owned Wheel Assemblies and such rights were reserved and preserved.

LIMITED OBJECTION

10. Section 541(a) of the Bankruptcy Code sets forth what property constitutes property of a debtor's estate. Section 541(a)(1) of the Bankruptcy Code defines the scope of property within the bankruptcy estate to include "all legal or equitable interests of the debtor in property as of the commencement of the case." *See United States v. Whiting Pools, Inc.*, 103 S. Ct. 2309, 2313 (1983); *see also In re Guild and Gallery Plus, Inc.*, 72 F.3d 1171, 1179–80 (3d Cir. 1996).

11. As of the Petition Date, NetJets owned the NetJets Owned Wheel Assemblies and NetJets owned one-half of the Jointly Owned Wheel Assemblies. By definition, the NetJets Owned Wheel Assemblies and NetJets' interest in the Jointly Owned Wheel Assemblies are not property of the Debtors' estate. *See id.* Thus, the Debtors cannot grant any liens, claims, interests, or encumbrances upon the NetJets Owned Wheel Assemblies and NetJets' interest in the Jointly Owned Wheel Assemblies to any lenders or any other party.

12. NetJets objects to entry of any Final Financing Order or any other order that attempts to grant any lien, claim, interest, or encumbrance in or on the NetJets Owned Wheel Assemblies and NetJets' ownership interest in the Jointly Owned Wheel Assemblies. Further,

because of the unique circumstances of the Debtors possessing and storing the NetJets Owned Wheel Assemblies and the Jointly Owned Wheel Assemblies, the Debtors' lenders, creditors, and other parties-in-interest should be put on notice that the Debtors possess property that is not property of the Debtors' estates.

13. To resolve NetJets' limited objection, NetJets proposes that the following language be added to the Final Financing Order:

“In the ordinary course of the Debtors' business and with respect to the maintenance, service and repair of aircraft, the Debtors possess and store certain parts and other items at the Debtors' various facilities that are not owned by the Debtors or are jointly owned by the Debtors and their customers including, but not limited to, certain wheel assemblies that are owned by NetJets, Inc. (or one or more of the affiliates or subsidiaries of NetJets, Inc. such as NetJets Aviation, Inc.) (“NetJets”) or are jointly owned by NetJets and the Debtors. Nothing in this Order grants any liens, claims, interests or encumbrances on the foregoing parts, wheel assemblies and other items that are not owned by the Debtors.”

14. NetJets believes that this language is important so the Debtors' lenders, creditors, and other parties-in-interest are aware that the Debtors' possess non-debtor property and that such non-debtor property is not an asset of the Debtors, part of any collateral granted for security, or part of any borrowing base calculation.

[remainder of page intentionally left blank]

WHEREFORE, NetJets respectfully requests that its proposed language or other acceptable protective language be added to the Final Financing Order, and requests such other and further relief that is just and proper.

May 24, 2012

/s/ Mark R. Owens

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