

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

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In re : **Chapter 11 Case No.**
REPUBLIC AIRWAYS HOLDINGS INC., et al., : **16-10429 (SHL)**
Debtors.¹ : **(Jointly Administered)**

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**ORDER PURSUANT TO SECTIONS 363(b) AND 365(a) OF THE BANKRUPTCY
CODE AND BANKRUPTCY RULES 6004, 6006 AND 9019 FOR AUTHORIZATION TO
SETTLE CLAIMS BETWEEN AMERICAN AIRLINES, INC. AND THE DEBTORS**

A hearing having been held on November 10, 2016 (the “Hearing”), to consider the motion, dated September 2, 2016 (the “Motion”),² of Republic Airways Holdings Inc. (“RAH”), and certain of its wholly-owned direct and indirect subsidiaries, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively with RAH, “Republic” or the “Debtors”), pursuant to sections 363(b) and 365(a) of the Bankruptcy Code and rules 6004, 6006 and 9019 of the Federal Rules of Bankruptcy Procedure, solely as the Motion relates to the Claim Settlement for authorization to settle certain claims between American Airlines, Inc. and the Debtors, each as more fully described in the Motion; and the Court having held a hearing on the Motion solely as it relates to the Commercial Settlement on September 21, 2016 upon the consent of the Debtors, American, and the Unsecured Creditors Committee; and the Court having entered an Order dated September 22, 2016, granting the Motion solely as it relates to the Commercial Settlement and approving the Commercial Settlement in its entirety; and the Court

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1. The Debtors in these chapter 11 cases are the following entities: Republic Airways Holdings Inc.; Republic Airways Services, Inc.; Republic Airline Inc.; Shuttle America Corporation; Midwest Air Group, Inc.; Midwest Airlines, Inc.; and Skyway Airlines, Inc. The Debtors’ employer tax identification numbers and addresses are set forth in their respective chapter 11 petitions.
 2. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion. The term “Claim Settlement” as used herein shall also be deemed to include, without limitation, the provisions of paragraphs 2, 3, 4, and 5 of this Order.

having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and Amended Standing Order of Reference M-431, dated January 31, 2012 (Preska, C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and sufficient notice of the Motion having been provided in accordance with the Court's Case Management Order dated March 2, 2016 (ECF No. 70) ("CMO"), and it appearing that no other or further notice need be given; and the Court having considered the Motion, the papers in support thereof, the Bedford Declaration, and all of the proceedings had before the Court; and the appearances of all interested parties having been noted in the record of the Hearing; and after due deliberation and sufficient cause appearing therefor, and for reasons stated in the record of the Hearing;

IT IS HEREBY FOUND AND CONCLUDED that:

A. The statutory predicates for the relief requested in the Motion are sections 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 6004, 6006 and 9019.

B. Proper, timely, adequate and sufficient notice of the Motion has been provided in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and the CMO, and no other or further notice of the Motion or the entry of this Order shall be required.

C. Based on the record before the Court, the Debtors have demonstrated good and sufficient reasons for the Court to approve the Motion.

D. Neither American, its affiliates, nor their respective representatives is an "insider" of any of the Debtors as that term is used in section 101(31) of the Bankruptcy Code.

E. By Order dated September 22, 2016, the Court granted the Motion solely as it relates to the Commercial Settlement and approved the Commercial Settlement in its entirety.

F. The Claim Settlement does not entitle Delta to an upward adjustment of its allowed general unsecured claims against the Debtors except as provided herein.

G. The Claim Settlement does not entitle United to an upward adjustment of its allowed general unsecured claims against the Debtors except as provided herein.

H. Each of the foregoing findings by the Court will be deemed a finding of fact if and to the full extent that it makes and contains factual findings and a conclusion of law if and to the full extent that it makes legal conclusions.

IT IS HEREBY ORDERED that:

1. The Motion as it relates to the Claim Settlement is hereby granted as provided herein, and the Claim Settlement is hereby approved in its entirety; and the Motion solely as it relates to Commercial Settlement having been granted by the Court on September 22, 2016, and the Commercial Settlement having been approved in its entirety, the Comprehensive Settlement is approved in its entirety. To the extent any objections or reservations of rights to the Motion have not been withdrawn or resolved by this Order, they are overruled in all respects on the merits.

2. American is hereby granted an allowed general unsecured claim (the “American Allowed Claim”) which claim shall be in full settlement, satisfaction, release and discharge of all pre- and post-petition claims of American in the Chapter 11 Cases. The American Allowed Claim consists of a general unsecured claim in the amount of \$250.0 million against RAH (the “American Guarantee Claim”) and a single general unsecured claim in the amount of \$250.0 million to be split into two claims and allocated against Shuttle American and Republic Airline

(the “American Allocable Claim”). Neither the American Guarantee Claim nor the American Allocable Claim shall be subject to offset, subordination, attack, or other challenge, but the American Allocable Claim shall be split into two claims allocated by Republic Airline and Shuttle America (*pari passu* with the Delta Allocable Claim (as defined in the United Assumption Order) and the United Allocable Claim (as defined in the United Assumption Order) as set forth in paragraph 10. The “United Assumption Order” means the Order Pursuant to Section 365(a) of the Bankruptcy Code and Bankruptcy Rules 6006 and 9019 for Authorization to (I) Assume Codeshare and Related Agreements, as Amended, With United Airlines, Inc., and (II) Settle Claims Between United Airlines, Inc. and the Debtors dated June 16, 2016 [ECF No. 678].

3. At the time of determination of any distributions to be made on account of general unsecured claims under a plan of reorganization or upon any liquidation for Republic Airline or Shuttle America in the Chapter 11 Cases, or any superseding chapter 7 cases, an amount of the American Allocable Claim, the Delta Allocable Claim, and the United Allocable Claim, on a *pari passu* basis, shall be allocated between Shuttle America and Republic Airline such that the percentage recoveries in respect of such distributions to general unsecured claims against Shuttle America and Republic Airline (inclusive of the American Allocable Claim, the United Allocable Claim, and the Delta Allocable Claim) are equal or as nearly equal as is possible given such allocation. In the event of any consolidation of the estates of any or all of Shuttle America and Republic Airline for purposes of distributions to creditors, American shall receive a distribution in respect of the American Allocable Claim of \$250.0 million from the consolidated entity in the same percentage as distributions on account of all other general unsecured claims against the consolidated estates, Delta Air Lines, Inc. (“Delta”) shall receive a distribution in respect of the

Delta Allocable Claim of \$173.5 million from the consolidated entity in the same percentage as distributions on account of all other general unsecured claims against the consolidated estates, and United Airlines, Inc. (“United” and together with Delta and American, the “Codeshare Partners”) shall receive a distribution in respect of the United Allocable Claim of \$191.6 million from the consolidated estates in the same percentage as distributions on account of all other general unsecured claims against the consolidated estates. To the extent the estates of Shuttle America and Republic Airline are consolidated, the American Allocable Claim, the Delta Allocable Claim and United Allocable Claim shall each be a single claim and in all other events (except as set forth in paragraph 11) the distributions from such Debtors’ estates shall be calculated in a manner to ensure that the American Allocable Claim is \$250.0 million, the United Allocable Claim is \$191.6 million, and the Delta Allocable Claim is \$173.5 million. If the estates of RAH, Republic Airline and Shuttle America are consolidated, American, United and Delta shall each have a single claim against the consolidated estate of \$250.0 million, \$191.6 million and \$173.5 million, respectively. For the avoidance of doubt, the American Allocable Claim, the Delta Allocable Claim, and the United Allocable Claim shall each constitute the only prepetition general unsecured claims of each of American, Delta and United, respectively, against Republic Airline and Shuttle America, other than (i) the Additional Delta Claims (as defined below), (ii) Claim #1009 filed by United and (iii) Claim #999 filed by United to the extent (if any) it is unsecured (it being understood and agreed, in each case (i)-(iii) that cure costs or other amounts or obligations owing under any agreement assumed by any Debtor do not constitute prepetition general unsecured claims). The allowed general unsecured claims of American, Delta and United will not be increased above their current allowed amounts pursuant to, respectively, the American Allocable Claim, the Delta Allocable Claim, or the United

Allocable Claim, except as provided in paragraph 11. No portion or component of the American Allocable Claim, Delta Allocable Claim or the United Allocable Claim will be (or will be reclassified as) an administrative or priority claim or will be restructured in any manner, other than pursuant to a plan of reorganization in these cases consistent with this paragraph 3, without the consent of the Official Committee and the other two Codeshare Partners.

4. Delta is hereby granted (i) an allowed general unsecured claim in the amount of \$1,444 against Republic Airline and (ii) an allowed general unsecured claim in the amount of \$1,438.85 against Shuttle America (such claims, the “Additional Delta Claims”). The Additional Delta Claims shall not be subject to offset, subordination, attack or other challenge.

5. In the event that the total allowed general unsecured claims against Republic Airline and Shuttle America exceed \$1 billion, then (a) the American Allocable Claim shall be automatically increased to provide American with an American Allocable Claim that results in American having 25.00% of the total allowed general unsecured claims against Republic Airline and Shuttle America; (b) the Delta Allocable Claim shall be automatically increased to provide Delta with a Delta Allocable Claim that results in Delta having 17.35% of the total allowed general unsecured claims against Republic Airline and Shuttle America; and (c) the United Allocable Claim shall be automatically increased to provide United with a United Allocable Claim that results in United having 19.16% of the total allowed general unsecured claims against Republic Airline and Shuttle America. In the event that the total allowed general unsecured claims against RAH exceed \$1 billion, then (x) the American Guarantee Claim shall be automatically increased to provide American with an American Guarantee Claim that results in American having 25.00% of the total allowed general unsecured claims against RAH; (y) the Delta Guarantee Claim (as defined in the United Assumption Order) shall be automatically

increased to provide Delta with a Delta Guarantee Claim that results in Delta having 17.35% of the total allowed general unsecured claims against RAH; and (z) the Guarantee Claim (as defined in the United Assumption Order) shall be automatically increased to provide United with an Allocable Claim that results in United having 19.16% of the total allowed general unsecured claims against RAH. The Debtors shall maintain a distribution of the American Allowed Claims for American, the Delta Claims (as defined in the United Assumption Order) for Delta, and the Allocable Claim and the Guarantee Claim for United that is equal to at least 25.00%, 17.35% and 19.16%, respectively, of the total general unsecured claims of all creditors of the Debtors in the Chapter 11 Cases.

6. The settlement of the American Guarantee Claim and the American Allocable Claim on the terms described herein is fair and reasonable.

7. Any person or entity that did not timely object to the Motion is deemed to consent to the relief granted herein.

8. The provisions and effect of this Order, any actions taken pursuant to this Order and American's and the Debtors' respective rights, obligations, remedies and protections provided for herein and in the Restructured American CPA and the Related Agreements shall survive the conversion, dismissal and/or closing of these chapter 11 cases, appointment of a trustee herein, confirmation of a plan or plans of reorganization, and/or the substantive consolidation of these chapter 11 cases with any other case or cases, and the terms and provision of this Order as well as any protections granted to American pursuant to this Order shall continue in full force and effect notwithstanding the entry of any such order.

9. Notwithstanding the provisions of Bankruptcy Rule 6004, this Order shall not be stayed for 14 days after the entry hereof, but shall be effective and enforceable immediately upon entry by this Court.

10. The Motion satisfies rules 2002, 6006 and 9019 of the Federal Rules of Bankruptcy Procedure.

11. This Order, together with the Court's Order dated September 22, 2016 approving the Commercial Settlement, is deemed to constitute the Approval Order as defined in the Letter Agreement.

12. This Court shall retain jurisdiction to hear and determine all matters arising from or related to this Order.

Dated: New York, New York

November 17, 2016

/s/ Sean H. Lane
Honorable Sean H. Lane
United States Bankruptcy Judge