Hearing Date & Time: December 21, 2016 at 11:00 a.m. (Eastern Time)
Objection Deadline: December 14, 2016 at 4:00 p.m. (Eastern Time)

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Attorneys for the Debtors
and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

NOTICE OF HEARING ON DEBTORS' MOTION FOR AN ORDER PURSUANT TO 11 U.S.C. §§ 363 & 365(a) AND FED. R. BANKR. P. 6004 & 9019 AUTHORIZING THE DEBTORS TO (I) ENTER INTO SETTLEMENT AGREEMENT WITH HONEYWELL INTERNATIONAL INC., (II) ASSUME AMENDED 170 AGREEMENT, AND (III) CONSENSUALLY TERMINATE 145 AGREEMENT

PLEASE TAKE NOTICE that a hearing will be held at **11:00 a.m. (Eastern Time) on December 21, 2016** before the Honorable Sean H. Lane, United States Bankruptcy Judge, United States Bankruptcy Court for the Southern District of New York, One Bowling

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.

Green, New York, New York 10004 to consider *Debtors' Motion for an Order Pursuant to 11 U.S.C. §§ 363 & 365(a) and Fed. R. Bankr. P. 6004 & 9019 Authorizing the Debtors to (I) Enter into Settlement Agreement with Honeywell International Inc., (II) Assume Amended 170 Agreement, and (III) Consensually Terminate 145 Agreement* (the "Motion").

PLEASE TAKE FURTHER NOTICE that any responses or objections (the "Objections") to the Motion shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, shall be filed with the Bankruptcy Court (a) by attorneys practicing in the Bankruptcy Court, including attorneys admitted pro hac vice, electronically pursuant to the Case Management Procedures approved by the Court (ECF No. 70) and in accordance with General Order M-399 (which can be found at http://www.nysb.uscourts.gov/sites/default/files/m399.pdf), and (b) by all other parties in interest, on a CD-ROM, in text-searchable portable document format (PDF) (with a hard copy delivered directly to Chambers), in accordance with the customary practices of the Bankruptcy Court and General Order M-399, to the extent applicable, and shall be served in accordance with General Order M-399 on (i) the attorneys for the Debtors, Zirinsky Law Partners PLLC, 375 Park Avenue, Suite 2607, New York, New York 10152 (Attn: Bruce R. Zirinsky, Esq. (bzirinsky@zirinskylaw.com), Sharon J. Richardson, Esq. (srichardson@zirinskylaw.com), and Gary D. Ticoll, Esq. (gticoll@zirinskylaw.com)) and Hughes Hubbard & Reed LLP, One Battery Park Plaza, New York, New York 10004 (Attn: Christopher K. Kiplok, Esq. (chris.kiplok@hugheshubbard.com) and Gabrielle Glemann, Esq. (gabrielle.glemann@hugheshubbard.com)), (ii) the Office of the United States Trustee, 201 Varick Street, Suite 1006, New York, New York 10014 (Attn: Brian Masumoto, Esq.), (iii) counsel to the Official Committee of Unsecured Creditors, Morrison & Foerster LLP, 250

West 55th Street, New York, New York 10019 (Attn: Brett H. Miller, Esq. (bmiller@mofo.com), Todd M. Goren, Esq. (tgoren@mofo.com), and Erica J. Richards, Esq. (erichards@mofo.com)), and (iv) counsel to the Ad Hoc Committee of Equity Holders of Republic Airways Holdings Inc., Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Adam C. Harris, Esq. (adam.harris@srz.com), Lawrence V. Gelber, Esq. (lawrence.gelber@srz.com), and David M. Hillman, Esq. (david.hillman@srz.com)), so as to be filed and received no later than **December 14, 2016 at 4:00 p.m. (Eastern Time)**.

PLEASE TAKE FURTHER NOTICE that if no Objections are timely filed and served, the relief requested in the Motion may be granted with no further notice or opportunity to be heard.

Dated: New York, New York
November 30, 2016

/s/ Gary D. Ticoll

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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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DEBTORS' MOTION FOR AN ORDER PURSUANT TO 11 U.S.C. §§ 363 & 365(a) AND FED. R. BANKR. P. 6004 & 9019 AUTHORIZING THE DEBTORS TO (I) ENTER INTO SETTLEMENT AGREEMENT WITH HONEYWELL INTERNATIONAL INC., (II) ASSUME AMENDED 170 AGREEMENT, AND (III) CONSENSUALLY TERMINATE 145 AGREEMENT

1. The Debtors in these chapter 11 cases are the following entities: Republic Airways Services, Inc.; Shuttle America Corporation; Republic Airline Inc.; Republic Airways Holdings Inc.; 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.

TO THE HONORABLE SEAN H. LANE
UNITED STATES BANKRUPTCY JUDGE:

Republic Airways Holdings Inc. ("RAH") and those of its subsidiaries that are debtors and debtors in possession in these proceedings (together with RAH, "Republic" or the "Debtors") respectfully represent:

Preliminary Statement

1. Honeywell International Inc. ("Honeywell") is the manufacturer, supplier, and maintenance provider for the aircraft components on Republic's aircraft—such as computers, cockpit displays, digital voice recorders, navigation lighting, electronic modules and other covered aircraft line replaceable units. Under the 170 Agreement and 145 Agreement (each as defined below), Honeywell provides Republic with on-demand inventory of necessary aircraft components and provides full maintenance, repair, and overhaul services for each covered component in exchange for monthly payments based on monthly flight hours on the covered aircraft. The Debtors seek, through this motion, to restructure its existing agreements with Honeywell to align the agreements with Republic's restructured fleet pursuant to the Settlement Agreement, dated November 30, 2016 (the "Settlement Agreement," annexed hereto as Exhibit 1) and Amendment No. 9 to the 170 Agreement (annexed hereto as Exhibit 2).

2. As a result of Republic's fleet restructuring and amended agreements with its codeshare partners, Republic and Honeywell negotiated Amendment No. 9 to the 170 Agreement to align its relationship with Honeywell to its continuing operations. Amendment No. 9 provides for, with respect to the Debtors fleet of E170/175 aircraft, reduced required monthly minimum flight hours, reduced minimum covered aircraft, reduced rates, and an extended term to reflect anticipated aircraft deliveries in 2017. The 170 Agreement, as amended,

provides a comprehensive support program for long term service and inventory of the covered components on Republic's fleet.

3. As of October 1, 2016, in furtherance of one of Republic's stated goals of these chapter 11 cases, Republic has returned its entire fleet of ERJ-140/145 aircraft to lenders and lessors.[2] As a result, under the Settlement Agreement, Republic and Honeywell have agreed to mutually and consensually terminate the 145 Agreement.

4. Honeywell filed claims, asserting priority under sections 546(c) and 503(b)(9), in the amount of $718,169.63 for unpaid prepetition invoices. Honeywell also asserted that termination of the 145 Agreement resulted in significant damages exceeding $1 million. In full and final settlement of all claims related to the 145 Agreement and 170 Agreement, Republic will pay the cure amount of $1,400,000 to Honeywell pursuant to the terms of the Settlement Agreement. This settlement represents a significant discount against what Honeywell may otherwise assert is required to cure existing defaults under the 170 Agreement and 145 Agreement. The settlement is particularly beneficial in light of the significant economic concessions provided by Honeywell in Amendment No. 9.

5. In sum, the terms of the Settlement Agreement and Amendment No. 9 establishes the terms for a strong long-term relationship between Honeywell and the Debtors and will fully resolve all claims that have been asserted or that may be asserted by Honeywell. Accordingly, for the reasons set forth in this motion, the Debtors submit that restructuring their agreements with Honeywell in accordance with the terms of the Settlement Agreement and Amendment No. 9 and the settlement of Honeywell's claims, as described herein, represents a

2. The Debtors own outright two ERJ-140/145 aircraft that are not in use but serve as collateral for the Debtors' Court-approved debtor-in-possession financing.

sound exercise of the Debtors' business judgment and is in the best interests of the Debtors, their estates, and all parties in interest.

Procedural Background

6. On February 25, 2016 (the "Commencement Date"), the Debtors each commenced in this Court a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors are authorized to continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

7. The Debtors' chapter 11 cases are being jointly administered for procedural purposes only pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

8. On March 4, 2016, the United States Trustee formed an Official Committee of Unsecured Creditors in the Debtors' cases. No trustee or examiner has been appointed in the Debtors' cases.

9. Detailed information regarding Republic's business, capital structure, and the circumstances leading to the commencement of these chapter 11 cases is set forth in the Declaration of Bryan K. Bedford Pursuant to Local Bankruptcy Rule 1007-2, filed with the Court on the Commencement Date.

10. On April 27, 2016, Honeywell filed a proof of claim against RAH (Claim No. 251) asserting that it was entitled to $718,169.63 as a priority claim under section 503(b)(9) of the Bankruptcy Code with respect to prepetition unpaid invoices (the "503(b)(9) Claim"). On May 3, 2016, Honeywell Aerospace Credit & Collections, on behalf of Honeywell, made a reclamation demand on the Debtors pursuant to section 546(c) of the Bankruptcy Code with respect to the same invoices (the "Reclamation Claim"). On June 21, 2016, Honeywell filed

general unsecured claims against RAH (Claims Nos. 468 and 483) in the same amount with respect to the same invoices (together, the "General Unsecured Claims," and collectively with the 503(b)(9) Claim and the Reclamation Claim, the "Asserted Claims").

11. On June 28, 2016, the Debtors filed the *Reclamation Notice Under Order Pursuant to 11 U.S.C. §§ 105 and 546(c) Establishing and Implementing Exclusive and Global Procedures for Treatment of Reclamation Claims* (the "Reclamation Notice," ECF No. 721), pursuant to which the Debtors determined that the Reclamation Claim is invalid on the basis that the claim was not timely, the amount was for services rather than goods, and the asserted amount did not match the Debtors' books and records. Honeywell did not object to the Reclamation Notice.

12. On July 25, 2016, the Debtors filed the *Report and Objections to Claims Asserted Pursuant to 11 U.S.C. § 503(b)(9)* (the "503(b)(9) Report," ECF No. 829), pursuant to which the Debtors denied the 503(b)(9) Claim on the basis that the claim included non-goods. Honeywell did not object to the 503(b)(9) Report. On October 27, 2016, the Debtors filed the *Final Report on Objections to Claims Asserted Pursuant to 11 U.S.C. § 503(b)(9)* (the "Final 503(b)(9) Report," ECF No. 1147) seeking entry of an order confirming the Debtors' determination of the 503(b)(9) Claim. The Final 503(b)(9) Report will be heard on December 8, 2016.

13. On September 20, 2016, the Debtors filed an objection to Claim No. 483 on the basis that it is duplicative of Claim No. 468. The Debtors' objection will be heard on December 8, 2016.

Jurisdiction

14. This Court has jurisdiction to consider this motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

15. By this motion, the Debtors request entry of an order, substantially in the form annexed hereto, pursuant to sections 363 and 365(a) of the Bankruptcy Code and Bankruptcy Rules 6004, 6006, and 9019, (i) authorizing the Debtors to enter into the Settlement Agreement; (ii) authorizing the Debtors to enter into Amendment No. 9 to the Integrated Service Solution Agreement between Republic Airline Inc. ("Republic Airline") and Honeywell (Doc. No. ISS-05-1002), effective as of December 1, 2004 (as previously amended from time to time, the "170 Agreement," and as amended by Amendment No. 9, the "Amended 170 Agreement"); (iii) authorizing the Debtors to assume the Amended 170 Agreement; (iv) authorizing the Debtors and Honeywell to mutually and consensually terminate the Integrated Service Solution Agreement between Republic Airline and Honeywell (Doc. No. IS-04-1002), dated as of March 23, 2003 (as amended from time to time, the "145 Agreement"); and (v) authorizing the Debtors to pay to Honeywell $1,400,000 (the "Cure Amount") pursuant to the terms of the Settlement Agreement.

16. For the reasons discussed herein, the Debtors submit that the requested relief is reasonable, represents an appropriate exercise of their sound business judgment, and is in the best interests of the Debtors' estates and all stakeholders in these chapter 11 cases.

The Settlement Agreement

17. Through the Settlement Agreement, which will implement Amendment No. 9, the Debtors and Honeywell will mutually restructure their relationship to better align with

the Debtors' restructured fleet and fully resolve the Asserted Claims. The terms of the Settlement Agreement and Amendment No. 9 are the product of good faith, arm's-length negotiations between the Debtors and Honeywell. The principal terms and conditions of the Settlement Agreement are described below:[3]

i. **Amendment No. 9:** The 170 Agreement will be amended as follows:

a. **Amended Minimums**: Republic is required under the 170 Agreement to pay a fixed monthly payment based on minimum covered aircraft and minimum flight hours. Amendment No. 9 reduces (i) the minimum monthly flight hours from 2,650 hours to 2,350 hours and (ii) the minimum covered aircraft to align with Republic's fleet under its restructured codeshare agreements.

b. **Reduced Rates**: Amendment No. 9 decreases the rate per flight hour [redacted] The annual escalation calculations under the 170 Agreement are adjusted so that the rate remains fixed in 2017 and 2018 while Republic rebuilds its operations.

c. **Extended Term:** The term of the 170 Agreement is extended to 2029 to reflect 12 years of coverage with respect to new aircraft deliveries in 2017.

ii. **Termination of 145 Agreement**: The term of the 145 Agreement is through December 31, 2017. Republic and Honeywell agree to the mutual and consensual early termination of the 145 Agreement on the effective date of the Settlement Agreement and waiver of all claims related thereto, including with respect to accrued monthly minimums.

iii. **Cure Amount and Release of Claims:** Republic agrees to pay the Cure Amount of $1.4 million pursuant to the terms of the Settlement Agreement in full and final settlement of all claims under the 145 Agreement and Amended 170 Agreement. With the

3. The summary of the Settlement Agreement contained in this Motion is provided for purposes of convenience only. In the event of any inconsistency between the summary contained herein and the terms and provisions of the Settlement Agreement, the terms of the Settlement Agreement shall control.

> exception of the right to receive the Cure Amount, Honeywell releases the Debtors from any and all claims arising from or otherwise related to the Asserted Claims, the 145 Agreement, and/or the Amended 170 Agreement.

The Transactions Contemplated in the Settlement Agreement Are Supported By the Debtors' Business Judgment, Are in the Best Interests of the Debtors' Estates, and Should Be Approved by the Court

18. Section 365(a) of the Bankruptcy Code provides, in pertinent part, that a debtor in possession, "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). *See also NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 521 (1984); *Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1098 (2d Cir. 1993) (reaffirming that "[t]he purpose behind allowing the assumption or rejection of executory contracts is to permit the trustee or debtor-in-possession to use valuable property of the estate and to renounce title to and abandon burdensome property") (internal quotations and citation omitted).

19. The standard to be applied by a court in determining whether assumption of an executory contract pursuant to section 365(a) should be approved is the "business judgment" test, which requires that the debtor determine that the requested assumption would be beneficial to its estate. *See, e.g.*, *Grp. of Inst. Inv'rs, Inc. v. Chicago, Milwaukee, St. Paul & Pac. R.R. Co.*, 318 U.S. 523, 550 (1943) ("the question [of assumption] . . . is one of business judgment"); *Orion Pictures Corp.*, 4 F.3d at 1099 (to decide a motion to assume, the court must put itself in the position of the trustee and determine whether such assumption would be a good decision or a bad one); *In re Gucci*, 193 B.R. 411, 414-15 (S.D.N.Y. 1996) (decision to assume was exercise of good business judgment); *In re Nat'l Sugar Refining Co.*, 26 B.R. 765, 767 (Bankr. S.D.N.Y. 1983) (debtor seeking to assume a profitable contract should be allowed to do so).

20. Upon finding that the debtor has exercised sound business judgment in determining that the assumption of an executory contract is in the best interests of the debtor, the court should approve such assumption under section 365(a) of the Bankruptcy Code. *See, e.g.*, *In re Riodizio, Inc.*, 204 B.R. 417, 424 (Bankr. S.D.N.Y. 1997); *In re Bradlees Stores, Inc.*, 194 B.R. 555, 558 n.1 (Bankr. S.D.N.Y. 1996); *In re G Survivor Corp.*, 171 B.R. 755, 757 (Bankr. S.D.N.Y. 1994). A debtor's decision to assume an executory contract based on its business judgment generally will not be disturbed "absent a showing of bad faith or abuse of business discretion." *In re Chipwich, Inc.*, 54 B.R. 427, 430-31 (Bank. S.D.N.Y. 1985).

21. Section 363 of the Bankruptcy Code provides that a debtor, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b). Although section 363 of the Bankruptcy Code does not specify a standard for determining when it is appropriate for a court to authorize the use, sale, or lease of property of the estate, the Second Circuit has required that such use, sale, or lease be based upon the sound business judgment of the debtor. *See Official Comm. of Unsecured Creditors of LTV Aerospace & Def. Co. v. LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 143 (2d Cir. 1992); *Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983) (requiring "some articulated business justification" to approve the use, sale or lease of property outside the ordinary course of business). In that regard, "[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct." *Comm. of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986).

22. The business judgment rule shields a debtor's management from judicial second-guessing. *Johns-Manville Corp.*, 60 B.R. at 615-16 ("[A] presumption of reasonableness attaches to a debtor's management decisions."). Once a debtor articulates a valid business justification, "[t]he business judgment rule 'is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company.'" *In re Integrated Res., Inc.*, 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting *Smith v. Van Gorkom*, 488 A.2d 858, 872 (Del. 1985)). Thus, if a debtor's actions satisfy the business judgment rule, then the transaction in question should be approved under section 363(b)(1). Indeed, when applying the "business judgment" standard, courts show great deference to a debtor's business decisions. *See Pitt v. First Wellington Canyon Assocs. (In re First Wellington Canyon Assocs.)*, No. 89-C-593, 1989 WL 106838, at *3 (N.D. Ill. Sept. 8, 1989) ("Under this test, the debtor's business judgment . . . must be accorded deference unless shown that the bankrupt's decision was taken in bad faith or in gross abuse of the bankrupt's retained discretion."), *denying reconsideration*, 1989 WL 165028 (N.D. Ill. Dec. 28, 1989).

23. The Debtors' entry into the Settlement Agreement and Amendment No. 9 and assumption of the Amended 170 Agreement is in the best interest of the Debtors' estates and constitutes a proper exercise of the Debtors' sound business judgment. The Settlement Agreement resolves the Asserted Claims on a favorable basis for the Debtors and fortifies the Debtors' long-term relationship with Honeywell. The Amended 170 Agreement ensures that the aircraft components on Republic's fleet are well-maintained and that significant inventory of spare components will be available to ensure the seamless operation of Republic's aircraft. Republic estimates that the amended terms under Amendment No. 9 will result in aggregate

savings of over $8 million over the extended term of the Amended 170 Agreement. Republic, together with its advisors, has determined that the amended rates under the 170 Agreement represent the best available value for the inventory and services performed by Honeywell. Moreover, absent assumption of the Amended 170 Agreement, the Debtors may be forced to reject the 170 Agreement, which may result in significant rejection damages without significant benefits. In addition, Honeywell may assert substantial post-petition claims arising under the minimum flight hour requirements under both Agreements.

24. Sound business reasons also exist for the mutual and consensual termination of the 145 Agreement pursuant to the Settlement Agreement. As Republic no longer operates any of the ERJ-140/145 aircraft covered under the 145 Agreement, the 145 Agreement is no longer necessary to Republic's continuing operations. Consensually terminating the 145 Agreement will allow Republic to minimize damages and represents an essential component of the comprehensive restructuring achieved in Amendment No. 9.

25. Based on the foregoing, entry into the Settlement Agreement and Amendment No. 9, assumption of the Amended 170 Agreement, and consensual termination of the 145 Agreement constitutes a proper exercise of the Debtors' sound business judgment and is in the best interests of the Debtors' estates and creditors. Accordingly, the transactions contemplated by the Settlement Agreement and Amendment No. 9 should be approved.

26. Under the terms of the Settlement Agreement, Republic Airline and Honeywell have agreed to the Cure Amount of $1,400,000 in satisfaction of Republic Airline's cure obligations under section 365(b) of the Bankruptcy Code. The Court is not being asked to make a finding as to whether there are existing defaults under the 170 Agreement because Honeywell is consenting to the relief sought by the Debtors in this motion and any amounts

owed under the Amended 170 Agreement will be paid by the Debtors in the ordinary course. Accordingly, no adequate assurance of the Debtors' future performance needs to be provided by the Debtors. It is well-established that if a debtor's counterparty has consented to the assumption of an executory contract, the debtor need not provide adequate assurance of future performance under section 365(b)(1)(C). *See, e.g.*, 11 U.S.C. § 365(b)(2); *In re United Airlines Inc.*, 368 F.3d 720, 726 (7th Cir. 2004).

Resolution of the Asserted Claims Is Fair And Equitable, Reasonable, and In The Best Interests of the Estates

27. To approve a compromise or settlement under Bankruptcy Rule 9019(a), the Court should find that the compromise or settlement is fair and equitable, reasonable, and in the best interests of the debtor's estate. *See, e.g.*, *In re Ionosphere Clubs, Inc.*, 156 B.R. 414, 426 (S.D.N.Y. 1993), *aff'd*, 17 F.3d 600 (2d Cir. 1994). In determining whether to approve the settlement, the Court must make an independent determination that the settlement is fair and reasonable. *Nellis v. Shugrue*, 165 B.R. 115, 122-23 (S.D.N.Y. 1994). The Court may consider the opinions of the trustee or debtor in possession that the settlement is fair and reasonable. *Id.*; *In re Purofied Down Prods. Corp.*, 150 B.R. 519, 522 (S.D.N.Y. 1993). In addition, the Court may exercise its discretion "in light of the general public policy favoring settlements." *In re Hibbard Brown & Co.*, 217 B.R. 41, 46 (Bankr. S.D.N.Y. 1998); *see also Nellis v. Shugrue*, 165 B.R. at 123 ("[T]he general rule [is] that settlements are favored and, in fact, encouraged by the approval process.").

28. In determining whether to approve a proposed settlement, the Court need not decide the numerous issues of law and fact raised by the settlement, but rather should "canvass the issues and see whether the settlement falls below the lowest point in the range of reasonableness." *In re W.T. Grant Co.*, 699 F.2d 599, 608 (2d Cir. 1983) (internal quotations

omitted); *see also In re Purofied Down Prods.*, 150 B.R. at 522 ("[T]he court need not conduct a 'mini-trial' to determine the merits of the underlying litigation.").

29. "The 'reasonableness' of [a] settlement depends upon all factors, including probability of success, the length and cost of the litigation, and the extent to which the settlement is truly the product of 'arms-length' bargaining, and not fraud or collusion." *In re Ionosphere Clubs, Inc.*, 156 B.R. at 428.

30. The Debtors believe, in their reasonable business judgment, that the proposed settlement with Honeywell is in the best interests of their estates and creditors, and constitutes an efficient and cost-effective method for resolving the claims between Honeywell and the Debtors. The settlement reduces approximately $718,000 in claims that Honeywell has asserted and over $1 million in additional claims that Honeywell may potentially assert to a single cure payment of $1.4 million. The proposed settlement reduces the potential claims against the Debtors' estates and ensures that the Debtors can continue a cooperative and long-term relationship with Honeywell. Payment of the Cure Amount is a necessary component of the comprehensive restructuring agreed to in the Settlement Agreement and Amendment No. 9. The Debtors submit that it would have been difficult to achieve resolution of the Asserted Claims, and a restructured relationship with Honeywell, on better terms than those provided in the Settlement Agreement and Amendment No. 9. The proposed settlement will avoid the time and resources the Debtors otherwise would have to expend on resolving the Asserted Claims.

31. The proposed resolution and settlement of Honeywell's claims is the product of extensive negotiations between the Debtors and Honeywell. The Debtors and Honeywell have been represented by sophisticated advisors and the negotiations have been pursued in good faith and at arm's length by both parties.

32. For these reasons, the Debtors submit that the proposed settlement is in the best interest of their estates and stakeholders, is well within the range of reasonableness, and thus should be approved.

Request For Waiver of Stay

33. As discussed herein, there are immediate and material benefits to the Debtors, and immediate entry and implementation of the order is of vital importance to the Debtors. Honeywell may terminate the Settlement Agreement if the Cure Amount is not paid on or before December 31, 2016. To implement the foregoing successfully, the Debtors seek a waiver of the fourteen-day stay of an order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h) to the extent that such rule applies.

Notice

34. Notice of this motion is being provided in accordance with the Court's Case Management Order, dated March 2, 2016 (ECF No. 70), and upon filing with the Court, the motion will be available for inspection on Republic's Case Website (located at https://cases.primeclerk.com/RJET/). Republic submits that no other or further notice need be given.

35. No previous request for the relief sought herein has been made by Republic to this or any other Court.

WHEREFORE, Republic requests entry of the order annexed hereto, granting the relief requested herein and such other and further relief as is just.

Dated: New York, New York
November 30, 2016

/s/ Gary D. Ticoll
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Attorneys for the Debtors and Debtors in Possession

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 11 U.S.C. §§ 363 & 365(a) AND FED. R. BANKR. P. 6004 & 9019 AUTHORIZING THE DEBTORS TO (I) ENTER INTO SETTLEMENT AGREEMENT WITH HONEYWELL INTERNATIONAL INC., (II) ASSUME AMENDED 170 AGREEMENT, AND (III) CONSENSUALLY TERMINATE 145 AGREEMENT

A hearing having been held on December 21, 2016 (the "Hearing"), to consider the motion, dated November 30, 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, (i) approving and authorizing the Debtors to enter into the Settlement Agreement and Amendment No. 9; (ii) authorizing the Debtors to assume the Amended 170 Agreement; (iii) authorizing the Debtors and Honeywell to consensually terminate the 145 Agreement; and (iv) granting related relief, each as more fully described in the Motion; and the Court 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

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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.

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, 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. The Motion satisfies Bankruptcy Rules 2002, 6006, and 9019

C. 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.

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

E. Neither Honeywell, nor 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.

F. The entry into the Settlement Agreement and Amendment No. 9 and the transactions contemplated therein, and entry of this Order is in the best interests of the Debtors' estates and creditors.

G. Each of the Settlement Agreement and Amendment No. 9 was negotiated, proposed, and entered into by the parties in good faith, from arms' length bargaining positions, and without collusion or fraud.

H. Sound business reasons have been articulated for (i) entering into the Settlement Agreement and Amendment No. 9, (ii) assuming the Amended 170 Agreement, and (iii) consensually terminating the 145 Agreement.

I. It is a sound exercise of business judgment to enter into and perform under the Settlement Agreement and Assumed 170 Agreement and consummate the transactions contemplated thereby.

J. Honeywell and the Debtors have agreed to the Cure Payment and Honeywell is consenting to the assumption of the Amended 170 Agreement, and thus, no adequate assurance of future performance by the Debtors is required under section 365(b) of the Bankruptcy Code.

K. The settlement of the Asserted Claims on the terms described herein is fair and reasonable.

L. 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 is hereby granted as provided herein. 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. Pursuant to section 363(b) of the Bankruptcy Code, (i) the Settlement Agreement is hereby approved, (ii) Amendment No. 9 is hereby approved, (iii) the Debtors are authorized to enter into and perform all obligations under the Settlement Agreement and Amendment No. 9, including making the Cure Payment, and (iv) the mutual and consensual termination of the 145 Agreement is hereby authorized and approved (and the automatic stay arising pursuant to section 362(a) of the Bankruptcy Code is modified to the extent necessary to effect such termination).

3. The Debtors are authorized, pursuant to section 365(a) of the Bankruptcy Code, to assume the Amended 170 Agreement, and do hereby assume the Amended 170 Agreement.

4. The Cure Payment shall be in full settlement, satisfaction, release, and discharge or all pre- and postpetition claims of Honeywell against the Debtors with respect to the 145 Agreement or 170 Agreement, including but not limited to the Asserted Claims, through the date of the Settlement Agreement.

5. The Asserted Claims shall be disallowed and expunged upon Honeywell's receipt of the Cure Payment. Upon joint notification by the Debtors and Honeywell that the Debtors have made the Cure Payment to Honeywell, the Debtors' court-appointed claims and noticing agent is authorized and directed to modify the Debtors' official claims registry to reflect the relief provided herein.

6. 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.

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

Dated: New York, New York
________________, 2016

____
Honorable Sean H. Lane
United States Bankruptcy Judge

Exhibit 1

Settlement Agreement

EXECUTION COPY

SETTLEMENT AGREEMENT

Settlement Agreement, dated as of November 30, 2016 (this "Agreement"), among Republic Airways Holdings, Inc., a Delaware corporation ("RAH"), Republic Airline Inc., an Indiana corporation ("RAI"), and Shuttle America Corporation, an Indiana corporation ("Shuttle," and together with RAH and RAI, "Republic Parties") and Honeywell International Inc., a Delaware Corporation, on its own behalf and as successor by merger of Allied Electronics, acting through its Aerospace Commercial Aviation business ("Honeywell," and collectively with the Republic Parties, the "Parties," and each a "Party").

WHEREAS, Honeywell and RAI are parties to an Integrated Service Solution Agreement (Doc. No. ISS-05-1002), effective as of December 1, 2004 (as previously amended from time to time, the "170 Agreement") pursuant to which Honeywell agreed to provide, and Republic agreed to pay for, *inter alia*, inventory, maintenance, and repair support for certain aircraft components on its E170/175 fleet;

WHEREAS, Honeywell and RAI are parties to an Integrated Service Solution Agreement (Doc. No. IS-04-1002), dated as of March 23, 2003 (as amended from time to time, the "145 Agreement") pursuant to which Honeywell agreed to provide, and Republic agreed to pay for, *inter alia*, inventory, maintenance, and repair support for certain aircraft components on its ERJ-140/145 fleet;

WHEREAS, on February 25, 2016, RAH and certain of its direct and indirect subsidiaries, including RAI and Shuttle, as debtors and debtors in possession (collectively, the "Debtors") commenced voluntary cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") jointly administered under Case No. 16-10429 (SHL) (the "Bankruptcy Cases") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court");

WHEREAS, Honeywell has filed the proofs of claim and the Debtors have scheduled claims for Honeywell (collectively, the "Claims"), including the claims in the asserted amount and priority as set forth on **Exhibit "A"**;

WHEREAS, the Debtors and Honeywell, pursuant to this Agreement, wish to (a) settle the Claims of Honeywell against Debtors, and (b) provide for the amendment of the 170 Agreement as further described herein and the assumption by the Debtors of the 170 Agreement, as amended.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Approval**. The Debtors will file a motion (the "Approval Motion") with the Bankruptcy Court seeking an order in form and substance reasonably acceptable to Honeywell (the "Approval Order") authorizing the Debtors to (i) enter into the settlement contemplated herein and (ii) enter into the Amendment No. 9 (as defined below) and assume the 170 Agreement as amended by Amendment No. 9.

2. **Effective Date.** This Agreement shall be effective on the date the Approval Order has been entered and is unstayed (the "Effective Date").

3. **Amendment of 170 Agreement; Assumption of 170 Agreement as Amended**. On the date hereof, RAI and Honeywell shall execute and deliver Amendment No. 9, in the form attached hereto as **Exhibit "B"**, which amends the 170 Agreement. Amendment No. 9 shall be effective on the Effective Date. Honeywell consents to the assumption of the 170 Agreement as amended by Amendment No. 9, effective as of the Effective Date.

4. **Termination of 145 Agreement**. RAI and Honeywell agree to mutually and consensually terminate the 145 Agreement effective on the Effective Date.

5. **Cure Payment**. In full and final satisfaction of the Claims and any defaults under the 170 Agreement, effective on the Effective Date, Honeywell shall be entitled to a cure payment in the amount of $1,400,000 (the "Cure Payment"), which shall be paid on the earlier of (i) within three business days of the Effective Date, or (ii) December 31, 2016 (the "Payment Date"). Republic shall use best efforts to cause the Effective Date to occur so that the Payment Date occurs on or before December 31, 2016. The Payment Date will be extended only in the event that the Effective Date does not occur before December 31, 2016.

6. **Release of Claims**. With the exception of the right to receive the Cure Payment, effective on the Effective Date, Honeywell, on behalf of itself and its affiliates, fully, finally and forever waive, release, renounce and discharge the Debtors from any and all claims (whether prepetition unsecured, priority, administrative or postpetition), causes of action, suits, debts, obligations, liabilities, accounts, damages, defenses, or demands whatsoever, known or unknown, asserted or unasserted, giving rise to or otherwise related to the Claims, the 170 Agreement or the 145 Agreement.

7. **Miscellaneous**.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(b) Disputes. All disputes arising under or in connection with this Agreement shall, prior to the issuance of a final decree from the Bankruptcy Court closing the Bankruptcy Cases, be resolved by the Bankruptcy Court, which shall have exclusive jurisdiction over such disputes.

(c) Assignment. The rights and obligations of each of the parties hereto under this Agreement may not be assigned, transferred or novated without the prior written consent of the other parties, which consent may not be unreasonably withheld.

(d) Counterparts. This Agreement may be executed in one or more counterparts (including by facsimile or electronic (e.g., pdf) transmission), each of which together or separately shall constitute an original and, which taken together, shall be considered one and the same binding agreement.

(e) Confidentiality. The Parties agree that the terms of this Agreement, including without limitation Amendment No. 9, are confidential and shall not be disclosed, except (i) to the professionals retained by the Creditors' Committee on a "Professionals' Eyes Only" basis, (ii) where compelled or required by court order or any governmental agency or any

applicable law or regulation, (iii) to a Party's auditors, tax representatives, or legal counsel, (iv) where disclosure is necessary and unavoidable to carry out the Party's business or to enforce this Agreement, or (v) as an exhibit to the Approval Motion filed in the Bankruptcy Cases, *provided* that any portions of this Agreement or Amendment No. 9 designated confidential by Honeywell to RAI prior to filing the Approval Motion with the Bankruptcy Court shall be filed in a redacted form with such redactions as are reasonably acceptable to the Parties. The Parties shall take reasonable steps to prevent disclosure of the terms of this Agreement by others, including by instructing any persons to whom disclosure is made that they may not disclose the terms of this Agreement to any other person other than as provided herein. Nothing herein shall in any way limit any other confidentiality obligations the Parties have to one another, including any such obligations under the Purchase Agreement.

(f) **Binding Agreement**. This Agreement shall inure to the benefit of the parties hereto together with their respective successors and permitted assigns.

[This space intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first set forth above.

REPUBLIC AIRWAYS HOLDINGS INC.

By: ______________________

Name: **Andrew Skaff**
Title: **Vice President Supply Chain**

REPUBLIC AIRLINE INC.

By: ______________________

Name: **Andrew Skaff**
Title: **Vice President Supply Chain**

SHUTTLE AMERICA CORPORATION

By: ______________________

Name: **Andrew Skaff**
Title: **Vice President Supply Chain**

HONEYWELL INTERNATIONAL INC.
on its own behalf and as successor by merger of Allied Electronics, acting through its Aerospace Commercial Aviation business

By: ______________________

Name: MAJA A. BERLIN
Title: VICE PRESIDENT & GENERAL COUNSEL COMMERCIAL AVIATION, AFTERMARKET BENDIX KING & C&PS

EXHIBIT "A"

CREDITOR	DEBTOR	CLAIM NO./ SCHEDULE ID	CLAIMED AMOUNT & CLASSIFICATION	SCHEDULED AMOUNT & CLASSIFICATION
Honeywell Aerospace Credit & Collections	RAH	-	546(c): $718,169.63	-
Honeywell International Inc.	RAH	251	503(b)(9): $718,169.63	-
Honeywell International Inc.	RAH	468 / 325530	GUC: $718,169.63	-
Honeywell International Inc.	RAH	483	GUC: $718,169.63	-
Honeywell	RAI	325729	-	GUC: $0 (Unliquidated)
Honeywell Aerospace	RAI	325726	-	GUC: $0 (Unliquidated)
Honeywell Inc.	RAI	325727	-	GUC: $0 (Unliquidated)
Honeywell Intl. Inc.	RAI	325728	-	GUC: $0 (Unliquidated)
Allied Electronics	RAI	326048	-	GUC: $445,130.73
Allied Electronics	Shuttle	325396	-	GUC: $273,038.91

Exhibit 2

Amendment No. 9 to 170 Agreement

[REDACTED]