**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 FILING OF BLACKLINE OF PROPOSED DISCLOSURE STATEMENT FOR DEBTORS' SECOND AMENDED JOINT CHAPTER 11 PLAN**

**PLEASE TAKE NOTICE** that on November 16, 2016, Republic Airways Holdings Inc. and certain of its wholly-owned direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), filed the Proposed Disclosure Statement for Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code [ECF No. 1190] (the "Original Disclosure Statement").

**PLEASE TAKE FURTHER NOTICE** that on December 12, 2016, the Debtors filed the Proposed Disclosure Statement for Debtors' First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code [ECF No. 1278].

**PLEASE TAKE FURTHER NOTICE** that on December 19, 2016, the Debtors filed a Proposed Disclosure Statement for Debtors' Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code [ECF No. 1312] (the "Second Amended Disclosure Statement").

**PLEASE TAKE FURTHER NOTICE** that annexed hereto as Exhibit A is a blackline version showing the changes between the Original Disclosure Statement and the Second Amended Disclosure Statement.

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.

Dated: New York, New York
December 19, 2016

/s/ Bruce R. Zirinsky

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# Exhibit A

**THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.**

**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)** |

# DISCLOSURE STATEMENT FOR DEBTORS' SECOND AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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[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.

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EXHIBIT D: LIQUIDATION ~~ANALYSIS~~ANALYSES

EXHIBIT E: VALUATION ANALYSIS

# I. INTRODUCTION

Republic Airways Holdings Inc. ("RAH") and certain of its wholly-owned direct and indirect subsidiaries, as debtors and debtors in possession (collectively with RAH, "Republic" or the "Debtors"), submit this Disclosure Statement pursuant to section 1125 of title 11, United States Code (the "Bankruptcy Code") in connection with the solicitation of acceptances of Debtors' Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated ~~November [__],~~December 19, 2016, as the same may be amended (the "Plan"). Capitalized terms used, but not defined, in this Disclosure Statement have the meanings set forth in the Plan.

Attached as Exhibits to this Disclosure Statement are copies of the following documents:

- The Plan (Exhibit A)
- The Order of the Bankruptcy Court, dated [_____, 2016] (the "Approval Order"), among other things, approving this Disclosure Statement and establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan (Exhibit B)
- Republic's ~~Business Plan and Projected~~ Financial ~~Information~~Projections (Exhibit C)
- Republic's Liquidation ~~Analysis~~Analyses (Exhibit D)
- Valuation Analysis (Exhibit E)

A ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement for the holders of claims that are entitled to vote on the Plan.

On [_____], 2016, after notice and a hearing, the Bankruptcy Court entered the Approval Order, approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of Republic's creditors to make an informed judgment whether to accept or reject the Plan.

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Approval Order, a copy of which is annexed hereto as Exhibit B, sets forth in detail the deadlines, procedures, and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating ballots. Detailed voting instructions are set forth on each ballot. Each holder of a claim entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Approval Order, and the instructions on the ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of claims and equity interests for voting purposes and the tabulation of votes. No solicitation of votes to accept or reject the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

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THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD CAREFULLY READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE PLAN, PRIOR TO VOTING ON THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED WITH, REVIEWED, OR APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION AND THE COMMISSION HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN.

NO REPRESENTATIONS OR INFORMATION CONCERNING OR RELATED TO THE DEBTORS, THEIR PROPERTIES, THE CHAPTER 11 CASES, OR THE PLAN ARE AUTHORIZED BY THE BANKRUPTCY COURT OR THE BANKRUPTCY CODE, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. NO SOLICITATION OF VOTES TO ACCEPT THE PLAN MAY BE MADE EXCEPT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING REPUBLIC OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR ON HOLDERS OF CLAIMS OR EQUITY INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND FULLY CONSIDER THE RISK FACTORS SET FORTH IN SECTION X OF THIS DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE

SUBJECT TO, AND QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE APPLICABLE AGREEMENT, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH AGREEMENTS.

REPUBLIC BELIEVES THE PLAN WILL ENABLE IT TO REORGANIZE SUCCESSFULLY AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF REPUBLIC, ITS CHAPTER 11 ESTATES, AND ITS CREDITORS.

**REPUBLIC URGES CREDITORS TO VOTE TO ACCEPT THE PLAN.**

**THE CREDITORS COMMITTEE ALSO SUPPORTS THE PLAN AND URGES CREDITORS TO ACCEPT IT, AS SET FORTH IN THE LETTER IN SUPPORT OF THE PLAN, WHICH IS ENCLOSED WITH THE DISCLOSURE STATEMENT FOR THE HOLDERS OF CLAIMS THAT ENTITLED TO VOTE ON THE PLAN.**

## II. OVERVIEW OF THE PLAN

The Plan provides for the substantive consolidation of the Debtors other than Liquidating Debtors, the reorganization and continued operation of the Consolidated Debtors, and the liquidation of the Liquidating Debtors. The Plan also provides for the classification and treatment of all claims against the Debtors and the cancellation of all equity interests in RAH. Subject to the specific provisions set forth in the Plan, priority claims will be paid in full, secured claims will be unimpaired, and holders of Allowed general unsecured claims against the Consolidated Debtors, will, on account of and in full satisfaction of their claims receive either (i) cash in an amount equal to ~~[___]~~45% of the Allowed amount of its claims, up to a maximum distribution of $~~[____]~~,225,000.00, or (ii) New Common Stock to be issued by the corporate parent—Reorganized RAH.[1] Holders of general unsecured claims against the Liquidating Debtors, if any, and holders of equity interests in RAH, will receive no distribution. In addition, Republic Airline and Shuttle will merge and operate under Republic Airline's air carrier certificate, to the extent that such merger and consolidation has not already occurred.

### A. Summary of Classification and Treatment of Claims and Equity Interests

The following table summarizes the classification and treatment of claims and equity interests under the Plan. The summary also identifies which Classes are entitled to vote on the Plan based on the provisions of the Bankruptcy Code and estimates recovery for each Class. The summary is qualified in its entirety by reference to the full text of the Plan.

~~[1] It is anticipated that the value of the Cash distribution to Creditors in Class 3(a) will be determined in advance of the hearing on the Disclosure Statement based on the implied equity value of Reorganized RAH under the Plan.~~

| Class | Designation | Treatment | Estimated Recovery | Voting Rights |
|---|---|---|---|---|
| Unclassified | DIP Facility Claims | Paid in Full in Cash | 100% | Not Entitled to Vote |
| Unclassified | Administrative Claims | Paid in Full in Cash | 100% | Not Entitled to Vote |
| Unclassified | Priority Tax Claims | Paid in Full in Cash | 100% | Not Entitled to Vote |
| 1(a) | Other Priority Claims (Consolidated Debtors) | Paid in Full in Cash | 100% | Unimpaired (Presumed to Accept); Not Entitled to Vote |
| 1(b) | Other Priority Claims (MAGI) | Paid in Full in Cash | 100% | Unimpaired (Presumed to Accept); Not Entitled to Vote |
| 1(c) | Other Priority Claims (Midwest) | Paid in Full in Cash | 100% | Unimpaired (Presumed to Accept); Not Entitled to Vote |
| 1(d) | Other Priority Claims (Skyway) | Paid in Full in Cash | 100% | Unimpaired (Presumed to Accept); Not Entitled to Vote |
| 2(a) | Reinstated Aircraft Secured Claims (Consolidated Debtors) | Reinstated and Rendered Unimpaired | 100% | Unimpaired (Presumed to Accept); Not Entitled to Vote |
| 2(b) | Other Secured Claims (Consolidated Debtors) | Paid in Full in Cash, Reinstated, or Otherwise Rendered Unimpaired | 100% | Unimpaired (Presumed to Accept); Not Entitled to Vote |
| 3(a) | General Unsecured Claims (Consolidated Debtors) | New Common Stock; Cash Election | Cash Distribution of ~~[ ]~~45%; or New Common Stock Distribution of ~~[ ]~~41 – ~~[ ]~~48%;[21] | Impaired; Entitled to Vote |

[21] The projected recovery ranges listed herein for Class 3(a) are estimates that are derived from the Financial Projections and other assumptions, including an estimated $1 billion of General Unsecured Claims against the Consolidated Debtors, as more fully described in Section XII B. 3 below and Exhibit E hereto. The projected recoveries are based, in part, on the Debtors' current expectations regarding Claims arising from debt, lease, and contract restructurings and are consistent with the assumptions in the business plans underlying the Financial Projections in Exhibit C hereto. Actual recoveries may be different than projected recoveries based upon, among other things: (x) the market price of the shares of New Common Stock, (y) the dilutive or accretive effects of the issuance of shares of New Common Stock by Reorganized RAH from time to time, and (z) the actual amount of Allowed Claims against the Consolidated Debtors as the Debtors' Claims objection and reconciliation process continues.

| | | | | |
|---|---|---|---|---|
| 3(b) | General Unsecured Claims (MAGI) | No Distribution | 0% | Impaired (Deemed to Reject); Not Entitled to Vote |
| 3(c) | General Unsecured Claims (Midwest) | No Distribution | 0% | Impaired (Deemed to Reject); Not Entitled to Vote |
| 3(d) | General Unsecured Claims (Skyway) | No Distribution | 0% | Impaired (Deemed to Reject); Not Entitled to Vote |
| 4 | Section 510(b) Claims | No Distribution | 0% | Impaired (Deemed to Reject); Not Entitled to Vote |
| 5 | Interests in RAH | Canceled; No Distribution | 0% | Impaired (Deemed to Reject); Not Entitled to Vote |
| 6 | Subsidiary Interests | Canceled or Reinstated at Debtors' Election; No Distribution | 0% | Consented to Treatment (Presumed to Accept); Not entitled to Vote |

### B. Summary of Procedures for Voting on the Plan

#### 1. Summary of Voting Procedures

Class 3(a) is impaired under the Plan and the holders of Claims in Class 3(a) are entitled to vote to accept or reject the Plan. A ballot is provided to holders of Claims in Class 3(a) along with this Disclosure Statement for the purpose of voting on the Plan. If you hold Claims in more than one Class, you will receive a ballot only for the Claim that the Plan has classified in the Class that is entitled to vote. Please vote and return your ballot(s) in accordance with the instructions set forth therein and in Section XI, below.

TO BE COUNTED, YOUR VOTE INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED BY THE DEBTORS' VOTING AGENT, PRIME CLERK LLC, NO LATER THAN [_:__] [_].M. (EASTERN TIME) ON [____], 2017. FAXED OR EMAILED BALLOTS WILL NOT BE ACCEPTED.

[____], 2016 has been established as the record date for voting on the Plan (the "Record Date"). Accordingly, only holders of Claims as of [____], 2016 that are otherwise entitled to vote on the Plan will receive a Ballot and may vote.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a ballot, received a damaged ballot, or lost your ballot, or if you have any questions concerning the procedures for voting on the Plan, please call the Debtors' Voting Agent, Prime Clerk LLC, at (855) 252-2304.

See Section XI below, entitled "PROCEDURES FOR VOTING ON THE PLAN."

### C. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the hearing to consider confirmation of the Plan will be held on [_____], commencing at [__:__ __.m.] Eastern Time, before the Honorable Sean H. Lane, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, NY 10004. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before [_____], at [__:__ __.m.] Eastern Time, in the manner described below in Section XI of this Disclosure Statement. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the confirmation hearing or at any subsequent adjourned confirmation hearing.

## III. GENERAL INFORMATION

### A. Republic's Business

RAH is a holding company that provides scheduled regional passenger services through wholly-owned operating air carrier subsidiaries, Shuttle America Corporation ("Shuttle") and Republic Airline Inc. ("Republic Airline"). Republic offers approximately 900 flights daily to 97 cities in 36 states, Canada, Mexico, the Caribbean, and Central and South America through Republic's fixed-fee codeshare agreements with United ~~Continental Holdings~~Airlines, Inc. ("United"), Delta Air Lines, Inc. ("Delta"), and American Airlines ~~Group~~, Inc. ("American," and collectively with United and Delta, the "Codeshare Partners"), operating under the designations of United Express, Delta Connection, and American Eagle, including service out of the Codeshare Partners' respective hubs and focus cities.

Republic's fixed-fee codeshare agreements with each of its Codeshare Partners require Republic to maintain specified performance levels. Pursuant to the codeshare agreements, which provide for minimum aircraft utilization at fixed rates, each of the Codeshare Partners' two-letter flight designator codes is used to identify Republic's flights and fares in the Codeshare Partners' computer reservation systems, Republic is authorized to paint its aircraft in the style of the Codeshare Partners, to use the Codeshare Partners' service marks, and to market itself as a carrier for the Codeshare Partners. The Codeshare Partners provide additional services, such as reservations, ticket issuance, ground support services, commuter slot rights, and airport facilities. The fixed-fee agreements historically have limited Republic's exposure to fluctuations in fuel prices, fare competition, and passenger volumes. The Codeshare Partners control the revenue, pricing, and scheduling of the aircraft and obtain the full value of ancillary passenger charges and revenues. Republic's development of relationships with multiple major airlines has historically enabled it to reduce its dependence on any single airline and to allocate its overhead more efficiently among the Codeshare Partners.

### B. Republic's Prepetition Capital Structure

RAH is the direct parent company of Debtors Republic Airways Services, Inc., Republic Airline, Shuttle, Midwest Air Group, Inc., and non-Debtor Lynx Aviation, Inc., and the indirect parent of Debtors Midwest Airlines, Inc. ("Midwest"), Skyway Airlines Inc. ("Skyway"), and non-Debtors Carmel Finance 2015, LLC and Republic Airline Inc. (Panama).

As described below, as of the commencement of the chapter 11 cases, Republic's indebtedness included (i) approximately $91.8 million under two secured credit facilities, (ii) approximately $3.461 billion under various aircraft and equipment financing arrangements and commitments, and (iii) approximately $15.3 million in loaned proceeds of industrial revenue bonds, all as described more fully below.

#### 1. Secured Credit Facilities

As of the commencement of the chapter 11 cases, Republic was party to two secured credit facilities: (i) that certain Credit and Guarantee Agreement, dated April 7, 2015, as amended (the "DB Facility"), among Republic Airline, as borrower, DB AG New York Branch, as administrative agent, revolving lender, and revolving facility issuing lender, Key Bank National Association and Morgan Stanley Bank, N.A., as revolving lenders, and RAH, Shuttle, and Republic Services, as guarantors, providing for (x) a revolving credit facility in the aggregate amount of $60 million and (y) up to $10 million in letters of credit; and (ii) that certain Credit and Guaranty Agreement, dated as of April 24, 2015 (the "Citi Facility"), among Republic Airline, as borrower, Citibank, N.A., as administrative agent, the lenders party thereto, RAH, as parent and guarantor, and Republic Services and Shuttle, as guarantors, providing for a revolving credit facility in the aggregate amount of $25 million. As of the commencement of its chapter 11 cases, Republic had $60 million in borrowings outstanding and $8.8 million in issued and outstanding letters of credit under the DB Facility and $23 million in borrowings outstanding under the Citi Facility. Republic's obligations under the DB Facility are secured by certain spare parts and spare engines. Republic's obligations under the Citi Facility are secured by certain aircraft and engines.

#### 2. Secured Financed Aircraft and Equipment Obligations

As of the commencement of the chapter 11 cases, Republic was party to numerous arrangements that provided for financing of its aircraft and equipment. These financing arrangements included (as of December 31, 2015):

(a) Approximately $2.318 billion in principal amount of notes amortized through 2027, bearing interest at fixed rates ranging from 2.04% to 8.49%, secured by aircraft;

(b) Approximately $56.7 million in principal amount of notes amortized through 2022, bearing interest at fixed rates ranging from 5.13% to 8.38%, secured by spare parts and equipment; and

(c) Approximately $1.7 million in principal amount of notes amortized through 2017, bearing interest at variable rates based on LIBOR plus a margin ranging from 3.18% to 3.66%, secured by spare parts and equipment.

Additionally, as of the commencement of its chapter 11 cases, Republic was committed to purchase 40 CS300 aircraft from Bombardier and at least a total of 15 spare engines from Pratt & Whitney and GE Engines Services. Republic had also entered into commitments for secured debt financing arrangements for 24 new E175 aircraft under firm purchase commitments.

### 3. The Milwaukee Bonds

In 1998 and 2001, the City of Milwaukee, Wisconsin issued variable rate industrial development bonds in an aggregate principal amount of $15.3 million (collectively, the "Milwaukee Bonds"), and pursuant to loan agreements, loaned the proceeds to Midwest and Skyway (or their predecessors in interest) to fund construction of two hangars and maintenance facilities at General Mitchell International Airport in Milwaukee, Wisconsin for use in their former Midwest and subsequently Frontier Airline operations out of Milwaukee. In connection therewith, Midwest and Skyway entered into long-term leases of the property with Milwaukee County, Wisconsin and constructed the facilities.

As of the Commencement Date, Midwest and Skyway were obligated to the bond indenture trustee for principal and interest under the loan documents. Those obligations were secured by letters of credit issued by U.S. Bank National Association. Pursuant to a credit assistance agreement, Milwaukee County was required to reimburse U.S. Bank National Association for any draws on the letters of credit. As a result, Milwaukee County was subrogated to the rights of U.S. Bank National Association with respect to the loans.

### 4. Equity

RAH is a public reporting company under section 12(g) of the Securities Exchange Act of 1934. Prior to the commencement of the chapter 11 cases, RAH's shares of common stock, par value $.001, were traded on the NASDAQ under the symbol "RJET." On March 8, 2016, as a result of the commencement of the chapter 11 cases, the NASDAQ suspended trading of Republic's common stock and the shares were subsequently delisted. As of May 9, 2016, RAH had 150,000,000 authorized shares of common stock, $0.001 par value, of which 50,955,051 shares were outstanding. RAH also had 5,000,000 authorized shares of preferred stock, $0.001 par value, with no shares issued or outstanding.

By law and pursuant to DOT regulations, Republic must be controlled by United States citizens. In this regard, Republic's President and at least two-thirds of its Board of Directors must be United States citizens and not more than 25% of Republic's voting stock may be owned or controlled by foreign nationals, although with DOT approval, the percentage of foreign economic ownership may be as high as 49%.

## IV. EVENTS LEADING TO THE CHAPTER 11 CASES

### A. Industry Background

The airline industry has undergone significant changes and contractions as a result of historic increases in security and fuel costs, decreased customer demand, and most recently, one of the most severe and prolonged economic recessions in U.S. history. All of the so-called "legacy" carriers have now sought relief in the bankruptcy court.

The impact of these changes on Republic and other regional airlines has been substantial. For many years, regional airlines enjoyed profit margins under contracts that offered protection against rising fuel costs and other market risks. However, as major carriers restructured under Chapter 11, they aggressively cut costs and decreased capacity. Through those actions, they have transformed the market for regional air service, paying less and seeking more services from their regional partners. The result has been that regional airlines have been constrained to bid ever-lower rates and accept increasingly burdensome contract terms to win the business of major carriers. Frequently, those contract terms have proven to be unsustainable, requiring regional carriers, such as Republic, to seek restructuring relief under the Bankruptcy Code.

### B. National Pilot Shortage

The regional airline industry difficulties have been compounded by an acute national shortage of qualified regional airline pilots, primarily resulting from congressional legislation enacted in 2010, which became effective in August 2013 and January 2014.

On August 1, 2013, the congressionally-mandated pilot experience qualifications contained in the Airline Safety and FAA Extension Act of 2010 became effective. As a result of this legislation, the age and training requirements for Republic's first officer pilots generally increased to 23 years and 1,500 hours of flight time. Military pilots are subject to somewhat lower standards, but as the wind-down of the U.S. involvement in conflicts in Iraq and Afghanistan has substantially concluded, there are fewer military-trained pilots entering the workforce. In addition, the FAA implemented a new regulation that increases the flight crew duty, flight, and rest requirements for pilots. This update changed the length of time a pilot may be on duty and how much she or he may fly in a day, month, and year. These new limitations, together with the new, more restrictive certification and qualification requirements, have resulted in a growing scarcity of qualified new entrants and have contributed to the current severe nationwide pilot shortage.

On December 13, 2007, the Fair Treatment of Experienced Pilots Act was signed into law. The law postponed the mandatory retirement age for pilots from 60 to 65. This resulted in fewer pilot retirements from 2007 to 2012; however, since 2012, there has been a growing number of retirements due to the age 65 mandatory retirements. Consequently, there has been an even greater increased demand from mainline, low cost, and cargo airlines on the regional airlines to supply replacement pilots. This trend is anticipated to continue and accelerate, resulting in a severe increase in attrition of pilots at the regional airlines in the near term. As a consequence of there being fewer qualified pilots entering the work force, combined with

increased attrition at the regional airlines to replace retirements at mainline, low cost, and cargo airlines, the regional airline fleets are now underutilized and those aircraft that do operate do so with reduced schedules due to the reduced number of hours pilots can fly under the new regulations.

### C. Pilot Collective Bargaining Agreement

As of January 31, 2016, approximately 71% of Republic's employees were represented by unions, including 2,077 pilots represented by the International Brotherhood of Teamsters ("IBT"), 2,074 flight attendants represented by the IBT, and 87 flight dispatchers represented by the Transport Workers Union of America AFL-CIO ("TWU"). The flight attendant collective bargaining agreement with IBT becomes amendable on July 29, 2018. The flight dispatcher collective bargaining agreement with TWU becomes amendable on August 1, 2018.

In October 2007, Republic's pilot collective bargaining agreement with the IBT became amendable. Over the pendency of the amendable period, pilot wages under that agreement deteriorated below industry standard, pilot attrition increased, and with the subsequent heightened requirements for non-military-trained pilots and a decreasing number of new entrant pilots who could satisfy the higher experience qualifications, Republic's ability to attract qualified candidates was impaired. Accordingly, over the eight years since its pilot collective bargaining agreement with the IBT became amendable, Republic endeavored to negotiate increased compensation and improved benefits and work rules to help Republic retain its existing pilots and better position it to attract new pilots. At the same time, to address its pilot shortage, at times Republic provided premium pay for pilots when they agreed to perform additional unassigned flying on their scheduled days off and offered signing bonuses to prospective new-hires as an incentive to accept its employment offers.

Republic worked toward a consensual resolution for its pilots, though negotiations with the IBT were protracted. Republic and the collective bargaining representative for the pilots, IBT, opened negotiations in 2007 and had reached tentative agreements on several sections of a new collective bargaining agreement over the next two years. In July 2011, after being unable to reach an agreement, the parties began to engage in collective bargaining negotiations supervised by the National Mediation Board (the "NMB"), and thereafter in November 2013, under the auspices of a private mediator. Though the parties reached a tentative agreement three months later in February 2014, it was not ratified by the union membership, and the parties returned to contract negotiations under the auspices of the NMB. Over the course of the next year, the parties passed over 100 proposals on at least 19 sections of the contract and by May 1, 2015, had reached tentative agreements on approximately 19 out of 30 sections of the contract. However, progress stalled thereafter on the issue of compensation and work rules. Ultimately, after a series of proposals, on September 27, 2015 Republic and the IBT reached a tentative agreement on the terms of a new three-year contract, which Republic believes respects the role of its pilots in its long-term success and puts its pilots at the forefront of the regional airline industry. The IBT recommended the tentative agreement to its members, and at the conclusion of voting on October 27, 2015, it was ratified.

During the latter stages of negotiations, on July 9, 2015, the IBT had filed a complaint against RAH, Shuttle, and Republic Airline with the United States District Court for the

Southern District of Indiana, captioned *Teamsters Local Union No. 357 v. Republic Airline Inc.*, *et al.*, Civ. No. 15-cv-1066, alleging that the company unilaterally increased compensation for pilots and new hires in violation of the Railway Labor Act, which further affected Republic's ability to retain its current pilots and to hire new pilots. Disputing the merits of the complaint, on July 30, 2015 Republic filed a motion to dismiss. This case was ultimately dismissed with prejudice upon the ratification of the collective bargaining agreement on October 27, 2015.

### D. Negotiations with Codeshare Partners

Over the course of the protracted labor dispute and protracted negotiations with its pilots, Republic worked proactively with its Codeshare Partners to minimize any disruption in service levels and to allocate equitably any required reduction in flying caused by pilot staffing shortfalls due to the ongoing labor dispute and the national pilot shortage. Republic also engaged in dialogue with each of them regarding the need to increase its payments under the fixed-fee code sharing agreements to compensate Republic for its significant increase in pilot labor costs.

Initially, the Codeshare Partners expressed a willingness to engage in discussions with Republic to better understand the drivers of increased costs and to discuss proposed modifications to current agreements in order to permit Republic to attract and retain the pilots necessary to restore operational performance.

On October 5, 2015, Delta commenced an action against RAH and Shuttle in the Superior Court of Fulton County, Georgia captioned *Delta Air Lines Inc. v. Republic Airways Holdings Inc. and Shuttle America Corporation*, Civil Action No. 2015-CV-266675. Delta's complaint, which Republic disputed, alleged that RAH and Shuttle breached the Single Class Agreement and the Dual Class Agreement by failing to maintain pilot staffing necessary to facilitate Delta's scheduling of flights, failing to operate a full schedule of ERJ-145 flights and requesting significant reductions in scheduled block hours during 2015 and continuing into the future, and failing to deliver nine additional E170 jets. Among the damages asserted, Delta sought to recover the lost profits it would have earned if Republic had operated all flights as required by the Single Class and Dual Class Agreements. On November 3, 2015, pursuant to 28 U.S.C. §§ 1441 and 1446, RAH and Shuttle removed the action to the United States District Court for the Northern District of Georgia, Atlanta Division (Case No. 15-cv-03839-LMM).

Over the following weeks, Republic continued to engage in negotiations with American and United. Republic also continued negotiations with Delta to resolve its litigation in a concerted effort to reach agreements with all three of its Codeshare Partners, and to try to avoid the necessity of seeking chapter 11 relief.

As it became increasingly clear that agreements were not going to be reached on a timely basis and, given Republic's declining liquidity position among other factors, on February 25, 2016, Republic commenced these chapter 11 cases.

## V. THE CHAPTER 11 CASES

### A. Purpose of the Chapter 11 Restructuring

The four principal objectives of Republic's chapter 11 cases have been to (i) obtain modified agreements from its Codeshare Partners to reflect the actual costs of its flying and allow an orderly restoration of service, (ii) reach agreements on the early return of out-of-favor aircraft (Q400 and ERJ-145) and resolve any related claims, (iii) streamline its operations by operating a single aircraft type (E170/175) under a single air carrier certificate, and (iv) secure additional liquidity to fund future operational stability and growth, including through the restructuring of its aircraft indebtedness.

### B. Chapter 11 Filings

On February 25, 2016, RAH and its wholly-owned direct and indirect subsidiaries, Republic Airways Services, Inc., Republic Airline, Shuttle, Midwest Air Group, Inc., Midwest Airlines, Inc. and Skyways Airlines Inc. each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. In connection with the filings, the Bankruptcy Court entered certain orders granting various requests for relief by Republic that were designed to minimize the disruption of the Debtors' business operations and to facilitate their reorganization.

- Case Administration Orders. These orders: (i) authorized joint administration of the chapter 11 cases [ECF No. 39], (ii) enforced and restated the automatic stay [ECF No. 51], (iii) established interim compensation procedures for professionals [ECF No. 214], (iv) granted extensions of the time to file schedules and statements [ECF No. 49, 330], (v) approved notice and case management procedures [ECF No. 49], (vi) established global and exclusive procedures for the treatment of reclamation claims [ECF No. 50], and (vii) established procedures for the assertion, resolution, and satisfaction of claims asserted pursuant to section 503(b)(9) of the Bankruptcy Code [ECF No. 52].

- Payments Authorized on Account of Certain Prepetition Claims. The Bankruptcy Court authorized the payment of certain prepetition: (i) employee wages, salaries, benefits and other obligations in the ordinary course of business [ECF No. 198], (ii) amounts to foreign vendors and service providers [ECF No. 199], (iii) amounts to critical vendors [ECF No. 201], (iv) amounts to certain outside mechanics, shippers, and maintenance providers holding mechanics, materialmen's, or similar liens or interests [ECF No. 200], (v) obligations related to Republic's settlement obligations under its clearinghouse agreements pending assumption [ECF No. 202], (vi) amounts to insurance carriers [ECF No. 204], and (vii) amounts to governmental authorities for taxes and other assessments [ECF No. 205].

- Business Operations. The Bankruptcy Court authorized Republic to: (i) maintain its existing bank accounts and operate its cash management system [ECF No. 228], (ii) provide adequate assurance to utility companies and establish procedures for addressing requests for additional adequate assurance [ECF No. 203], (iii) grant administrative expense status to undisputed obligations arising from the postpetition delivery of goods

ordered prepetition and make payment to such claims in the ordinary course of business [ECF No. 200], and (iv) enter into agreements under section 1110(a) of the Bankruptcy Code and extend the time to comply with section 1110 of the Bankruptcy Code [ECF No. 212].

### C. Trading Order

Republic's net operating loss ("NOL") carryforwards and certain other tax attributes are valuable assets of its estates because a corporation can carry forward NOLs to offset future income or tax, thereby reducing its tax liability in future periods. As of December 31, 2015, Republic had consolidated NOL carryforwards, for U.S. federal income tax purposes, of approximately $1.4 billion. Republic believes that, even after taking account of any cancellation of debt impact of the Plan on the Debtors, the NOL carryforwards and other tax attributes may result in significant future tax savings, which would enhance Republic's cash position and significantly contribute to its successful reorganization.

The ability of the Debtors to use their NOL carryforwards and other tax attributes is subject to certain statutory limitations. In particular, section 382 (in conjunction with section 383) of the Internal Revenue Code limits a corporation's ability to use its NOLs and certain other tax attributes after the corporation undergoes a specified change of ownership. However, even to the extent an ownership change of the Debtors is expected to occur upon implementation of the Plan, the limitations imposed by section 382 of the Internal Revenue Code upon a change of ownership pursuant to a confirmed plan are significantly more relaxed than those otherwise applicable, particularly under section 382(l)(5) of the Internal Revenue Code, if the plan involves the retention or receipt of at least half of the stock of the reorganized debtor by its stockholders or qualified creditors.

Accordingly, in order to protect the value of its NOL carryforwards and other tax attributes, Republic requested an order of the Bankruptcy Court providing for (i) restrictions upon the accumulation of equity interests above 4.75 percent of RAH's outstanding shares and (ii) monitoring and potentially restricting the accumulation of unsecured claims above a specified threshold (subject to adjustment) and, under certain circumstances, upon a further order of the Bankruptcy Court, requiring certain holders of large unsecured claims to sell all or a portion of any such claims acquired during the chapter 11 cases. An order approving these provisions was entered by the Bankruptcy Court on March 23, 2016. [ECF No. 206]. On July 26, 2016, the Court entered an amended order which increased the threshold amount for monitoring and restricting the accumulation of unsecured claims from $4.94 million to $22.5 million and approved specific sell-down procedures to facilitate the Debtors' ability to monitor and enforce restrictions against accumulation of unsecured claims in order to protect the Debtor's ability to successfully implement a section 382(l)(5) Plan. [ECF No. 835].

### D. Appointment of Creditors' Committee

On March 4, 2016, the United States Trustee for the Southern District of New York appointed a seven-member committee pursuant to section 1102(a)(1) of the Bankruptcy Code to represent the interests of unsecured creditors in the chapter 11 cases (the "Creditors' Committee"). [ECF No. 89]. The composition of the Creditors' Committee was amended by the

U.S. Trustee on June 3, 2016. [ECF No. 630]. The current members of the Creditors' Committee are:

GE Engine Services, LLC 1
Neuman Way, MD F125
Cincinnati, OH 45215
(513) 243-0080
Attn: T. Kellan Grant

Embraer S.A.
c/o Embraer Aircraft Holding, Inc.
276 S.W. 34th Street
Ft. Lauderdale, FL 33315
(954) 359-3786
Attn: Sergio Guedes

Pratt &Whitney Component Services
c/o United Technologies Corp.
400 Main Street M/S 133-54
East Hartford, CT 06118
(860) 565-7364
Attn: F. Scott Wilson

United Airlines, Inc.
233 S. Wacker Drive, 14th FL HDQUE
Chicago, IL 60606
(872) 825-2718
Attn: David Leib

American Airlines, Inc.
4333 Amon Carter Blvd.
Fort Worth, TX 76155
(817) 963-1234
Attn: Thomas T. Weir

Residco (ALF VI, Inc.)
70 W. Madison Street, Suite 2340
Chicago, IL 60602
(312) 635-3161
Attn: Glenn Davis

International Brotherhood of Teamsters
Airline Division
25 Louisiana Avenue, N.W.
Washington D.C, 20001
(202) 624-6848
Attn: David P. Bourne

In October 2016, Delta Airlines was granted ex officio status on the Creditors' Committee.

Since the formation of the Creditors' Committee, Republic has regularly consulted with the Creditors' Committee and its professionals concerning the administration of the chapter 11 cases. Republic has kept the Creditors' Committee and its professionals informed with respect to its operations and has sought the concurrence of the Creditors' Committee on proposed actions and transactions outside of the ordinary course of business. The Creditors' Committee and its professionals have participated actively with Republic's senior management and professional advisors in reviewing Republic's operating performance, business plan, and in negotiating the terms of the Plan. The Creditors' Committee has also negotiated with Republic and each of the Codeshare Partners to obtain certain improvements and concessions in connection with the amendment and assumption of Republic's codeshare agreements and the settlement of related claims, as discussed in more detail below.

### E. The Ad Hoc Equity Group

On or about March 31, 2016, certain equity investors in Republic (the "Ad Hoc Group") requested by letter that the United States Trustee appoint an official committee of equity security holders. On April 4, 2016, Republic and the Creditors' Committee each submitted a letter to the

Office of the United States Trustee of the Southern District of New York opposing the requested appointment. On April 5, 2016, the United States Trustee denied this request. Throughout the chapter 11 cases, the Ad Hoc Group has filed four statements pursuant to Rule 2019 of the Federal Rules of Bankruptcy Procedure. The most recent statement dated May 6, 2016, indicates that the Ad Hoc Group is comprised of two stockholders, Axar Master Fund Ltd. and Man GLG Select Opportunities Master LP, which together hold 13,233,728 shares or approximately 26% of RAH's outstanding common stock.

### F. Codeshare Agreements

In order to achieve the cornerstones of its restructuring plan, Republic needed to obtain modified agreements from its three Codeshare Partners to, among other things, reimburse the increased costs of operations, permit an orderly restoration of service, and facilitate fleet restructuring to streamline Republic's operations by operating a single aircraft type under a single air carrier certificate and retiring out-of-favor aircraft. As described below, following extensive negotiations with each of them as well as with the Creditors' Committee, Republic succeeded in obtaining the modifications it required.

#### 1. Delta Air Lines, Inc.

After the commencement of its chapter 11 cases, Republic resumed its negotiations. Republic and Delta negotiated the terms of the amended flying agreements, an amended ground handling agreement, and amended agreements to lease certain slots at New York's LaGuardia Airport. As a condition of the amended flying agreements, Delta would receive an allowed unsecured claim of $170 million against each of RAH and Shuttle, subject to adjustment under a "most favored nations" clause (the "MFN"), which provided that Delta's claim would increase proportionally to the extent that any other Codeshare Partner receives a priority or disproportionately large general unsecured claim pursuant to a settlement (but not litigation) with Republic.

On March 24, 2016, Republic filed a motion seeking authorization to (i) assume its codeshare and related agreements, as amended, with Delta, (ii) lease property of the estate, and (iii) settle claims with Delta (the "Delta Settlement"). [ECF No. 244]. The relief sought represented a significant first step for Republic's chapter 11 cases as Republic's first settlement and comprehensive resolution with a Codeshare Partner that secured significant concessions from Delta necessary to enhance Republic's profitability for years to come. The amendments to Republic's codeshare agreements with Delta allow Republic to receive higher compensation for its services, with retroactive effect from January 1, 2016, providing for the restoration of E170 and E175 flying for Delta and the orderly wind-down to Republic's ERJ-145 flying, which will allow Republic to train and transition pilots into the dual class aircraft that are the future of Republic's operations and maximize Republic's profitability, improve its annual revenues, support increased pilot costs, and attract and compensate new employees. The motion also sought authority to assume amended lease agreements pursuant to which Republic agreed to lease to Delta certain slots at New York's LaGuardia Airport and assume a ground support services agreement.

In exchange for the amendments and as part of a global resolution that included the settlement and release of Delta's prepetition litigation claims, Delta initially received a prepetition general unsecured claim in the amount of $170 million against each of RAH and Shuttle, subject to adjustment under the MFN. As a result of Republic's settlement with United (described below) Delta's claim against each of RAH and Shuttle was increased under the MFN by $3.5 million to $173.5 million. The Bankruptcy Court's order approving the United settlement further provided that at the time of any distributions to be made on account of general unsecured claims under a plan of reorganization or liquidation for Republic Airline or Shuttle, Delta's allowed claim against Shuttle shall be allocated between Shuttle and Republic Airline such that Delta's recoveries in respect of distributions on its general unsecured claims against Shuttle and Republic Airline are equal or as nearly equal as is possible.

The Delta Settlement was an integrated transaction in which each of the amendments to the codeshare agreements, the amendments and assumption of the slot lease agreements, and the assumption of the ground handling agreement were essential and necessary components. The Delta Settlement also was cross-conditioned on Bankruptcy Court approval of the proposed DIP Facility to be provided by Delta, described below.

Following the negotiation of certain modifications that resolved the Creditors' Committee's limited objection to the Delta Settlement and DIP Facility [ECF No. 364] including the agreement by Delta to limit its allowed claims to RAH and Shuttle rather than against all Debtors, and clarifying that an equity transaction in the context of a plan of reorganization that did not result in a single person or entity obtaining a majority interest in the Debtors would not trigger a default under the change of control provisions of Delta's codeshare and related agreements, the Delta Settlement ultimately was supported by the Creditors' Committee and was approved by order of the Bankruptcy Court, which overruled an asserted objection by the Ad Hoc Group to the grant of the unsecured claim to Delta (the "Delta Approval Order"). [ECF No. 506]. The Ad Hoc Group appealed the order to the United States District Court for the Southern District of New York (the "District Court") [No. 16-CV-03315-KBF], and requested from the Bankruptcy Court and the District Court a stay pending appeal, which requests were denied by both courts. On September 12, 2016, the parties agreed to the dismissal of the appeal with prejudice and on September 14, 2016, the District Court entered an order dismissing the appeal.

### 2. United Airlines

After commencement of the chapter 11 cases, Republic and United resumed discussions to comprehensively restructure the parties' relationship to provide Republic with increased revenues and to accelerate the removal of Q400 aircraft under the United codeshare agreements. Consistent with Delta's MFN, United required *pari passu* treatment relative to each of Republic's other two Codeshare Partners as part of the settlement of its claims. Following the Bankruptcy Court's approval of Republic's settlement with Delta on May 5, 2016, Republic's discussions with United gained further traction. After extensive negotiations, the parties agreed that United would receive an allowed general unsecured claim in the amount of $193 million against RAH, Shuttle, and Republic Airline.

On May 27, 2016, Republic filed a motion seeking authorization to assume its codeshare and related agreements, as amended, with United, assume lease agreements for slots at Newark Airport, and settle claims (the "United Settlement"). [ECF No. 614]. The amended codeshare agreement provides for United to pay Republic increased rates, improves Republic's operations by facilitating Republic's transition to operating as a single carrier, and allows Republic to protect its current pilots and broader employee workforce, and attract and compensate new employees on a competitive basis.

As noted above, in consideration for certain concessions in the amendments to its codeshare agreements and its release of certain pre- and postpetition claims, the motion initially proposed that United would receive an allowed general unsecured claim in the amount of $193 million. After filing of the motion, Republic's advisors were authorized by Republic to respond to substantial diligence requests on the United claim by professionals for the Creditors' Committee and Delta regarding the computation methodologies used to calculated United's claim and implications with respect to the MFN in the Delta Settlement Order. After extensive diligence and negotiations, the parties ultimately agreed (i) to a reduction in the United claim to $191.6 million, (ii) to the allocation of the United claim as a general unsecured claim in the amount of $191.6 million against RAH and a single general unsecured claim of $191.6 million which would be split and allocated against Republic Airline and Shuttle, such that distributions from each of Republic Airline and Shuttle would be equal or as near equal as possible, (iii) to an increase of Delta's claim by $3.5 million to $173.5 million, and (iv) to split and allocate Delta's claim against the operating subsidiaries consistent with the allocation of the United claim. The United Settlement also contained a MFN provision that United's claim will increase proportionally to the extent that the remaining Codeshare Partner, American, received a priority or disproportionately large general unsecured claim pursuant to a settlement (but not litigation) with Republic.

The Ad Hoc Group interposed an objection on substantially the same grounds as its objection to the Delta Settlement. [ECF No. 641]. Following a hearing, on June 16, 2016 the Bankruptcy Court entered an order approving the United Settlement and overruling the objection of the Ad Hoc Group (the "United Approval Order"). [ECF No. 678].

The Ad Hoc Group appealed the United Approval Order to the United States District Court for the Southern District of New York [No. 16-CV-03315-KBF]. Pursuant to a stipulation and order between Republic and the Ad Hoc Group, which was entered by the District Court, the Ad Hoc Group's appeal from the United Approval Order was consolidated with its appeal from the Delta Approval Order for briefing purposes. On September 12, 2016, the parties agreed to the dismissal of the appeal with prejudice, and on September 14, 2016, the District Court entered an order dismissing the appeal.

On November 15, 2016, Republic filed a motion seeking authorization to further amend its codeshare agreement with United to provide for Republic's lease of additional aircraft owned by United for deployment under the codeshare agreement. [ECF No. 1183]. ~~The motion is scheduled to be heard~~ An order authorizing and approving the amendment to the codeshare agreement was entered by the Bankruptcy Court on December ~~8,~~14, 2016. [ECF No. 1183].

### 3. American Airlines

In early July, Republic and American reached an agreement in principle on the amended flying agreements, and subsequently, reached agreements on the comprehensive settlement of American's prepetition and postpetition claims several weeks later.

On September 2, 2016, Republic filed a motion seeking authorization to (i) assume its codeshare agreement, as amended, with American, and enter into or assume related agreements (the "Commercial Settlement"), and (ii) settle claims between American and Republic (the "Claim Settlement," and together with the Commercial Settlement, the "American Settlement"). [ECF No. 957]. As part of the Commercial Settlement, the amended codeshare agreement consolidates all of Republic's flying for American under a single codeshare agreement, provides for American to continue to pay Republic market-competitive rates, facilitates Republic's fleet restructuring by allowing for a reduction in the aircraft Republic is required to allocate to American, extends the terms of the agreement with respect to certain aircraft, and provides for a two-phase transition regarding the configuration of seats in certain aircraft. The Claim Settlement resolved certain claims between Republic and American.

In consideration for certain concessions in the amendments to its codeshare agreements and its release of certain claims, American was granted a general unsecured claim in the amount of $250 million against RAH and a single general unsecured claim in the amount of $250 million to be split into two claims allocated against Shuttle and Republic Airline. In exchange for the substantial discounts on its claims that American accepted in agreeing to a $250 million allowed general unsecured claim, Republic agreed to provide American with a most favored nations provision, which provides that in the event the total allowed general unsecured claims against the Debtors exceed $1 billion, the American allowed general unsecured claim will correspondingly increase such that American will maintain the same claim percentage (25%) that it would have if the total claims were $1 billion. To comply with Delta's and United's Court-ordered MFNs, the American MFN provides also for a claim adjustment for Delta and United if aggregate general unsecured claims exceed $1 billion, similarly protecting their allowed general unsecured claims from falling below the percentage of aggregate general unsecured claims that their claims would represent if aggregate claims were $1 billion (17.35% for Delta and 19.16% for United).

The Creditors' Committee filed a limited objection [ECF No. 994] to the MFN provision in the Claim Settlement, arguing that it was prejudicial to other unsecured creditors. On September 21, 2016 the Bankruptcy Court entered an order approving the Commercial Settlement (the "Commercial Settlement Approval Order") [ECF No. 1028] and with the parties' agreement, the hearing on the Claim Settlement was adjourned to November 10, 2016. Based on strong indications that the American MFN provision was unlikely to be triggered and, even if triggered, was unlikely to result in significant dilution of other unsecured creditors' claims, the Creditors' Committee ultimately withdrew its limited objection to the Claim Settlement. On November ~~[ ],~~ 17, 2016 the Bankruptcy Court entered an order approving the Claim Settlement (the "Claim Settlement Approval Order"). [ECF No. ~~—~~1196].

## G. Fleet Restructuring

### 1. Section 1110 Agreements

As of the Commencement Date, Republic maintained a fleet of approximately 300 aircraft, substantially all of which were leased or subject to various secured financing arrangements.

Under section 1110 of the Bankruptcy Code, beginning 60 days after filing a petition under chapter 11 of the Bankruptcy Code, certain secured parties, lessors, and conditional vendors may have a right to take possession of certain qualifying aircraft equipment that is leased, or subject to a security interest or conditional sale contract, unless the debtor, subject to approval by the bankruptcy court, agrees to perform under the applicable agreement and cure certain defaults as provided in section 1110. Any such action on the part of the debtor will not preclude the debtor from later rejecting the applicable lease or abandoning the aircraft equipment subject to the related security agreement or from later seeking to renegotiate the terms of the related financing. The debtor may extend the 60-day period, with bankruptcy court approval, by agreement with the relevant financing party.

The 60-day period under section 1110 in Republic's chapter 11 cases expired as of April 26, 2016. In accordance with the Bankruptcy Court's Order Authorizing the Debtors to (i) Enter into Agreements Under 11 U.S.C. 1110(a), (ii) Enter into Stipulations to Extend the Time to Comply with 11 U.S.C. 1110 and (iii) File Redacted Section 1110 Notices and 1110(b) Stipulations (the "Section 1110 Order"), dated March 23, 2016 [ECF No. 212], Republic has entered into agreements to extend the automatic stay or agreed to perform and cure defaults under financing agreements with respect to substantially all aircraft equipment in its fleet.

As of ~~November 16,~~December 12, 2016, in accordance with the Section 1110 Order, the Debtors have:

- with respect to the Debtors' Q400 fleet, rejected leases relating to 27 aircraft and 6 related spare engines;
- with respect to the Debtors' E140/145 fleet, rejected leases relating to 29 aircraft and 11 engines, surrendered and returned 11 aircraft and 2 spare engines by Court order, agreed to the consensual return and title transfer of 31 owned and 7 leased aircraft by stipulation; and
- with respect to the Debtors' E170/175 fleet, rejected leases relating to 18 aircraft, surrendered and returned 1 aircraft, assumed leases on 5 aircraft, made elections under section 1110(a) of the Bankruptcy Code with respect to ~~83~~78 aircraft, amended aircraft agreements with respect to ~~84~~86 aircraft, received Court approval to sell 3 aircraft, and pledged 1 aircraft as collateral under the DIP Agreement.

### 2. Early Return of Out-of-Favor Aircraft and Related Claims Settlements

An integral step in Republic's restructuring is its plan to streamline its operations by operating a single aircraft type (E170/175) and returning out-of-favor aircraft -- the Q400 and ERJ-140/145 fleet. As of the commencement of its chapter 11 cases, Republic financed or leased 80 ERJ-140/145 aircraft and leased 27 Q-400 aircraft. Through a series of orders and settlement agreements, Republic has rejected or surrendered all such financed or leased Q-400 aircraft and ERJ-140/145 aircraft. In connection with restructuring its fleet, Republic has also rejected or surrendered 19 of its 192 E170/175 aircraft that were no longer necessary under Republic's agreements with its Codeshare Partners.

The early return of out-of-favor leased aircraft resulted in significant claims related to, among other things, lost rent and Republic's inability to return the aircraft in the condition required under the applicable leases. The surrender of out-of-favor owned aircraft to the secured parties may result in significant deficiency claims. As detailed below, Republic has thus far achieved settlements with one of the aircraft financiers and has made significant progress in settlement negotiations with other aircraft financiers.

a) Q-400 Aircraft

As of the commencement of the chapter 11 cases, Republic leased a Q-400 fleet of 27 aircraft from certain affiliates and subsidiaries of Nordic Aviation Capital ("NAC"). Republic was flying only four of the 27 Q-400 aircraft and intended to retire these four aircraft by April 1, 2016. In addition, Republic was subleasing certain of the Q-400 aircraft to a third-party pursuant to a master sublease. The term of 24 of the 27 Q-400 aircraft leases still had over four years remaining.

Shortly after the commencement of the chapter 11 cases, Republic began negotiating with NAC regarding a consensual return of the excess Q-400 aircraft that would mitigate NAC's claims related to, among other things, lost rent and Republic's inability to return the aircraft in the condition required under the leases.

Following nearly a month of settlement negotiations, Republic and NAC entered into an agreement providing for the rejection of the leases between Republic and NAC. To mitigate NAC's damages and any damages that may have resulted from Republic's rejection of the master sublease and vendor contracts relating to the Q-400 aircraft, the parties agreed that NAC would step into Republic's shoes on such master sublease and vendor contracts. NAC agreed to pay all cure amounts and assumed all ongoing obligations with respect to such master sublease and vendor contracts. In exchange, NAC was granted (i) an allowed administrative expense claim against Republic Airline in the amount of $374,000 and (ii) allowed unsecured rejection damages claims against each of Republic Airline and RAH in the amount of $47.9 million. The allowed claim amount was nearly half the amount initially asserted by NAC. On April 18, 2016, the Bankruptcy Court entered an order approving the settlement. [ECF No. 492]. NAC is allowed to file additional claims associated with the assumption of the PWC maintenance services agreements, with the maximum value of such claims being limited to $5.1 million.

b) ERJ-140/145 Aircraft

As of the commencement of the chapter 11 cases, certain affiliates of GE Capital Aviation Services ("GECAS") leased 28 of the 80 ERJ-140/145 in Republic's fleet to Republic, many of which were parked. GECAS asserted that rejection of the 28 out-of-favor aircraft would trigger cross-default and cross-collateralization provisions on 26 E170/175 aircraft leased by or subject to security interests held by GECAS affiliates. Following extensive negotiations, GECAS agreed to the early return of the leased ERJ-140/145 aircraft by stipulation filed on April 25, 2016. Shortly thereafter, Republic filed a motion to reject the leases, which was approved by the Bankruptcy Court on June 17, 2016. [ECF No. 691]. On October 27, 2016, following months of settlement negotiations, Republic and GECAS entered into a stipulation (the "GECAS Stipulation") settling GECAS's claims with respect to, among other things, lost rent and return conditions on the returned ERJ-140/145 aircraft and related spare engines by allowing general unsecured claims against each of Shuttle and RAH in the amount of $53.8 million.[32] ~~The~~On November 28, 2016, the Bankruptcy Court approved the Debtors' motion seeking approval of the GECAS Stipulation ~~will be heard at the December 8, 2016 omnibus hearing~~.

Fifteen of Republic's owned ERJ-140/145 aircraft fleet were subject to security interests by Agência Especial de Financiamento Industrial – FINAME ("FINAME"). FINAME asserted that surrender of the ERJ-140/145 aircraft would trigger cross-default provisions on 65 of Republic's E170/175 aircraft. After months of negotiations, on July 26, 2016, Republic, FINAME, and affiliates of Embraer S.A. ("Embraer") entered into an agreement pursuant to which FINAME agreed to cancel Republic's obligations to make principal and interest payments on the existing mortgage financings relating to the ERJs (subject to Embraer's right to assert prepetition claims with respect to such obligations) and terminate the relevant documents. FINAME further agreed to waive cross-defaults relating to the ERJ-140/145 aircraft. In exchange, Republic agreed to convey to Embraer its right, title, and interest to the ERJ-140/145 aircraft. This agreement was approved by the Bankruptcy Court on August 18, 2016 [ECF No. 902] and consummated on August 30, 2016. Republic and Embraer are engaged in discussions regarding claims arising as a result of the return of these 15 aircraft and Embraer's claims with respect to 14 additional ERJ-140/145 aircraft for which Embraer had an interest as lender or post-Commencement Date transferee of lender's rights under the aircraft agreements.

Other lenders and lessors, including CIT, Citibank, N.A., Dougherty Equipment Finance, LLC, DVB Bank SE, ALF VI, Inc. and Norddeutsche Landesbank Girozentrale have asserted claims against the Debtors with respect to the early return of ERJ-140/145 aircraft.

c) E170/175 Aircraft

Republic's court-approved amended codeshare agreements reduced the number of E170/175 aircraft flown under the agreements. Accordingly, Republic (i) rejected leases on one E170/175 aircraft leased from Dougherty Air Trustee, LLC, (ii) rejected leases on 17 E170/175 aircraft leased from GECAS, and (iii) surrendered one E170/175 aircraft subject to loan from

[32]. As discussed below, the GECAS Stipulation also resolved GECAS's claims with respect to the rejection of 17 E170/175 aircraft. Accordingly, the total allowed claim against RAH is $112.3 million.

NXT Capital, LLC. In the GECAS Stipulation, Republic and GECAS agreed to settle GECAS's rejection damages claims (which included, among other things, claims for lost rent and return conditions) with respect to the rejection of 17 E170/175 aircraft by allowing to GECAS allowed unsecured claims against each of RAH and Republic Airline in the amount of $60 million. The GECAS Stipulation, approved by the Court on November 28, 2016, memorialized the settlement of such claims. Three of Republic's owned E170/175 aircraft were leased to Aerolitoral, S.A. de C.V. ("Aerolitoral") on the Commencement Date. By motion dated October 27, 2016, the Debtors are seeking Court approval of a Letter of Intent to Sell between Republic and Aerolitoral, pursuant to which, if certain contingencies are met, Republic will sell the three aircraft to Aeroliterol and pay off the existing loans with the proceeds. ~~The Debtors' motion seeking approval of the Letter of Intent is scheduled to be heard on December 8,~~ An order approving the letter of intent was entered by the Bankruptcy Court on December 14, 2016. [ECF No. 1284].

### 3. Settlements with Original Equipment Manufacturers

a) Bombardier Settlement

Bombardier Inc. ("Bombardier") is the manufacturer of the Q400 fleet and a counterparty on the Debtors' prepetition purchase agreement for 40 CS300 aircraft. On October 20, 2016, the Debtors filed a motion seeking authorization to (i) amend and assume its existing purchase agreement with Bombardier Inc., and (ii) settle claims asserted by Bombardier Inc. and its affiliates (the "Bombardier Motion"). [ECF No. 1126]. The amendment to the purchase agreement provided for deferral of scheduled aircraft payments to Bombardier and scheduled aircraft deliveries. Under the separate claims settlement, Bombardier was allowed an administrative expense claim in the amount of $700,000 and a general unsecured claim in the amount of approximately $1.5 million, and will withdraw claims asserted in amounts exceeding $72 million. ~~The~~An order approving the Bombardier Motion ~~is schedule to be heard~~was entered by the Bankruptcy Court on December ~~8,~~14, 2016. [ECF No. 1288].

b) Embraer Settlement

Embraer S.A. and its affiliates (collectively, "Embraer") is the manufacturer and one of the maintenance providers of the Debtors' entire aircraft fleet (the E170/175 aircraft). On November 15, 2016, the Debtors filed a motion seeking approval of a comprehensive settlement with Embraer, pursuant to which Republic agreed to amend and assume an existing purchase agreement with Embraer and two agreements related to maintenance and spare parts (the "Embraer Motion"). [ECF No. 1181]. The global settlement also resolved more than $360 million in asserted claims by allowing to Embraer and its affiliates a general unsecured claim of $99 million and modifying the automatic stay to permit Embraer to apply a portion of pre-delivery payments to its damages under the agreements. ~~The~~An order approving the Embraer Motion ~~is scheduled to be heard~~was entered by the Bankruptcy Court on December ~~8,~~14, 2016. [ECF No. 1292].

c) GE Engine Services Settlement

General Electric and its affiliates (collectively, "GE") are the manufacturers and maintenance providers of all of the engines owned and leased by the Debtors. On November 15, 2016, the Debtors filed a motion seeking approval of a global restructuring with GE (the "GE Motion"). [ECF No. 1185]. Pursuant to the terms of the Restructuring Letter Agreement, the Debtors will amend and assume existing maintenance and purchase agreements with GE. The settlement with GE resolves more than $180 million of claims by allowing to GE a single general unsecured claim against RAH in the amount of $10 million and a cure payment in the amount of $37 million. ~~The~~An order approving the GE Motion ~~is scheduled to be heard~~was entered by the Bankruptcy Court on December ~~8,~~14, 2016. [ECF No. 1290].

## H. Changes to Capital Structure

### 1. Secured Credit Facilities

As described above, Republic was party to two secured credit facilities as of the Commencement Date: (i) the Citi Facility and (ii) the DB Facility.

Shortly after the Commencement Date, pursuant to an order entered March 23, 2016 [ECF No. 215], Republic returned all of the aircraft and spare engines that served as collateral under the Citi Facility. Citibank N.A. filed proof of claims against RAH, Shuttle, Republic Airline, and RASI asserting that the Debtors are indebted to Citibank in a liquidated amount of $24 million, plus certain contingent, unliquidated amounts for expenses incurred in connection with the returned collateral.

On April 24, 2016, Republic filed a Notice of Election Pursuant to Section 1110(a) of the Bankruptcy Code [ECF No 437] by which the Company agreed to continue to perform under the DB Facility. Following consummation of the Plan, the DB Facility will remain outstanding. However, the Debtors have waived any right to engage in any additional borrowing under the reinstated DB Facility.

### 2. Milwaukee Bonds

By order entered on June 17, 2016 [ECF No. 692], Republic surrendered to Milwaukee County the hangars related to the Milwaukee Bonds and rejected the leases on such hangars. By a Stipulation and Agreed Order entered on July 22, 2016 [ECF No. 820], Republic and Milwaukee County agreed to modify the automatic stay to the extent necessary to permit Milwaukee County to apply an approximately $1.2 million reserve fund to the outstanding bond debt pursuant to the existing agreements. Milwaukee County filed proofs of claim related to rejection damages on the lease and amounts outstanding under the loan agreements. Milwaukee County has also purchased the claims asserted by the bond indenture trustee with respect to the Milwaukee Bonds.

## I. Single Air Carrier Certificate and Merger Approval Motion

As of the Commencement Date, Republic's air carrier subsidiaries Republic Airline and Shuttle operated under separate air carrier certificates. In that regard, in order to comply with regulations promulgated by the Federal Aviation Administration, Republic was required to employ independent staff, including directors of safety, flight operations, and maintenance, for each of its air carrier certificates.

One of Republic's stated objectives throughout these chapter 11 cases has been to streamline its operations by operating a single, dual-class aircraft type (E170/E175) under a single air carrier certificate. This objective has been driven by the recognition that such a transition would facilitate more cost-efficient operations. To that end, throughout the chapter 11 process, Republic has worked with its constituents to grow back its business by restructuring its flight schedules, divesting itself of burdensome, underutilized aircraft, equipment, and facilities, simplifying its operational fleet by transitioning to a single, larger regional jet fleet, and assuring sufficient liquidity to support its operational stability and future growth, including through the restructuring of its aircraft indebtedness.

Consolidation of Republic's flying operations under a single air carrier certificate is a critical component in the Debtors' achievement of their strategic business, operational, and financial objectives in the chapter 11 cases and will result in significant economic benefits and operational efficiencies that will begin to accrue immediately upon implementation. In consolidating its operations under a single air carrier certificate, Republic can eliminate the significant, redundant costs currently associated with two air carrier certificates and improve its utilization of aircraft and human capital. The Debtors' business plan anticipates cost savings and efficiencies associated with reduced human capital requirements, the elimination of costly training events for crews transitioning between air carrier certificates, and other operational efficiencies, cost avoidance, as well as significant non-monetary benefits to the Debtors. Republic's full realization of these savings, however, will require the consolidation under a single air carrier certificate be completed by January 31, 2017.

To effectuate the operational consolidation on the scheduled January 31, 2017 completion date and avoid the risk of disruption and cost attendant to a delay in consolidation that could arise from a delay in plan confirmation, on November 3, 2016 Republic filed the Motion Pursuant to sections 105(a), 363(b) and 554(a) of the Bankruptcy Code and Bankruptcy Rule 6004 for Approval of (i) Merger of Shuttle America Corporation into Republic Airline Inc., and (ii) Surrender of the Shuttle America Corporation Air Carrier Certificate (the "Merger Approval Motion") [ECF No.1165], seeking authority to enter into the transactions necessary to effect the merger of Republic Airline and Shuttle and the consolidation of their operations under the single air carrier certificate of Republic Airline.

The proposed consolidation under a single air carrier certificate is one of the four pillars of the Debtors' restructuring efforts that began before the commencement of the chapter 11 cases and continued during their pendency. Republic's collective bargaining agreement with its pilots as well as its amended codeshare agreements contemplate the transition to a single air carrier certificate, and Republic's ongoing transition of flying for United from Shuttle America to

Republic Airline, along with the claims settlements with all three Codeshare Partners, implicitly recognize and acknowledge the benefits to all creditors of a merger of Shuttle America and Republic Airline. Accordingly, Republic's three Codeshare Partners, as well as the Creditors' Committee, unanimously support the proposed merger and consolidation.

The Merger Approval Motion is scheduled to be heard by the Bankruptcy Court on November 28, 2016. If the Merger Approval Motion is granted, Republic Airline and Shuttle will be merged effective January 31, 2017 irrespective of whether the Effective Date has yet occurred. If the Merger Approval Motion is not granted, Republic Airline and Shuttle will be merged pursuant to the Plan on the Effective Date.

**J. Postpetition Financing**

In order to ensure sufficient liquidity for working capital and to pay the costs and expenses of the chapter 11 cases, Republic conducted a comprehensive, competitive marketing process to obtain proposals for postpetition financing on the best available terms. At the conclusion of the process, Republic selected the proposal from Delta, which was part of, and cross-conditioned on approval of, the Delta Settlement, as providing the most favorable terms to Republic.

In connection with the Delta Settlement and following an evidentiary hearing, on May 3, 2016 the Bankruptcy Court entered an order, amended by further order dated May 5, 2016) [ECF Nos. 507, 516], approving a one-year, $75 million postpetition financing arrangement (the "DIP Facility") pursuant to a senior secured superpriority debtor-in-possession credit agreement among RAH as borrower, the other Debtors as guarantors, Delta as administrative agent, and Delta as lender.

Republic's obligations under the DIP Facility bear annual interest at the rate of 5.75% and are secured by (i) a first priority lien on one (1) Embraer E170 regional jet aircraft equipped with two (2) General Electric CF34-8E engines, ten (10) CF34-8E engines, and all other unencumbered assets of the Debtors, (ii) a first priority priming lien on fifteen (15) specified individual arrival and departure slots at New York's LaGuardia Airport and (iii) a junior lien on all tangible and intangible property of the Debtors that is subject to valid, perfected and unavoidable liens in existence as of the commencement of the chapter 11 debtors, unless such junior liens are prohibited by law or agreement. Delta was also granted a superpriority administrative expense claim in respect of Republic's obligations under the DIP Facility. The superpriority claims, liens, and security interests granted in connection with the DIP Facility are subject to a carve out for, among other things, $5 million for certain fees and expenses incurred by the Debtors' and Creditors' Committee's professionals during the continuation of an event of default under the facility.

As of the date hereof, Republic has not borrowed any amounts under the DIP Facility. Republic believes that as of the Effective Date of the Plan, no amounts will be outstanding under the DIP Facility.

### K. Exclusivity

Section 1121(b) of the Bankruptcy Code provides for a period of 120 days after the commencement of a chapter 11 case during which time a debtor has the exclusive right to file a plan of reorganization (the "Exclusive Plan Period"). In addition, section 1121(c)(3) of the Bankruptcy Code provides a period of 180 days after commencement of the chapter 11 case to obtain acceptances of such plan (the "Exclusive Solicitation Period," and together with the Exclusive Plan Period, the "Exclusive Periods"). Pursuant to section 1121(d) of the Bankruptcy Code, the Bankruptcy Court may, upon a showing of cause, extend the Exclusive Periods.

Republic's Exclusive Plan Period and Exclusive Solicitation Period were initially scheduled to expire on June 24, 2016 and August 23, 2016, respectively. During the pendency of the chapter 11 cases, Republic moved to extend the Exclusive Plan Period and Exclusive Solicitation Period pursuant to section 1121(d) of the Bankruptcy Code. [ECF No. 610]. By order dated June 17, 2016, the Bankruptcy Court granted Republic's request, extending the Exclusive Plan Period and Exclusive Solicitation Period through and including December 31, 2016 and March 1, 2017, respectively. [ECF No. 687].

### L. Claims Process and Bar Date

#### 1. Schedules and Statements

On May 26, 2016, each of the Debtors filed with the Bankruptcy Court its Schedules of Assets and Liabilities, Schedules of Executory Contracts and Unexpired Leases, and its Statement of Financial Affairs (collectively, as may be amended, the "Schedules").

#### 2. Bar Date

On June 13, 2016, the Bankruptcy Court entered an order (the "Bar Date Order"), which, among other things, (i) established July 22, 2016 at 4:00 p.m. (Eastern Time) (the "Bar Date") as the deadline for certain persons and entities to file proofs of claims in the chapter 11 cases, (ii) establishing August 23, 2016 at 4:00 p.m. (Eastern Time) as the deadline for governmental units to file proofs of claims, and (iii) approved the form and manner of the Bar Date notice. In accordance with the Bar Date Order, Republic mailed a notice of the Bar Date and a proof of claim form to, among others, all creditors listed on its Schedules and all parties requesting notices in the chapter 11 cases. Republic also published notice of the Bar Date as required by the Bar Date Order.

Approximately 1,441 proofs of claims were filed in the chapter 11 cases. Republic is currently reviewing, analyzing, and reconciling the filed claims. To the extent Republic disagrees with any claims, it may interpose an objection. Republic has commenced the claims reconciliation process, and the process of analyzing and objecting to Claims is ongoing.

On April 27, 2016, the Bankruptcy Court entered an order authorizing Republic to settle certain claims for which the aggregate allowed amount is less than or equal to $500,000 without prior notice or Bankruptcy Court approval. [ECF No. 475]. Republic is also authorized to settle certain claims for which all of the consideration is being provided by an insurer. In accordance with the settlement procedures approved by the Bankruptcy Court, Republic has provided

monthly reports to the Creditors' Committee of all claim settlements entered into during the prior month, unless such settlements were the subject of a separate motion pursuant to Federal Rule of Bankruptcy Procedure 9019.

## VI. THE PLAN OF REORGANIZATION

A discussion of the principal provisions of the Plan is set forth below. The discussion of the Plan that follows constitutes a summary only. Holders of Claims entitled to vote are urged the read the Plan in full in evaluating whether to accept or reject the Plan. If any inconsistency exists between this summary and the Plan, the terms of the Plan will control.

### A. Plan Consolidation, Merger, Transition to Single Air Carrier Certificate, and Liquidation of Certain Non-Essential Debtor Subsidiaries

The result of the Debtors' operational interdependence is that the specific allocable liability of each of the Consolidated Debtors for the approximately $615.1 million of allowed general unsecured claims of the Codeshare Partners, which constitute the overwhelming majority – approximately 62% – of the aggregate unsecured claims against the Consolidated Debtors, as well as the specific allocable liability of each of the Consolidated Debtors with respect to general unsecured claims of other creditors whose goods or services were utilized in connection with those operations, cannot be ascertained with certainty.

In order to obtain the most equitable result for all unsecured creditors, the parties agreed, and the United Settlement Order and the American Settlement Order provide, that at the time of the determination of distributions to general unsecured creditors, the allowed general unsecured claims of the three Codeshare Partners will, on a *pari passu* basis, be allocated between the Consolidated Debtors such that the percentage recoveries to holders of general unsecured claims against Republic Airline and the percentage recoveries to holders of general unsecured claims against Shuttle will be as equal as possible. Moreover, in the event of a consolidation of the Debtors for purposes of distributions to creditors, United shall receive a distribution on a single claim of $191.6 million from the consolidated entity in the same percentage as distributions on account of all other general unsecured claims against the consolidated estates, Delta shall receive a distribution on a single claim of $173.5 million from the consolidated entity in the same percentage as distributions on all other general unsecured claims against the consolidated estates, and American shall receive a distribution on a single claim of $250 million from the consolidated entity in the same percentage as distributions on account of all other general unsecured claims against the consolidated estates, subject to any adjustments as set forth in the American Settlement Order.

In order to effectuate Republic's business plan and the consolidation of Republic's air carrier operations into a single air carrier certificate in the fairest and most equitable fashion possible, and to give effect to the Debtors' operations in practice, as contemplated by the United Settlement Order and the American Settlement Order the Plan provides for the substantive consolidation of the Debtors (other than Liquidating Debtors) for plan purposes only, the merger of Republic Airline and Shuttle as requested in the Merger Approval Motion, and the dissolution of the Liquidating Debtors. Specifically:

- *Plan Consolidation*. The Plan constitutes a motion for approval of the proposed substantive consolidation of RAH, Republic Airline, Shuttle, and RASI. Solely for the purposes specified in the Plan (including voting, confirmation, and distributions), (i) all assets and liabilities of the Consolidated Debtors will be treated as though they were merged, (ii) all guarantees of any Consolidated Debtor of the obligations of any other Consolidated Debtor will be eliminated so that any Claim against any Consolidated Debtor, any guarantee thereof executed by any other Consolidated Debtor and any joint or several liability of any of the Consolidated Debtors will be one obligation of the Consolidated Debtors, and (iii) each Claim filed or to be filed in the Chapter 11 Cases against any of the Consolidated Debtors will be deemed filed against the Consolidated Debtors collectively and will be one Claim against and one obligation of the Consolidated Debtors.

  The Plan Consolidation will not affect: (i) the legal or organizational structure of the Consolidated Debtors, (ii) pre- or post-Commencement Date Liens or security interests, (iii) pre- or post-Commencement Date guarantees that are required to be maintained (x) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed ~~or (y,~~ (y) in connection with agreements related to (1) Reinstated Aircraft Secured Claims or (2) Other Secured Claims that the Debtors elect to reinstate, or (z) pursuant to the Plan, (iv) defenses to any Cause of Action, or (v) distributions out of any insurance policies or proceeds of such policies.

- *Merger*. Shuttle will be merged into Republic Airline as a single operating air carrier entity, with a consolidation of Shuttle and Republic Airline's operations under Republic Airline's single air carrier certificate.

- *Dissolution of the Liquidating Debtors*. In furtherance of the Republic's goal of streamlining operations, the Plan provides for the orderly wind-down and dissolution under applicable state law of MAGI, Midwest and Skyway, which are nonoperating Debtor subsidiaries. Pursuant to the Plan, from and after the Effective Date, the Liquidating Debtors will continue to engage in business only to the extent reasonably necessary to wind up their affairs in an orderly manner and make the distributions provided under the Plan, or for other purposes not inconsistent with the Plan.

Subject to the foregoing corporate restructuring transactions, each Debtor will, as a Post-Effective Date Debtor, continue to exist after the Effective Date as a separate legal entity, each with all the powers of a corporation under the laws of its respective jurisdiction of organization and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable state law

## B. Classification and Treatment of Claims and Equity Interests

### 1. Unclassified Claims

In accordance with section 1123(a)(1) of the Bankruptcy Code, DIP Facility Claims, Other Administrative Claims, Priority Tax Claims, and Professional Fee Claims against the Debtors 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 Article 3 of the Plan and in accordance with the requirements set forth in Section 1129(a)(9) of the Bankruptcy Code.

### 2. Administrative Claims

Administrative Claims are the actual and necessary costs and expenses of the Debtors' chapter 11 cases that are allowed under sections 503(b) and 507(a)(2) of the Bankruptcy Code and include DIP Facility Claims, Other Administrative Claims, Professional Fee Claims, and Priority Tax Claims.

a) DIP Facility Claims

DIP Facility Claims are all Claims arising against any of the Debtors pursuant to the DIP Facility or the DIP Orders. The DIP Facility Claims shall be Allowed as provided in the DIP Orders. On or prior to the Effective Date, in complete satisfaction of such Claims, each DIP Facility Claim shall be paid in full in Cash. The Debtors estimate that the Allowed DIP Facility Claims will aggregate approximately $0.

Contemporaneously with all amounts owing in respect of principal included in the DIP Facility Claims, interest accrued thereon to the date of payment and fees, expenses, and noncontingent indemnification obligations due and payable on the Effective Date (all as and to the extent required by the DIP Facility) being paid in full in Cash: (i) the DIP Facility and the "Loan Documents" referred to therein shall automatically terminate, in each case without further action by the DIP Agent or any DIP Lender, (ii) all Liens on property of the Debtors and the Post-Effective Date Debtors arising out of or related to the DIP Facility shall automatically terminate, and all Collateral subject to such Liens shall be automatically released, in each case without further action by the DIP Agent or any DIP Lender, and (iii) all guarantees of the Debtors and Post-Effective Date Debtors arising out of or related to the DIP Facility Claims shall be automatically discharged and released, in each case without further action by the DIP Agent or any DIP Lender. The DIP Agent and DIP Lenders shall take all reasonable actions to effectuate and confirm such termination, release, and discharge as requested by the Debtors or the Post-Effective Date Debtors.

b) Other Administrative Claims

Other Administrative Claims are the actual, necessary costs and expenses of preserving the Debtors' estates and operating the business of the Debtors, which were incurred on or after the commencement of the Chapter 11 Cases, other than DIP Facility Claims, Professional Fee Claims or fees and charges assessed against the Debtors' Estates pursuant to section 1930 of title

28 of the United States Code and/or section 3717 of title 31 of the United States Code (which shall be paid pursuant to Section 15.6 of the Plan). Other Administrative Claims include cure amounts and other liabilities incurred by the Debtors in the ordinary course of their businesses, reclamation claims under section 546(c) of the Bankruptcy Code and Uniform Commercial Code section 2-702, claims under section 503(b)(9) of the Bankruptcy Code, amounts owing under an agreement made by the Debtors in accordance with the Section 1110 Procedures Order that satisfies the requirements of section 503(b) of the Bankruptcy Code, and all requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), or (5) of the Bankruptcy Code.

Except to the extent that the applicable holder agrees to less favorable treatment with the Post-Effective Date Debtors, each holder of an Allowed Other Administrative Claim against any of the Debtors shall be paid the full unpaid amount of such Allowed Other Administrative Claim in Cash (i) on or as soon as reasonably practicable after the Effective Date (for Claims Allowed as of the Effective Date), (ii) on or as soon as practicable after the date such claim becomes Allowed (or upon such other terms as may be agreed upon by such holder and the applicable Post-Effective Date Debtor) or (iii) as otherwise ordered by the Bankruptcy Court. The Debtors estimate that the Allowed Other Administrative Claims to be paid on the Effective Date will aggregate approximately $3 million.

Allowed Other Administrative Claims with respect to assumed agreements, liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases and nonordinary course liabilities approved by the Bankruptcy Court shall be paid in full and performed by the Post-Effective Date Debtors in the ordinary course of business (or as otherwise approved by the Bankruptcy Court) in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions

Notwithstanding the foregoing (a) Allowed Other Administrative Claims against the Liquidating Debtors, if any, will be satisfied by Reorganized RAH and (b) requests for payment of Other Administrative Claims need not be filed with respect to Other Administrative Claims that (i) are for goods or services provided to the Debtors in the ordinary course of business, (ii) previously have been Allowed by Final Order of the Bankruptcy Court, including the DIP Orders, (iii) are for Cure amounts, (iv) are on account of postpetition taxes (including any related penalties or interest) owed by the Debtors or the Post-Effective Date Debtors to any governmental unit (as defined in section 101(27) of the Bankruptcy Code), (v) are asserted by or on behalf of employees of the Debtors, including Other Administrative Claims arising in connection with the Collective Bargaining Agreements, (vi) the Debtors or Post-Effective Date Debtors have otherwise agreed in writing do not require such a filing, (vii) arise under section 503(b)(9) of the Bankruptcy Code, which are subject to the Order Pursuant to 11 U.S.C. §§ 503(b)(9) & 105(a) (i) Establishing Deadline and Approving Procedures for the Assertion, Resolution, and Satisfaction of Claims Asserted Pursuant to 11 U.S.C. § 503(b)(9) and (ii) Prohibiting Vendors from Pursuing Such Claims Outside the Procedures [ECF No. 52], or (viii) arise under section 546(c) of the Bankruptcy Code, which are subject to the Order Pursuant to 11 U.S.C. §§ 105(a) & 546(c) Establishing and Implementing Exclusive and Global Procedures for Treatment of Reclamation Claims [ECF No. 50].

c) Professional Fee Claims

Each Professional seeking allowance by the Bankruptcy Court of Professional Fee Claims: (i) must file its final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the last day of the calendar month immediately preceding the Effective Date on or before the Final Fee Application Deadline and (ii) if the Bankruptcy Court grants such an award, will be paid in full in Cash by the Debtors, in such amounts as are allowed by the Bankruptcy Court pursuant to the provisions of the order of the Bankruptcy Court granting final allowance of compensation and reimbursement of expenses pursuant to section 330 of the Bankruptcy Code. All final applications for allowance and disbursement on account of Professional Fee Claims must be in compliance with all of the terms and provisions of any applicable order of the Bankruptcy Court, including the Confirmation Order. The Debtors estimate that the unpaid Allowed Professional Fee Claims to be paid on the Effective Date will aggregate approximately $~~12~~16 million.

Upon the last day of the calendar month immediately preceding the Effective Date, any requirement that Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Debtors and Post-Effective Date Debtors may employ and pay all Professionals (including Professionals retained by the Creditors' Committee) in the ordinary course of business (including with respect to the month in which the Effective Date occurred) without any further notice to, action by or order or approval of the Bankruptcy Court or any other party.

d) Priority Tax Claims

Priority Tax Claims are Claims (whether secured or unsecured) of a governmental unit entitled to priority pursuant to section 507(a)(8) of specified under section 502(i) of the Bankruptcy Code. Except to the extent that the holder of an Allowed Priority Tax Claim has been paid by the Debtors prior to the Effective Date, or the applicable Post-Effective Date Debtor and such holder agree to less favorable treatment, each holder of an Allowed Priority Tax Claim against any of the Debtors shall receive, at the sole option of the Post-Effective Date Debtors, (a) payment in full in Cash made on or as soon as reasonably practicable after the later of the Effective Date or 20 calendar days after the date such Claim is Allowed, or (b) regular installment payments in accordance with section 1129(a)(9)(C) of the Bankruptcy Code.

The Post-Effective Date Debtors shall have the right, in their sole discretion, to pay any Allowed Priority Tax Claim or any remaining balance of an Allowed Priority Tax Claim (together with accrued but unpaid interest) in full at any time on or after the Effective Date without premium or penalty. The Debtors estimate that the Allowed Priority Tax Claims to be paid on the Effective Date will approximate $5 million.

e) Intercompany Claims

Intercompany Claims are Claims against a Debtor held by a Debtor or Non-Debtor Affiliate. In accordance with, and giving effect to, the provisions of section 1124(1) of the Bankruptcy Code, Intercompany Claims are unimpaired by the Plan but are subject to the rights

of the Debtors to eliminate or adjust any Intercompany Claims as of the Effective Date by offset, cancellation, contribution, or otherwise.

### 3. Classification and Treatment of Claims and Interests

In accordance with section 1123(a)(1) of the Bankruptcy Code), the Plan classifies and treats all Claims (other than Administrative Claims and Priority Tax Claims) and Interests for all purposes, including voting on, confirmation of, and distribution under, the Plan. The classification, treatment, and voting rights afforded claims and interests are described below.

a) Other Priority Claims -- Classes 1(a)-(d)
*Class 1(a) -- Other Priority Claims (Consolidated Debtors)*
*Class 1(b) -- Other Priority Claims (MAGI)*
*Class 1(c) -- Other Priority Claims (Midwest)*
*Class 1(d) -- Other Priority Claims (Skyway)*

*Classification:* Classes 1(a) - 1(d) contain all Other Priority Claims. Other Priority Claims are Claims, other than Administrative Claims and Priority Tax Claims, entitled to a priority in right of payment pursuant to section 507(a) of the Bankruptcy Code.

*Treatment:* Except to the extent that the applicable holder agrees to less favorable treatment with the applicable Post-Effective Date Debtor, each holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and exchange for, such Allowed Other Priority Claim, a Cash payment in an amount equal to the difference between: (a) such Allowed Other Priority Claim and (b) the amount of any Permitted Payments made to the holder of such Claim, on the latest of: (i) the Effective Date, or as soon thereafter as practicable; (ii) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as practicable; (iii) the fourteenth (14th) day after such Claim is Allowed, or as soon thereafter as practicable; and (iv) such date as the holder of such Claim and the Debtors may agree. The Debtors estimate that Allowed Other Priority Claims to be paid on the Effective Date will aggregate approximately $0.

Distributions to holders of Allowed Other Priority Claims shall be paid by the applicable Debtors from their cash on hand or in the case of the Liquidating Debtors, by RAH.

*Impairment and Voting:* Classes 1(a) – 1(d) are unimpaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, each of Classes 1(a) – 1(d) is conclusively presumed to accept the Plan and the holders of Claims in Classes 1(a) – 1(d) are not entitled to vote.

b) Aircraft Secured Claims, Other Secured Claims -- Classes 2(a)-(b)
*Class 2(a) -- Reinstated Aircraft Secured Claims (Consolidated Debtors)*
*Class 2(b) -- Other Secured Claims (Consolidated Debtors)*

*Class 2(a) (Reinstated Aircraft Secured Claims (Consolidated Debtors))*

*Classification*: Class 2(a) Reinstated Aircraft Secured Claims contains all Claims against any of the Consolidated Debtors secured by valid, perfected, and enforceable Liens on any of the

Debtors' Aircraft Equipment, which Claims the Debtors have determined to reinstate, as set forth in Schedule 4.3 to the Plan.

*Treatment*: On the Effective Date, each Allowed Reinstated Aircraft Secured Claim set forth in Schedule 4.3 to the Plan shall be Reinstated and rendered unimpaired in accordance with ~~section~~sections 1123(b)(1) and 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the holder of such Allowed Reinstated Aircraft Secured Claim to demand or receive payment of such Allowed Reinstated Aircraft Secured Claim from and after the occurrence of a default to the extent provided in section 1124(2) of the Bankruptcy Code. Holder of Allowed Reinstated Aircraft Secured Claims will retain their security interests on the Aircraft Equipment which secure their respective Claims, and such security interests (i) shall be valid, perfected, legal, binding, and enforceable security interests in the collateral granted in accordance with the terms of the applicable underlying agreements, (ii) shall be deemed perfected on the Effective Date, or if perfected earlier, such earlier date of perfection, and (iii) shall be deemed granted for fair consideration, reasonably equivalent value, and in good faith. The Debtors or the Post-Effective Date Debtors, as applicable, shall make all filings and recordings, and obtain all governmental approvals and consents necessary to establish, maintain, and perfect such security interests under the provisions of the applicable state, provincial, federal, or other law (whether domestic or foreign). Such payments as are necessary to bring the Reinstated obligations current shall be made on the Effective Date, or as soon thereafter as reasonably practicable. Any dispute with respect to ~~the~~such amounts payable under the reinstated debt will be determined by the Bankruptcy Court and the amounts payable, if any, as so determined, shall be paid promptly after such determination. The Debtors estimate that the amounts to be paid on the Effective Date in respect of Reinstated Aircraft Secured Claims will aggregate approximately $~~680 million.~~0.

*Impairment and Voting:* Class 2(a) is unimpaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, Class 2(a) is conclusively presumed to accept the Plan and the holders of Claims in Class 2(a) are not entitled to vote.

*Class 2(b) (Other Secured Claims (Consolidated Debtors))*

*Classification:* Class 2(b) (Other Secured Claims (Consolidated Debtors)) contains all Secured Claims against any of the Consolidated Debtors, other than Reinstated Aircraft Secured Claims, and DIP Facility Claims.

*Treatment:* Each holder of an Allowed Other Secured Claim against any of the Debtors shall receive, at the sole option of the applicable Debtor, and in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Secured Claim, one of the following treatments: (i) payment in Cash in the amount of such Allowed Other Secured Claim, (ii) Reinstatement of the legal, equitable and contractual rights of the holder with respect to such Allowed Other Secured Claim, (iii) a distribution of the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim (net of the costs of disposition of such collateral) to the extent of the value of the holder's secured interest in such Collateral, (iv) a distribution of the Collateral securing such Allowed Other Secured Claim without representation or warranty by or recourse against the Debtors or Post-Effective Date Debtors, or (v) such other distribution as necessary to satisfy the requirements of section 1124 of the Bankruptcy Code. In

the event that an Other Secured Claim is satisfied under clause (i), (iii), (iv), or (v) above, the Liens securing such Other Secured Claim shall be deemed released without further action by any party.

Any distributions made on account of Allowed Other Secured Claims shall be made on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) 20 calendar days after the date such Claim becomes Allowed, and (iii) the date for payment provided by any agreement between the applicable Debtor and the holder of such Claim. The Debtors estimate that the Allowed Other Secured Claims to be paid on the Effective Date will aggregate approximately $~~1.5 billion~~ 0.

*Impairment and Voting:* Class 2(b) is unimpaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, Class 2(b) is conclusively presumed to accept the Plan and the holders of Claims in Class 2(b) are not entitled to vote.

c) General Unsecured Claims -- Classes 3(a)-(d)
*Class 3(a) -- General Unsecured Claims (Consolidated Debtors)*
*Class 3(b) -- General Unsecured Claims (MAGI)*
*Class 3(c) -- General Unsecured Claims (Midwest)*
*Class 3(d) -- General Unsecured Claims (Skyway)*

*Class 3(a) (General Unsecured Claims (Consolidated Debtors))*

*Classification:* Class 3(a) contains all General Unsecured Claims against the Consolidated Debtors. General Unsecured Claims include prepetition Claims that are not Administrative Claims, Priority Tax Claims, Other Priority Claims, Secured Claims, Section 510(b) Claims, or Intercompany Claims. General Unsecured Claims also include any unsecured Claims under section 506(a)(1), unsecured damage claims arising from the Debtors' rejection of executory contracts and unexpired leases, and other unsecured claims arising prior to the Commencement Date.

*Treatment:* Except to the extent that the applicable Creditor agrees to less favorable treatment, on or as soon as reasonably practicable after the later of (x) the Effective Date and (y) the date the Class 3(a) General Unsecured Claim becomes an Allowed Class 3(a) General Unsecured Claim, (A) each holder of one or more Allowed Class 3(a) General Unsecured Claims in an aggregate amount equal to or less than $500,000.00 shall receive, in respect of all of its Allowed Class 3(a) General Unsecured Claims, distribution(s) of Cash in an amount equal to ~~[___]~~45% of the Allowed amount of its Class 3(a) General Unsecured Claim(s), up to a maximum distribution of $~~[___]~~225,000.00 unless such Creditor elects on its Ballot to receive its Pro Rata Share of the New Common Stock; and (B) each holder of one or more Allowed Class 3(a) General Unsecured Claims in an aggregate amount greater than $500,000.00 shall receive its Pro Rata Share of the New Common Stock on account of the allowed amount of such claim(s), unless it elects on its Ballot to reduce the Allowed amount of its Class 3(a) General Unsecured Claim(s) to $500,000.00 and to receive Cash in lieu of its Pro Rata Share of the New Common Stock, in which case such Creditor shall receive cash in an amount equal to $~~[___]~~225,000.00 in respect of all of its Allowed Class 3(a) General Unsecured Claims; *provided*, that for the purpose of determining eligibility to receive Cash distributions pursuant to Section 4.3(d)(ii) of the Plan,

the aggregate amount of Allowed Class 3(a) General Unsecured Claims held by a single holder shall be calculated as the sum of all Allowed Class 3(a) General Unsecured Claims held by the holder and all Affiliates of such holder; *provided*, *further* that Allowed Class 3(a) General Unsecured Claims that were transferred to a holder from a non-Affiliate of such holder in accordance with the Claims Trading Order shall only be aggregated with other transferred Class 3(a) General Unsecured Claims held by such holder to the extent such Class 3(a) General Unsecured Claims were received by the holder from the same transferee or an Affiliate of such transferee. Such distributions shall be in full and final satisfaction, settlement, release, and discharge of, and exchange for, all Allowed Class 3(a) General Unsecured Claims held by such holder.

The Debtors estimate that Allowed General Unsecured Claims will aggregate approximately $1 billion and that the distribution of New Common Stock to holders of Allowed General Unsecured Claims will represent a recovery of approximately ~~[__]-[__]~~41-48% of the Allowed amounts of the Class 3(a) Claims (or portions thereof) for which the New Common Stock election is made.

Distributions to the holders of Allowed Class 3(a) General Unsecured Claims shall be limited to (i) Cash distributions from the Consolidated Debtors' cash on hand and (ii) a Pro Rata Share of the New Common Stock to be issued by ~~Restructured~~Reorganized RAH, as set forth in Section 6.5 of the Plan.

*Impairment and Voting:* Class 3(a) is impaired by the Plan. Accordingly, the holders of Claims in Class 3(a) are entitled to vote to accept or reject the Plan.

*Class 3(b) -- General Unsecured Claims (MAGI)*
*Class 3(c) -- General Unsecured Claims (Midwest)*
*Class 3(d) -- General Unsecured Claims (Skyway)*

*Classification:* Classes 3(b) – 3(d) contain all General Unsecured Claims against the Liquidating Debtors. General Unsecured Claims include prepetition Claims that are not Administrative Claims, Priority Tax Claims, Other Priority Claims, Secured Claims, Section 510(b) Claims, or Intercompany Claims. General Unsecured Claims also include any unsecured Claims under section 506(a)(1), unsecured damage claims arising from the Debtors' rejection of executory contracts and unexpired leases, and other unsecured claims arising prior to the Commencement Date.

*Treatment:* Holders of Class 3(b) – 3(d) Claims will neither receive any distributions nor retain any property on account of such Claims.

*Impairment and Voting:* Classes 3(b) – 3(d) are impaired by the Plan. Pursuant to section 1126(g) of the Bankruptcy Code, Classes 3(b) – 3(d) are deemed to reject the Plan and the holders of Claims in Class 3(b) – 3(d) are not entitled to vote.

d) Section 510(b) Claims -- Class 4

*Classification:* Class 4 contains all Section 510(b) Claims. Section 510(b) Claims are all Claims arising from the rescission of a purchase or sale of shares, notes, or any other securities

of any of the Debtors or an Affiliate of any of the Debtors, (ii) for damages arising from the purchase or sale of any such security, (iii) for violations of the securities laws, misrepresentations or any similar Claims related to the foregoing or otherwise subject to subordination under section 510(b) of the Bankruptcy Code, (iv) for reimbursement, contribution or indemnification allowed under section 502 of the Bankruptcy Code on account of any such Claim, including Claims based upon allegations that the Debtors made false and misleading statements or engaged in other deceptive acts in connection with the offer or sale of securities, or (v) for attorneys' fees, other charges or costs incurred on account of any of the foregoing Claims or Causes of Action.

*Treatment:* Holders of Section 510(b) Claims shall neither receive any distributions nor retain any property on account of such Claims.

*Impairment and Voting*: Class 4 is impaired by the Plan. Pursuant to section 1126(g) of the Bankruptcy Code, Class 4 is deemed to reject the Plan and holders of Claims in Class 4 are not entitled to vote.

e) Interests in RAH -- Class 5

*Classification:* Class 5 contains all Interests in RAH, which include any equity security of RAH and any warrants, options, convertible securities, liquidating preferred securities, or contractual rights to purchase or acquire any such equity interests at any time and all rights arising with respect thereto.

*Treatment:* Pursuant to the Plan, on the Effective Date, all Interests in RAH shall be deemed cancelled and extinguished and the holders of such Interests shall not receive or retain any property on account thereof.

*Impairment and Voting:* Class 5 is impaired by the Plan. Pursuant to section 1126(g) of the Bankruptcy Code, Class 5 is deemed to reject the Plan and the holders of Interests in Class 5 are not entitled to vote.

f) Subsidiary Interests – Class 6

*Classification:* Class 6 contains all Interests in a Debtor held by another Debtor.

*Treatment:* On the Effective Date, at the Debtors' option, each Subsidiary Interest shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) unaffected by the Plan, and the Post-Effective Date Debtor holding such Subsidiary Interest shall continue to hold such Subsidiary Interest subject to the Merger and the restructuring transactions described in Sections 6.2 and 6.4 of the Plan.

*Impairment and Voting:* Holders of Subsidiary Interests have consented to the treatment of their Interests, are deemed to consent to the Plan, and are not entitled to vote.

### C. Treatment of Intercompany Claims

In accordance with and giving effect to the provisions of section 1124(1) of the Bankruptcy Code, Intercompany Claims are unimpaired by the Plan. However, the Debtors retain the right, with the consent of the Creditors' Committee (which consent shall not be unreasonably withheld), to eliminate or adjust any Intercompany Claims as of the Effective Date by offset, cancellation, contribution, or otherwise.

### D. Request for Cramdown

The Plan sets forth the Debtors' request for confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code to the extent necessary and reserves the Debtors' rights to (i) reclassify any Claim or Interest, including reclassifying any Impaired Claim or Interest as unimpaired or (ii) amend the Plan.

### E. Implementation of the Plan

#### 1. Merger and Surrender of Shuttle Air Carrier Certificate

On November 3, 2016, the Debtors filed the Merger Approval Motion seeking authority to merge Shuttle into Republic Airline. The Merger Approval Motion is scheduled to be heard by the Bankruptcy Court on November 28, 2016. If the Merger Approval Motion is granted, Republic Airline and Shuttle will be merged effective January 31, 2017 irrespective of whether the Effective Date has yet occurred. If the Merger Approval Motion is not granted, Republic Airline and Shuttle will be merged pursuant to the Plan on the Effective Date.

The Debtors or the Post-Effective Date Debtors, as the case may be, shall take all such actions as may be necessary or appropriate to effect the Merger, including without limitation (i) causing the Certificate of Merger to be filed with the Secretary of State of the State of Indiana in accordance with the Indiana Business Corporation Law and (ii) taking or causing to be taken all other actions, including making appropriate filings. The parties intend that for U.S. federal income tax purposes any merger of Shuttle into Republic Airline prior to the Effective Date shall constitute an initial step in, and part of a plan with, the transactions described in this Plan

#### 2. Substantive Consolidation for Plan Purposes Only

Except as provided in the Plan with respect to the Plan Consolidation and with respect to Merger, nothing in this Plan is intended to substantively consolidate the Estates of the Debtors, and each such entity shall maintain its separate and distinct assets.

#### 3. Securities to Be Issued Pursuant to the Plan

a) New Common Stock

Pursuant to the Plan, on the Effective Date, all Interests in RAH will be cancelled. As of the Effective Date, the authorized capital stock of Reorganized RAH will consist of 50,000,000 shares of New Common Stock. It is estimated that an aggregate of approximately 20,000,000

shares will be issued pursuant to the Plan, having an estimated fair market value of ~~[$__]~~ – ~~[$__]~~$20.65-$23.90 per share.

Any holder of shares of New Common Stock shall be required to enter into the Stockholders Agreement, whether such holder acquires such shares as of the Effective Date or subsequent thereto. The New Common Stock will also be subject to certain restrictions and limitations as set forth in the Amended Certificate of Incorporation to ensure compliance with applicable federal regulations relating to air carriers.

The New Common Stock when issued or distributed as provided in the Plan, will be duly authorized, validly issued and, if applicable, fully paid and nonassessable. Each distribution and issuance of such New Common Stock shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Person receiving such distribution or issuance.

b) Reporting Requirements

The Post-Effective Date Debtors will take all necessary action immediately after the Effective Date to suspend any requirement to (i) be a reporting company under the Securities Exchange Act and (ii) file reports with the Securities and Exchange Commission or any other entity or party.

The Post-Effective Date Debtors shall not be required to file monthly operating reports, or any other type of report, with the Court after the Effective Date; provided, that notwithstanding anything to the contrary contained herein, each of the Reorganized Debtors shall provide to the U.S. Trustee a calculation of their disbursements on a quarterly basis until the entry of a final decree pursuant to Bankruptcy Rule 3022 to close the chapter 11 case of such Reorganized Debtor.

c) Restrictions on Transfer

The Amended Certificate of Incorporation and/or the Stockholders Agreement will include certain restrictions on transfers of the New Common Stock, which shall be reasonably agreed to between the Debtors and the Creditors' Committee and disclosed in the Plan Supplement.

d) Exculpation

The Debtors (and each of their respective affiliates, agents, directors, officers, members, managers, employees, advisors, and attorneys) have, and upon Confirmation of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code and applicable law with regard to the distribution of the New Common Stock under the Plan (including, without limitation, any awards made under the Management Equity Plan), and therefore are not, and on account of such distributions will not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan. Upon entry

of the Confirmation Order, all provisions of the Plan addressing distribution of the New Common Stock shall be deemed necessary and proper.

**4. Continued Corporate Existence**

Except as otherwise provided in the Plan, and subject to the Merger and the restructuring transactions described in Sections 6.2 and 6.4 of the Plan, each Debtor shall, as a Post-Effective Date Debtor continue to exist after the Effective Date as a separate legal entity, each with all the powers of a corporation under the laws of its respective jurisdiction of organization and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable state law.

From and after the Effective Date, the Consolidated Debtors shall continue to engage in business. From and after the Effective Date, each Liquidating Debtor shall continue to engage in business only to the extent reasonably necessary to wind up its affairs in an orderly manner and make any distributions under this Plan, or as it deems appropriate for other purposes so long as not otherwise inconsistent with the Plan.

Specifically with regard to the Liquidating Debtors, the Post-Effective Date Debtors shall have full authority, and shall take any action necessary, to wind up the affairs, liquidate, transfer or abandon assets, and dissolve and terminate the existence of the Liquidating Debtors in a manner and in accordance with the best means to maximize assets and minimize expenses or costs associated with such liquidation under applicable state laws and in accordance with the rights, powers and responsibilities conferred by the Bankruptcy Code, this Plan and any order of the Bankruptcy Court; *provided*, *however*, that the Post-Effective Date Debtors may elect to forego liquidation of any Liquidating Debtor if they determine, in their sole discretion, prior to or after the Effective Date, that costs and expenses associated with liquidation outweigh the benefits of maintaining the corporate existence of such Liquidating Debtor.

Except as provided herein, the Consolidated Debtors shall continue such business, and each Liquidating Debtor shall maintain operations as provided above, without supervision by the Bankruptcy Court and free of any restrictions under the Bankruptcy Code or the Bankruptcy Rules. The Post-Effective Date Debtors shall be authorized, without limitation, to use and dispose of the assets of the Estates of the Debtors to acquire and dispose of other property, to insure the assets of the Estates of the Debtors, to borrow money, to employ and compensate Agents, to reconcile and object to Claims, and to make distributions to Creditors in accordance with the Plan.

**5. Restructuring Transactions**

On or after the Effective Date, the Post-Effective Date Debtors may engage in or take such actions that the Reorganized Board determines may be necessary or appropriate to effect corporate restructurings of the businesses of the Post-Effective Date Debtors, including actions necessary to simplify, reorganize, and rationalize the overall reorganized organizational structure of the Post-Effective Date Debtors. The transactions may include (a) dissolving companies or creating new companies (including limited liability companies), (b) merging, dissolving, transferring assets, or otherwise consolidating any of the Debtors in furtherance of the Plan, or

engaging in any other transaction in furtherance of the Plan, (c) filing appropriate certificates or articles of merger, consolidation, or dissolution pursuant to applicable state law, and (d) any other action reasonably necessary or appropriate in connection with such organizational restructurings. In each case in which the surviving, resulting, or acquiring Entity in any of these transactions is a successor to a Post-Effective Date Debtor, such surviving, resulting, or acquiring Entity will perform the obligations of the applicable Post-Effective Date Debtor pursuant to the Plan, including paying or otherwise satisfying the Allowed Claims to be paid by such Post-Effective Date Debtor. Implementation of any restructuring transactions shall not affect any distributions, discharges, exculpations, releases or injunctions set forth in the Plan.

**6. Exit Financing**

The Debtors may, with the consent of the Creditors' Committee, agree to raise Exit Financing. The terms of such Exit Financing, if any, will be disclosed in the Plan Supplement.

**7. Cancellation of Existing Securities and Related Agreements**

On the Effective Date, all rights of any holders of Claims against, or Interests in, the Debtors, including options or warrants to purchase Interests, obligating the Debtors to issue, transfer or sell Interests or any other capital stock of the Debtors, shall be cancelled and retired and cease to exist, *provided, however*, that any cancellation or retirement of agreements giving rise to such Claims against, or Interests in, the Debtors, shall only be with respect to the Debtors or the Post-Effective Date Debtors, as the case may be, and shall not alter the rights or obligations of any non-Debtor parties inter se with respect to such agreements.

**F. Governance and Management of the Post-Effective Date Debtors**

**1. Due Authorization**

On the Effective Date, all matters provided for under the Plan that otherwise would require approval of the stockholders or directors of one or more of the Debtors shall be deemed to have occurred and shall be in effect on and after the Effective Date pursuant to the applicable general corporation (or similar) law of the jurisdictions in which the Debtors are incorporated, formed, or organized, as applicable, without any requirement of further action by the stockholders or directors of the Debtors or the Post-Effective Date Debtors.

**2. Corporate Action**

On and after the Effective Date, the adoption, filing, approval, and ratification, as necessary, of all corporate or related actions contemplated with respect to each of the Post-Effective Date Debtors, including the Merger and the restructuring transactions contemplated by Sections 6.2, and 6.4 of the Plan, shall be deemed authorized and approved in all respects without the need for any further corporate action and without further action by the holders of Claims or Interest.

All matters provided for in the Plan involving the corporate structure of any Debtor or any Post-Effective Date Debtor, or any corporate action required by any Debtor or any Post-Effective Date Debtor in connection with the Plan, shall be deemed to have occurred and

shall be in effect, without any requirement of further action by the security holders or directors of such Debtor or Post-Effective Date Debtor or by any other stakeholder.

On or after the Effective Date, the appropriate officers of each Post-Effective Date Debtor and members of the board of directors, board of managers or equivalent body of each Post-Effective Date Debtor shall be authorized and directed to issue, execute, deliver, file, and record any and all agreements, documents, securities, deeds, bills of sale, conveyances, releases, and instruments contemplated by the Plan in the name of and on behalf of such Post-Effective Date Debtor and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

**3. Certificates of Incorporation and Organizational Documents**

The Amended Certificate of Incorporation and the Amended Bylaws ~~shall be included in the Plan Supplement and~~of Reorganized RAH, and the amended certificates of incorporation for each of the other Reorganized Debtors, shall contain such provisions as may be required to be consistent with the provisions of the Plan and the Bankruptcy Code, including to, among other purposes and as applicable, (i) authorize the New Common Stock and (ii) pursuant to section 1123(a)(6) of the Bankruptcy Code, add a provision prohibiting the issuance of non-voting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code. After the Effective Date, the Post-Effective Date Debtors may amend and restate their Certificates of Incorporation, organizational documents or other analogous documents as permitted by applicable law or as may otherwise be agreed by the stockholders in accordance with law or contractual agreements.

**4. Directors and Officers**

Subject to the Merger and the restructuring transactions described in Sections 6.2 and 6.4 of the Plan, on the Effective Date, the management, control, and operation of each Post-Effective Date Debtor shall become the general responsibility of the board of directors of such Post-Effective Date Debtor or other governing body as provided in the applicable governing documents.

On the Effective Date, the term of the members of the Board will expire and such members shall be replaced by the Reorganized Board. The initial Reorganized Board shall consist of (i) Mr. Bryan Bedford, the current Chairman of the Board, President, and Chief Executive Officer of RAH, to serve for a minimum term of at least one (1) year and (ii) six (6) Independent directors selected by the Creditors' Committee in consultation with the Debtors. The identity of the initial Reorganized Board and the initial Chair of the Reorganized Board shall be disclosed in the Plan Supplement.

As defined in the Plan, "Independent" means a person other than (i) an executive officer, employee, agent of, or a paid consultant or advisor to, the Post-Effective Date Debtors or any of their Affiliates (or any immediate family member of such individual) or (ii) an individual (or any immediate family member of such individual), having a material relationship with the Post-Effective Date Debtors or any of their Affiliates (either directly or as a partner, officer,

employee or agent of, or a paid consultant or advisor to, an organization that has a material relationship with the Post-Effective Date Debtors or any of their Affiliates).

The replacement of any member of the Reorganized Board will be governed by the Stockholders Agreement or the Amended Bylaws, as applicable. The Debtors will disclose prior to the Confirmation Hearing any information required to be disclosed pursuant to the Bankruptcy Code. The Reorganized Board will not be deemed to be elected or appointed until the occurrence of the Effective Date. The existing named executive officers of the Debtors will continue in office on and after the Effective Date in accordance with the Management Agreements, as amended, which shall be assumed in accordance with Section 9.5 of the Plan.

**5. Compensation and Incentive Plans**

a) Management Equity Plan

On the Effective Date, the Debtors will adopt the Management Equity Plan, which will provide for Reorganized RAH to issue shares of New Common Stock or other long-term incentive awards to selected senior members of the Debtors' management in place on and after the Effective Date, to the extent specified in the Plan Supplement and as agreed by the Debtors and the Creditors' Committee. Terms of the Management Equity Plan that are not set forth in the Plan Supplement shall be determined by the Reorganized Board. The solicitation of votes on the Plan will be deemed solicitation of the holders of New Common Stock for approval of the Management Equity Plan. Entry of the order confirming the Plan shall constitute such approval, and the order confirming the Plan shall so provide.

**G. Timing and Method of ~~Distributions under the Plan1.~~ Distributions under the Plan**

**1. Distributions by the Debtors**

The Debtors shall administer Claims and make distributions in respect of Allowed Claims; provided, however, the Debtors may elect to designate and/or retain a third party to serve as disbursing agent without the need for any further order of the Bankruptcy Court. Cash distributions will be made from cash on hand on the Effective Date. Cash distributions in respect of Allowed Claims against the Liquidating Debtors, if any, will be made by RAH.

**2. Distributions on Account of Claims Allowed As of the Effective Date**

Except as otherwise provided in the Plan, a Final Order, or as agreed by the relevant parties, distributions on account of Allowed Claims that become Allowed prior to the Effective Date shall be made by the Debtors on or as soon as reasonably practicable after the Effective Date.

**3. Distributions on Account of Claims Allowed After the Effective Date**

a) Distribution Record Date

On the Distribution Record Date, the claims register shall be closed and any transfer of any Claim therein shall be prohibited. The Debtors and any party designated by the Debtors shall be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register as of the close of business on the Distribution Record Date.

b) Distributions on Account of Disputed Claims and Estimated Claims

Except as otherwise provided herein, a Final Order, or as agreed by the relevant parties, distributions on account of Disputed Claims and Estimated Claims that become Allowed after the Effective Date shall be made by the applicable Post-Effective Date Debtors, at such periodic intervals as such entities determine to be reasonably prudent.

c) No Distributions Pending Allowance

Notwithstanding anything herein to the contrary: (a) no distribution shall be made with respect to any Disputed Claim or Estimated Claim until such Claim becomes an Allowed Claim, and (b) unless determined otherwise by the Post-Effective Date Debtors, as applicable, no distribution shall be made to any Person that holds both an Allowed Claim and either a Disputed Claim or an Estimated Claims until such Person's Disputed Claims and Estimated Claims have been resolved by settlement or Final Order.

d) Distribution of New Common Stock

On or as soon as practicable after the Effective Date, the Post-Effective Date Debtors shall distribute to those holders of Allowed Claims that are entitled to receive New Common Stock on the Effective Date a distribution of each such holder's Pro Rata Share of New Common Stock. With respect to any Disputed Claim or Estimated Claim that becomes an Allowed Claim entitled to receive New Common Stock after the Effective Date, on the next Class 3(a) Distribution Date following the date on which such Disputed Claim or Estimated Claim becomes an Allowed Claim, the Post-Effective Date Debtors shall distribute to the holder of such Allowed Claim its Pro Rata Share of New Common Stock. On each Interim Distribution Date, the Post-Effective Date Debtors shall distribute to the holders of New Common Stock a True-Up Equity Distribution. After all Disputed Claims and Estimated Claims have become Allowed Claims or otherwise been disallowed, on the Final Distribution Date, the Post-Effective Date Debtors shall make a final distribution of New Common Stock such that each holder of New Common Stock (including any holder of an Allowed Claim who first becomes entitled to receive New Common Stock on such Class 3(a) Distribution Date) has received its Pro Rata Share of New Common Stock. The Amended Certificate of Incorporation shall be structured in a manner that authorizes the issuance of and/or reserve a sufficient number of New Common Stock, to permit the distributions set forth above.

e) Distributions in Cash

The Post-Effective Date Debtors will make any required Cash payments to the holders of Allowed Claims: (i) in U.S. dollars by check, draft or warrant, drawn on a domestic bank selected by the Post-Effective Date Debtors in their sole discretion, or by wire transfer from a domestic bank, at the applicable foregoing entity's option and (ii) by first-class mail (or by other equivalent or superior means as determined by the Post-Effective Date Debtors).

f) Claims Paid or Payable by Third Parties

(1) Claims Paid by Third Parties

To the extent the holder of an Allowed Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Post-Effective Date Debtor on account of such Claim, such holder shall, within 30 calendar days of receipt thereof, repay or return the distribution to the Post-Effective Date Debtors, to the extent the Creditor's total recovery on account of such Claim from the third party and under this Plan exceeds the amount of the Claim as of the date of any such distribution under this Plan.

The Claims Agent will expunge any Claim from the official claims register, without a claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Creditor receives payment in full on account of such Claim; provided, however, that to the extent the non-Debtor party making the payment is subrogated to the Creditor's Claim, the non-Debtor party shall have a 30-calendar-day grace period to notify the Claims Agent of such subrogation rights.

(2) Claims Payable by Third Parties

To the extent that one or more of the Debtors' insurers agrees to satisfy a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged (to the extent of any agreed-upon satisfaction) on the official claims register by the Claims Agent without a claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

g) Foreign Currency Exchange Rate

As of the Effective Date, any General Unsecured Claim asserted in a currency other than U.S. dollars shall be automatically deemed converted to the equivalent U.S. dollar value using the exchange rate on the Commencement Date, as quoted at 4:00 p.m., mid-range spot rate of exchange for the applicable currency as published in The Wall Street Journal, Eastern Edition, on the day after the Commencement Date.

h) Undeliverable Distributions

If any distribution under the Plan is returned as undeliverable, no further distributions to such Person shall be made unless and until the Post-Effective Date Debtors or other appropriate disbursing agent is notified in writing of such holder's then-current address, at which time the

undelivered distributions shall be made to such holder without interest or dividends. Undeliverable distributions shall be returned to the Post-Effective Date Debtors until such distributions are claimed, subject to Section 7.10 of the Plan.

i) Unclaimed Distributions

Any entity that fails to claim any Cash within one hundred twenty (120) days from the date upon which a distribution of Cash is first made to such entity shall forfeit all rights to any distribution under the Plan, and the Post-Effective Date Debtors shall be authorized to cancel any distribution that is not timely claimed. Pursuant to section 347(b) of the Bankruptcy Code, upon forfeiture, such Cash (including interest thereon, if any) shall revert to the Post-Effective Date Debtors free of any restrictions under the Plan, the Bankruptcy Code or the Bankruptcy Rules. Upon forfeiture, the claim of any Creditor with respect to such funds shall be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary, and such Creditors shall have no claim whatsoever against the Debtors or the Post-Effective Date Debtors.

Any entity that fails to claim any New Common Stock within one (1) year from the date upon which a distribution of New Common Stock is first made to such entity shall forfeit all rights to any distribution under the Plan, and the Post-Effective Date Debtors will be authorized to cancel any distribution that is not timely claimed. Upon forfeiture, such New Common Stock shall be returned to the Post-Effective Date Debtors. Upon forfeiture, the claim of any Creditor with respect to such New Common Stock shall be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary, and such Creditors shall have no claim whatsoever against the Debtors or the Post-Effective Date Debtors.

j) Setoff

Nothing contained in the Plan constitutes a waiver or release by the Debtors of any right of setoff or recoupment the Debtors may have against any Creditor. To the extent permitted by applicable law, the Post-Effective Date Debtors may setoff or recoup against any Claim and the payments or other distributions to be made under the Plan in respect of such Claim, claims of any nature whatsoever that arose before the Commencement Date that the Debtors may have against the holder of such Claim or Interest. Notwithstanding the foregoing or anything to the contrary elsewhere in the Plan, nothing in this Plan or the Confirmation Order shall prejudice, affect, or limit (1) any rights of any Person to assert or effectuate rights of setoff under section 553 of the Bankruptcy Code or otherwise assert Claims, including Administrative Claims, against the Debtors, the Post-Effective Date Debtors, the Estates, or any transferee thereof, by way of offset, recoupment, or counterclaim to the extent permitted by applicable law or (2) any defense to any Causes of Action or any other claims asserted by the Debtors, the Post-Effective Date Debtors, the Estates, or any transferee thereof.

k) Taxes

The Post-Effective Date Debtors shall be authorized to take all actions necessary to comply with applicable withholding and reporting requirements. Pursuant to section 346(f) of the Bankruptcy Code, the Post-Effective Date Debtors shall be entitled to deduct any federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims,

as appropriate. In the case of a non-Cash distribution that is subject to withholding, the distributing party may withhold an appropriate portion of such distributed property and sell such withheld property to generate Cash necessary to pay over the withholding tax. Any amounts withheld pursuant to the preceding sentence shall be deemed to have been distributed to and received by the applicable recipient for all purposes of the Plan. Notwithstanding the foregoing, each holder of an Allowed Claim or any other Person that receives a distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction or payment of any taxes imposed by any governmental unit, including, without limitation, income, withholding, and other taxes, on account of such distribution. Any party issuing any instrument or making any distribution pursuant to the Plan has the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations. For tax purposes, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest, if any.

l) De Minimis Distributions

If any interim distribution under the Plan to the holder of an Allowed Claim would be less than $100.00 or a fractional number of New Common Stock, the applicable Post-Effective Date Debtor may withhold such distribution until the next Interim Distribution Date or the final distribution, as applicable, is made to such holder. If any final distribution under the Plan to the holder of an Allowed Claim would be less than $25.00 or a fractional share of New Common Stock, the applicable Post-Effective Date Debtor may cancel such distribution. Any unclaimed distributions pursuant to Section 7.13 of the Plan shall be treated as unclaimed property under Section 7.10 of the Plan.

m) Fractional Shares

No fractional shares or number of the New Common Stock shall be issued or distributed under the Plan. The actual distribution of shares or number of the New Common Stock shall be rounded to the next higher or lower whole number as follows: (i) fractions less than one-half (½) shall be rounded to the next lower whole number and (ii) fractions equal to or greater than one-half (½) shall be rounded to the next higher whole number. The total amount of shares or number of New Common Stock to be distributed hereunder shall be adjusted as necessary to account for such rounding. No consideration shall be provided in lieu of fractional shares or numbers that are rounded down.

n) No Interest

Other than as provided by section 506(b) of the Bankruptcy Code or as specifically provided for in the Plan, the Confirmation Order, or the DIP Facility, postpetition interest shall not accrue or be paid on Claims and no holder of a Claim shall be entitled to interest accruing on or after the Commencement Date on any Claim or right. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Claim or Disputed Claim with respect to the period from and after the Effective Date; provided, however, that nothing in Section 7.15 of the Plan shall limit any rights of any governmental unit (as defined in section 101(27) of the

Bankruptcy Code) to interest under sections 503, 506(b), 1129(a)(9)(A), or 1129(a)(9)(C) of the Bankruptcy Code or as otherwise provided for under applicable law.

### H. Provisions for the Treatment of Disputed Claims

#### 1. Objections to Claims

From and after the Effective Date, the Post-Effective Date Debtors will have the sole authority to object to all Claims; provided, however, that the Post-Effective Date Debtors may not object to any Claim that has been expressly allowed by Final Order or under the Plan.

#### 2. Estimation

In order to establish reserves under this Plan and avoid undue delay in the administration of these Chapter 11 Cases, the Debtors and the Post-Effective Date Debtors will have the right to seek an order of the Bankruptcy Court pursuant to section 502(c) of the Bankruptcy Code, estimating the amount of any Claim.

#### 3. Objection Deadline

The Post-Effective Date Debtors will file all objections to Disputed Claims, and will file all motions to estimate Claims under section 502(c) of the Bankruptcy Code, on or before the Claims Objection Deadline of 11:59 p.m. (prevailing Eastern Time) on the 180th calendar date after the Effective Date, subject to further extensions or exceptions as may be ordered by the Bankruptcy Court.

#### 4. Resolution of Disputed Claims

On and after the Effective Date, the Post-Effective Date Debtors will have the sole authority to litigate, compromise, settle, otherwise resolve, or withdraw any objections to Claims and to compromise, settle, or otherwise resolve any Disputed Claims without notice to or approval by the Bankruptcy Court or any party.

### I. Treatment of Executory Contracts and Unexpired Leases

#### 1. Rejection of Executory Contracts and Unexpired Leases

Pursuant to sections 365 and 1123 of the Bankruptcy Code, each executory contract and unexpired lease to which any Debtor is a party will be deemed automatically rejected by the Debtors effective as of the Effective Date, except for any executory contract or unexpired lease that (i) has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (ii) is the subject of a motion to assume or reject pending on the Effective Date, (iii) is listed on Schedule 9.1 of the Plan Supplement, or (iv) as to which a Treatment Objection has been filed and properly served by the Treatment Objection Deadline. A Treatment Objection is any objection to the Debtors' proposed assumption or rejection of an executory contract or unexpired lease pursuant to the provisions of the Plan (including an objection to the proposed Assumption Effective Date or Rejection Effective Date, the Proposed Cure, or any proposed assignment, but not including an objection to any Rejection Claim) that is properly

filed with the Bankruptcy Court and served in accordance with the Case Management Order by the applicable Treatment Objection Deadline. If an executory contract or unexpired lease either (x) has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date or (y) is the subject of a motion to assume or reject pending on the Confirmation Date, then the listing of any such executory contract or unexpired lease on the aforementioned schedule will be of no effect.

**2. Schedules of Executory Contracts and Unexpired Leases**

Schedule 9.1 to the Plan Supplement shall represent the Debtors' then-current good faith relief regarding the intended treatment of the executory contracts and unexpired leases listed thereon. The Debtors shall file any amendments to Schedule 9.1 to the Plan Supplement with the Bankruptcy Court and shall serve all notices thereof only on the relevant Assumption Parties and Rejection Parties.

The Debtors reserve the right, on or prior to 3:00 p.m. (prevailing Eastern Time) on the date that is two Business Days prior to the commencement of the Confirmation Hearing (i) to amend Schedule 9.1 to the Plan Supplement in order to add, delete or reclassify any executory contract or unexpired lease or amend a proposed assignment and (ii) to amend the Proposed Cure, in each case with respect to any executory contract or unexpired lease previously listed as to be assumed; provided, however, that if the Confirmation Hearing is adjourned for a period of more than two consecutive calendar days, such amendment right will be extended to 3:00 p.m. on the date that is two Business Day prior to the rescheduled or continued Confirmation Hearing, and this proviso will apply in the case of any and all subsequent adjournments of the Confirmation Hearing; *provided further* that (a) with respect to Intercompany Contracts and agreements proposed to be rejected as of the above deadline, the Debtors reserve the right to make amendments at any time prior to Confirmation and (b) the Debtors may amend Schedule 9.1 to the Plan Supplement in order to add, delete, or reclassify any executory contracts or unexpired leases or amend proposed assignments after such date to the extent agreed with the relevant counterparties.

The listing of any contract or lease on Schedule 9.1 to the Plan Supplement is not an admission that such contract or lease is an executory contract or unexpired lease. The Debtors reserve the right to assert that any of the agreements listed on Schedule 9.1 of the Plan Supplement are not executory contracts or unexpired leases.

**3. Assumption and Rejection Procedures and Resolution of Treatment Objections**

a) Proposed Assumptions

With respect to any executory contract or unexpired lease to be assumed pursuant to any provision of the Plan or any Notice of Intent to Assume or Reject, unless an Assumption Party files and properly serves a Treatment Objection by the Treatment Objection Deadline, such executory contract or unexpired lease will be deemed assumed and, if applicable, assigned as of the Assumption Effective Date proposed by the Debtors or Post-Effective Date Debtors, without any further notice to or action by the Bankruptcy Court, and any obligation the Debtors or

Post-Effective Date Debtors may have to such Assumption Party with respect to such executory contract or unexpired lease under section 365(b) of the Bankruptcy Code will be deemed fully satisfied by the Proposed Cure, if any, which will be the Cure.

Any objection to the assumption or assignment of an executory contract or unexpired lease that is not timely filed and properly served will be denied automatically and with prejudice (without the need for any objection by the Debtors or the Post-Effective Date Debtors and without any further notice to or action, order or approval by the Bankruptcy Court), and any Claim relating to such assumption or assignment will be forever barred from assertion and shall not be enforceable against any Debtor or Post-Effective Date Debtor or their respective Estates or properties without the need for any objection by the Debtors or the Post-Effective Date Debtors and without any further notice to or action, order or approval by the Bankruptcy Court, and any obligation the Debtors or the Post-Effective Date Debtors may have under section 365(b) of the Bankruptcy Code (over and above any Proposed Cure) will be deemed fully satisfied, released, and discharged, notwithstanding any amount or information included in the Schedules or any Proof of Claim.

b) Proposed Rejections

With respect to any executory contract or unexpired lease to be rejected pursuant to any provision of the Plan or any Notice of Intent to Assume or Reject, unless a Rejection Party files and properly serves a Treatment Objection by the Treatment Objection Deadline, such executory contract or unexpired lease shall be deemed rejected as of the Rejection Effective Date proposed by the Debtors or Post-Effective Date Debtors without any further notice to or action by the Bankruptcy Court.

Any objection to the rejection of an executory contract or unexpired lease that is not timely filed and properly served shall be deemed denied automatically and with prejudice (without the need for any objection by the Debtors or the Post-Effective Date Debtors and without any further notice to or action, order or approval by the Bankruptcy Court).

c) Resolution of Treatment Objections

On and after the Effective Date, the Post-Effective Date Debtors may, in their sole discretion, settle Treatment Objections without any further notice to or action by the Bankruptcy Court or any other party (including by paying any agreed Cure amounts).

With respect to each executory contract or unexpired lease as to which a Treatment Objection is timely filed and properly served and that is not otherwise resolved by the parties after a reasonable period of time, the Debtors, in consultation with the Bankruptcy Court, shall schedule a hearing on such Treatment Objection and provide at least 14 calendar days' notice of such hearing to the relevant Assumption Party or Rejection Party. Unless the Bankruptcy Court expressly orders or the parties agree otherwise, any assumption or rejection approved by the Bankruptcy Court notwithstanding a Treatment Objection shall be effective as of the Assumption Effective Date or Rejection Effective Date originally proposed by the Debtors or specified in the Plan.

Any Cure will be paid as soon as reasonably practicable following the entry of a Final Order resolving an assumption dispute and/or approving an assumption (and, if applicable, assignment), unless the Debtors or Post-Effective Date Debtors file a Notice of Intent to Assume or Reject under Section 9.3(d) of the Plan.

No Cure will be allowed for a penalty rate or default rate of interest, each to the extent not proper under the Bankruptcy Code or applicable law.

d) Reservation of Rights

If a Treatment Objection is filed with respect to any executory contract or unexpired lease sought to be assumed or rejected by any of the Post-Effective Date Debtors, the Post-Effective Date Debtors reserve the right (i) to seek to assume or reject such agreement at any time before the assumption, rejection, assignment or Cure with respect to such agreement is determined by Final Order and (ii) to the extent a Final Order is entered resolving a dispute as to Cure or the permissibility of assignment (but not approving the assumption of the executory contract or unexpired lease sought to be assumed), to seek to reject such agreement within 14 calendar days after the date of such Final Order, in each case by filing with the Bankruptcy Court and serving upon the applicable Assumption Party or Rejection Party, as the case may be, a Notice of Intent to Assume or Reject.

e) Post-Commencement Date Agreements

Unless inconsistent with the provisions of the Plan, all contracts, leases, and other agreements entered into or restated by the Debtors on or after the Commencement Date, which have not expired or been terminated in accordance with their terms, shall be performed by the Debtors in the ordinary course of business and shall survive and remain in full force and effect following the Effective Date.

f) Amended Management Agreements

Each Management Agreement identified in the Plan Supplement shall be deemed assumed, each as modified pursuant to terms agreed upon among the Debtors, the Creditors' Committee and the affected employee, effective as of the Effective Date.

g) Rejection Claims

Any Rejection Claim must be filed with the Claims Agent by the Rejection Bar Date. Any Rejection Claim for which a Proof of Claim is not properly filed and served by the Rejection Bar Date will be forever barred and will not be enforceable against the Debtors, the Post-Effective Date Debtors or their respective Estates or properties. The Debtors, the Post-Effective Date Debtors, or the Unsecured Claims Trustee, as applicable, may contest any Rejection Claim in accordance with Section 8.1 of the Plan.

h) Assignment

To the extent provided under the Bankruptcy Code or other applicable law, any executory contract or unexpired lease transferred and assigned pursuant to the Plan shall remain in full

force and effect for the benefit of the transferee or assignee in accordance with its terms, notwithstanding any provision in such executory contract or unexpired lease (including those of the type described in section 365(b)(2) of the Bankruptcy Code) that prohibits, restricts or conditions such transfer or assignment. To the extent provided under the Bankruptcy Code or other applicable law, any provision that prohibits, restricts, or conditions the assignment or transfer of any such executory contract or unexpired lease or that terminates or modifies such executory contract or unexpired lease or allows the counterparty to such executory contract or unexpired lease to terminate, modify, recapture, impose any penalty, condition renewal, or extension, or modify any term or condition upon any such transfer and assignment constitutes an unenforceable anti-assignment provision and is void and of no force or effect.

**4. Pension Plan**

Midwest sponsors a defined benefit pension plan known as the Midwest Airlines, Inc. Pilots' Supplemental Pension Plan (the "Pension Plan"). This plan is covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and benefits under it are guaranteed by the Pension Benefit Guaranty Corporation (the "PBGC") subject to certain limits. As of January 1, 2016, the present value of the Pension Plan's accumulated benefits was $11.1 million and the market value of its assets was $9.6 million. The Pension Plan is frozen and no benefits are accruing thereunder.

Under ERISA, Midwest and the other Debtors are all members of a "controlled group" and therefore have joint and several liability for any unpaid minimum funding contributions or PBGC insurance premiums owed with respect to the Pension Plan. If the Pension Plan were to be terminated without sufficient assets to pay all of its benefit liabilities, Midwest and all members of its controlled group would have joint and several liability for the unfunded benefit liabilities and PBGC plan termination premiums.

The PBGC has filed estimated contingent claims in the chapter 11 cases against each of the Debtors, jointly and severally, for (i) unfunded benefit liabilities which would be owed upon termination of the Pension Plan in the amount of $5,745,969, (ii) minimum funding contributions in the amount of $291,744, and (iii) PBGC plan termination premiums in the amount of $468,750.

Pursuant to the Plan, Reorganized Midwest will assume and assign to Reorganized RAH the Pension Plan on the Effective Date, and Reorganized RAH will continue to fund the Pension Plan in accordance with the minimum funding standards under the Internal Revenue Code and ERISA, pay all required PBGC insurance premiums, and administer and operate the Pension Plan in accordance with its terms and the provisions of ERISA.

No provision contained in the Plan, the Confirmation Order, or section 1141 of the Bankruptcy Code shall be construed as discharging, releasing, or relieving any party, in any capacity, from any liability with respect to the Pension Plan under ERISA. Neither the PBGC nor the Pension Plan will be enjoined or precluded from enforcing any such liability against any party as a result of any of the provisions for satisfaction, release, injunction, exculpation, and discharge of claims in the Plan, Confirmation Order, or Bankruptcy Code; provided, however,

that nothing contained in the Plan or Confirmation Order will be deemed to constitute a waiver of any rights or protections under section 362 of the Bankruptcy Code.

**5. Collective Bargaining Agreements**

Each Collective Bargaining Agreement will be deemed assumed effective as of the Effective Date and will vest in, and be fully enforceable by, the applicable Post-Effective Date Debtor in accordance with its terms. The assumption obligations for each of the Collective Bargaining Agreements will be satisfied by the Post-Effective Date Debtors paying in the ordinary course all obligations arising under the Collective Bargaining Agreements, including grievance settlements and arbitration awards unless otherwise agreed between the Debtors and the counterparty to the Collective Bargaining Agreement.

**6. Approval of Assumption, Rejection, Retention, or Assignment of Executory Contracts and Unexpired Leases**

Entry of the Confirmation Order by the Bankruptcy Court will, subject to the occurrence of the Effective Date, constitute approval of the rejections, retentions, assumptions, and/or assignments contemplated by the Plan pursuant to sections 365 and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease that is assumed (or assumed and assigned) pursuant to the Plan, shall vest in and be fully enforceable by the applicable Post-Effective Date Debtor in accordance with its terms as of the applicable Assumption Effective Date, except as modified by the provisions of the Plan, any order of the Bankruptcy Court authorizing or providing for its assumption (or assumption and assignment), or applicable federal law.

The provisions (if any) of each executory contract or unexpired lease assumed and/or assigned pursuant to the Plan that are or may be in default will be deemed satisfied in full by the Cure, or by an agreed-upon waiver of the Cure. Upon payment in full of the Cure, any and all Proofs of Claim based upon an executory contract or unexpired lease that has been assumed in the Chapter 11 Cases or under the terms of the Plan will be deemed disallowed and expunged with no further action required of any party or order of the Bankruptcy Court.

**7. Modifications, Amendments, Supplements, Restatements, or Other Agreements**

Unless otherwise provided by the Plan or by separate order of the Bankruptcy Court, each executory contract and unexpired lease that is assumed, whether or not such executory contract or unexpired lease relates to the use, acquisition or occupancy of real property, includes (i) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease and (ii) all executory contracts or unexpired leases appurtenant to the premises, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements and any other interests in real estate or rights in remedy related to such premises, unless any of the foregoing agreements has been or is rejected pursuant to an order of the Bankruptcy Court or is otherwise rejected as part of the Plan.

~~Modifications~~Except as expressly provided in any order of the Bankruptcy Court, modifications, amendments, supplements, and restatements to prepetition executory contracts and unexpired leases that have been executed by the Debtors during the Chapter 11 Cases and actions taken in accordance therewith (i) do not alter in any way the prepetition nature of the executory contracts and unexpired leases, or the validity, priority or amount of any Claims against the Debtors that may arise under the same, (ii) are not and do not create postpetition contracts or leases, (iii) do not elevate to administrative expense priority any Claims of the counterparties to the executory contracts and unexpired leases against any of the Debtors and (iv) do not entitle any entity to a Claim under any section of the Bankruptcy Code on account of the difference between the terms of any prepetition executory contracts or unexpired leases and subsequent modifications, amendments, supplements or restatements.

## J. Effects of Confirmation of the Plan

### 1. Vesting of Assets

Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property (including all interests, rights, and privileges with respect thereto) of each of the Debtors will vest in each of the respective Post-Effective Date Debtors free and clear of all Claims, Liens, encumbrances, charges and other interests, except as otherwise specifically provided in the Plan. All Liens, Claims, encumbrances, charges, and other interests shall be deemed fully released and discharged as of the Effective Date, except as otherwise provided in the Plan (including, for the avoidance of doubt, Liens, Claims, encumbrances, charges, and other interests in connection with those agreements related to Claims being Reinstated under the Plan). As of the Effective Date, the Post-Effective Date Debtors may operate their businesses and may use, acquire and dispose of property and settle and compromise Claims and Interests without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code.

### 2. DB Credit Agreement

The Debtors waive any right to require any lender under the DB Credit Agreement to make any revolving loan or issue any letter of credit under the DB Credit Agreement, other than the total extensions of credit outstanding as of the Effective Date; and such outstanding revolving loans and any other outstanding obligations shall be due on April 7, 2018 in accordance with the terms of the DB Credit Agreement, and with respect to any letter of credit outstanding on April 7, 2018, the Debtors shall comply with the applicable provisions of Sections 2.02(j) and 2.29(j) of the DB Credit Agreement.

### 3. Release of Liens

Except as otherwise provided in the Plan (including, for the avoidance of doubt, with respect to those agreements related to Claims being Reinstated under the Plan and all mortgages, deeds of trust, Liens, pledges, or other security interests granted in connection with such agreements) or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions

made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released, settled, discharged and compromised and all rights, titles, and interests of any holder of such mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates will revert to the Post-Effective Date Debtors and their successors and assigns. The Post-Effective Date Debtors will be authorized to file any necessary or desirable documents to evidence such release in the name of the party secured by such pre-Effective Date mortgages, deeds of trust, Liens, pledges or other security interests.

**4. Section 1125 of the Bankruptcy Code**

As of and subject to the occurrence of the Confirmation Date: (a) the Debtors will be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation, sections 1125(a) and 1125(e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation and (b) the Debtors and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys will be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan and, therefore, are not, and on account of such offer, issuance, and solicitation will not be, liable at any time for any violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

**5. Releases and Discharges**

The releases and discharges of Claims and Causes of Action described in the Plan, including releases by the Debtors and by holders of Claims, constitute good faith compromises and settlements of the matters covered thereby and are consensual. Such compromises and settlements are made in exchange for consideration and are in the best interest of holders of Claims, are fair, equitable, reasonable, and are integral elements of the resolution of the Chapter 11 Cases in accordance with the Plan. Each of the discharge, release, indemnification, and exculpation provisions set forth in the Plan (a) is within the jurisdiction of the Bankruptcy Court under sections 1334(a), 1334(b) and 1334(d) of title 28 of the United States Code, (b) is an essential means of implementing the Plan, (c) is an integral element of the transactions incorporated into the Plan, (d) confers material benefit on, and is in the best interests of, the Debtors, their Estates and their Creditors, and (e) is important to the overall objectives of the Plan to finally resolve all Claims among or against the parties in interest in the Chapter 11 Cases with provisions of the Bankruptcy Code.

**6. Discharge and Injunction**

**Except as otherwise specifically provided in the Plan or in the Confirmation Order, the rights afforded in the Plan and the payments and distributions to be made hereunder shall discharge all existing debts, Causes of Action and Claims, and shall terminate all Interests of any kind, nature or description whatsoever against or in the Debtors or any of**

**their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as otherwise specifically provided in the Plan or in the Confirmation Order, upon the Effective Date, all existing Claims and Causes of Action against the Debtors and Interests in the Debtors shall be, and shall be deemed to be, discharged and terminated, and all holders of Claims, Causes of Action and Interests (and all representatives, trustees or agents on behalf of each holder) shall be precluded and enjoined from asserting against the Post-Effective Date Debtors, their successors or assignees, or any of their assets or properties, any other or further Claim, Cause of Action or Interest based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a Proof of Claim and whether or not the facts or legal bases therefore were known or existed prior to the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims or Causes of Action against, liabilities of and Interests in the Debtors, subject to the occurrence of the Effective Date.**

**Upon the Effective Date and in consideration of the distributions to be made under the Plan, except as otherwise provided in the Plan, each holder (as well as any representatives, trustees or agents on behalf of each holder) of a Claim, Cause of Action or Interest and any Affiliate of such holder shall be deemed to have forever waived, released and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Causes of Action, Interests, rights and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim or Cause of Action against, or terminated Interest in, the Debtors.**

**Except as otherwise expressly provided in the Plan, all persons or entities who have held, hold or may hold Claims, Causes of Action or Interests and all other parties in interest, along with their respective present or former employees, agents, officers, directors, principals, representatives and Affiliates, are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim (including, without limitation, a Section 510(b) Claim), Cause of Action or Interest against the Debtors, the Post-Effective Date Debtors or property of any Debtors or Post-Effective Date Debtors, other than to enforce any right to a distribution pursuant to the Plan, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtors, the Post-Effective Date Debtors or property of any Debtors or Post-Effective Date Debtors, other than to enforce any right to a distribution pursuant to the Plan, (iii) creating, perfecting or enforcing any Lien or encumbrance of any kind against the Debtors or Post-Effective Date Debtors or against the property or interests in property of the Debtors or Post-Effective Date Debtors other than to enforce any right to a distribution pursuant to the Plan or (iv) asserting any right of set-off, subrogation or recoupment of any kind against any obligation due from the Debtors or Post-Effective Date Debtors or against the property or interests in property of the Debtors or Post-Effective Date Debtors, with respect to any such Claim, Cause of Action or Interest. Such injunction shall extend to any successors or assignees of the Debtors and Post-Effective Date Debtors and their respective properties and interest in properties.**

**7. Term of Injunction or Stays**

**Unless otherwise provided in the Plan, any injunction or stay arising under or entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code or otherwise that is in existence on the Confirmation Date shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.**

**8. Exculpation**

**Pursuant to the Plan and to the maximum extent permitted by applicable law, none of the Exculpated Parties shall have or incur any liability to any holder of a Claim, Cause of Action or Interest for any act or omission in connection with, related to or arising out of, the Chapter 11 Cases, the negotiation of any settlement or, agreement, contract, instrument, release or document created or entered into in connection with the Plan or in the Chapter 11 Cases (including the DIP Facility and documents related thereto), the pursuit of confirmation of the Plan, the consummation of the Plan, the preparation and distribution of the Disclosure Statement, the offer, issuance and distribution of any securities issued or to be issued pursuant to the Plan, any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors or the administration of the Plan or the property to be distributed under the Plan, except for any act or omission that is determined in a final order to have constituted willful misconduct or gross negligence. Each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its duties pursuant to, or in connection with, the Plan.**

**9. Release by the Debtors**

**Pursuant to section 1123(b) of the Bankruptcy Code, to the maximum extent permitted by applicable law, and except as otherwise specifically provided in the Plan, on and after the Effective Date, in exchange for their cooperation, the Released Parties shall be deemed released and discharged by the Debtors, the Post-Effective Date Debtors and their Estates from any and all Claims, obligations, debts, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims asserted on behalf of the Debtors, their Estates and/or the Post-Effective Date Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors, the Post-Effective Date Debtors, their estates or their affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other entity or that any holder of a Claim or Interest or other entity would have been legally entitled to assert for or on behalf of the Debtors, their estates or the Post-Effective Date Debtors, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Post-Effective Date Debtors, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Post-Effective Date Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any**

**Released Party excluding any assumed executory contract or lease, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, the related Plan Supplement, or related agreements, instruments or other documents, or upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence; *provided, however,* that if any Released Party directly or indirectly brings or asserts any Claim or Cause of Action in any way arising out of or related to any document or transaction that was in existence prior to the Effective Date against the Debtors, the Post-Effective Date Debtors or any of their respective Affiliates, officers, directors, members, employees, advisors, actuaries, attorneys, financial advisors, investment bankers, professionals or agents, then the release set forth in Section 11.7 of the Plan (but not any release or indemnification or any other rights or claims granted under any other section of the Plan or under any other document or agreement) shall automatically and retroactively be null and void *ab initio* with respect to such Released Party bringing or asserting such Claim or Cause of Action; *provided further* that the immediately preceding clause shall not apply to any action by a Released Party in the Bankruptcy Court (or any other court determined to have competent jurisdiction), including any appeal therefrom, to (i) enforce such Released Party's rights against the Debtors and/or the Post-Effective Date Debtors under the Plan, the Confirmation Order, any postpetition or assumed contract, or (ii) prosecute the amount, priority or secured status of any prepetition or ordinary course administrative Claim against the Debtors, in each case, however, the Debtors shall retain all defenses related to such action.**

**10. Voluntary Releases by the Holders of Claims and Interests**

**Except as otherwise specifically provided in the Plan, for good and valuable consideration, on and after the Effective Date, to the maximum extent permitted by applicable law, holders of Claims that (a) vote to accept the Plan or (b) vote to reject the Plan and affirmatively elect (as permitted on the Ballots) to provide the releases contained in this paragraph shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtors, the Post-Effective Date Debtors and the Released Parties from any and all claims, equity interests, obligations, debts, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims asserted on behalf of the Debtors, their estates and/or the Post-Effective Date Debtors, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Post-Effective Date Debtors, the restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Post-Effective Date Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party excluding any assumed executory contract or lease, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, the related Plan Supplement or related agreements,**

**instruments or other documents, or upon any other act or omission, transaction, agreement, event, or other occurrence related to the Debtors taking place on or before the Effective Date other than claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined in a Final Order to have constituted willful misconduct or gross negligence and excluding, for the avoidance of doubt, any Claim that is the subject of a Proof of Claim, a timely filed Administrative Claim or any Administrative Claim for which no filing is required; *provided* that (i) any holder of a Claim that votes to reject the Plan and does not affirmatively elect to provide the releases contained in this paragraph shall not receive the benefit of the releases set forth in this paragraph (even if for any reason otherwise entitled), and (ii) nothing contained in Section 11.8 of the Plan shall limit the releases provided in Section 11.7.**

**11. Bankruptcy Court Jurisdiction to Evaluate Scope of Release and Exculpation and Related Injunction**

**Following entry of the Confirmation Order, the Bankruptcy Court shall retain exclusive jurisdiction to consider any and all Claims or Causes of Action subject to the exculpations and releases in Section 11.6, Section 11.7, and Section 11.8 of the Plan for the purpose of determining whether such claims belong to the Debtors' Estates or third parties and all parties shall be enjoined from pursuing any such Claims or Causes of Action prior to the Bankruptcy Court making such determination. In the event it is determined that any such Claims or Causes of Action belong to third parties, then, subject to any applicable subject matter jurisdiction limitations, the Bankruptcy Court shall have exclusive jurisdiction with respect to any such litigation, subject to any determination by the Bankruptcy Court to abstain and consider whether such litigation should more appropriately proceed in another forum. Except as otherwise provided in the Plan and to the maximum extent permitted by law, all entities who have held, hold or may hold Claims, Interests, Causes of Action or liabilities that (1) have been released pursuant to Section 11.7, (2) have been released pursuant to Section 11.8 or (3) are subject to exculpation pursuant to Section 11.6 (such Claims, Interests, Causes of Action or liabilities described in clauses (1) to (3), the "Enjoined Causes of Action") are permanently enjoined and precluded, from and after the Effective Date, from commencing or continuing in any manner any such Enjoined Causes of Action against, as applicable, any Released Party or Exculpated Party, including, with respect thereto, (i) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Exculpated Parties or the Released Parties (or property of any Exculpated Party or Released Party), (ii) creating, perfecting or enforcing any Lien or encumbrance of any kind against the Exculpated Parties or the Released Parties or against the property or interests in property of the Exculpated Parties or the Released Parties, or (iii) asserting any right of set-off, subrogation or recoupment of any kind against any obligation due from the Exculpated Parties or the Released Parties or against the property or interests in property of the Exculpated Parties or the Released Parties, with respect to any such Claim, Cause of Action or Interest. Such injunction of the Enjoined Causes of Action shall, to the maximum extent permitted by law, extend to any successors or assignees of the Exculpated Parties or the Released Parties and their respective properties and interest in properties.**

### K. Summary of Other Provisions of the Plan

#### 1. Set-off and Recoupment

The Debtors and Post-Effective Date Debtors may, but will not be required to, set-off or recoup against any Claim and any distribution to be made on account of such Claim, any and all claims, rights and Causes of Action of any nature that the Debtors may have against the holder of such Claim pursuant to the Bankruptcy Code or applicable non-bankruptcy law; *provided*, *however*, that neither the failure to effect such a set-off or recoupment nor the allowance of any Claim hereunder shall constitute a waiver, abandonment or release by the Debtors or the Post-Effective Date Debtors of any such claims, rights, and Causes of Action that the Debtors or the Post-Effective Date Debtors may have against the holder of such Claim.

#### 2. Preservation of Causes of Action

Except as expressly provided in Section 11.7 or Section 11.12 of the Plan, nothing contained in the Plan or the Confirmation Order will be deemed to be a waiver or relinquishment of any rights or Causes of Action that the Debtors or the Post-Effective Date Debtors may have or that the Post-Effective Date Debtors may choose to assert on behalf of their respective Estates under any provision of the Bankruptcy Code or any applicable non-bankruptcy law, including, without limitation, (i) any and all Causes of Action or Claims against any person or entity, to the extent such person or entity asserts a crossclaim, counterclaim, and/or claim for set-off that seeks affirmative relief against the Debtors, the Post-Effective Date Debtors, their officers, directors or representatives or (ii) the turnover of any property of the Debtors' Estates. A non-exclusive list of retained Causes of Action will be listed in Schedule 11.11 to the Plan Supplement.

Except as set forth in Article 11 of the Plan, nothing contained in the Plan or the Confirmation Order will be deemed to be a waiver or relinquishment of any rights or Causes of Action that the Debtors had immediately prior to the Commencement Date or the Effective Date against or with respect to any Claim left Unimpaired by the Plan. The Post-Effective Date Debtors shall have, retain, reserve, and be entitled to assert all such rights and Causes of Action as fully as if the Chapter 11 Cases had not been commenced, and all of the Post-Effective Date Debtors' legal and equitable rights respecting any Claim left Unimpaired by the Plan may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced.

Except as set forth in Article 11 of the Plan, nothing contained in the Plan or the Confirmation Order will be deemed to release any post-Effective Date obligations of any party under the Plan, or any document, instrument or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

#### 3. Release of Certain Avoidance Actions

On the Effective Date, the Post-Effective Date Debtors will be deemed to waive and release all Avoidance Actions pursuant to section 547 of the Bankruptcy Code unless such Avoidance Action is listed on Schedule 11.11 to the Plan Supplement; provided that, except as expressly provided in this Article 11 of the Plan or the Confirmation Order, the Post-Effective

Date Debtors will retain the right to assert any Claims assertable in any Avoidance Action as defenses or counterclaims in any Cause of Action brought by any Creditor. The Post-Effective Date Debtors will retain the right, after the Effective Date, to prosecute any of the Avoidance Actions listed on Schedule 11.11 to the Plan Supplement.

### 4. Modification, Revocation, or Withdrawal of the Plan

Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, and those restrictions on modifications set forth in the Plan, the Debtors, with the consent of the Creditors' Committee (which consent shall not be unreasonably withheld), may alter, amend or modify the Plan, without additional disclosure pursuant to section 1125 of the Bankruptcy Code. After the Confirmation Date and prior to substantial consummation of the Plan, the Debtors may institute proceedings in the Bankruptcy Court pursuant to section 1127(b) of the Bankruptcy Code to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order with respect to such matters as may be necessary to carry out the purposes and effects of the Plan.

Prior to the Effective Date, the Debtors, with the consent of the Creditors' Committee (which consent shall not be unreasonably withheld), may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, *provided* that such technical adjustments and modifications do not materially and adversely affect the treatment of holders of Claims or Interests.

The Debtors, with the consent of the Creditors' Committee (which consent shall not be unreasonably withheld), reserve the right to revoke, withdraw, or delay consideration of the Plan prior to the Confirmation Date, either entirely or with respect to any one or more of the Debtors, and to file subsequent amended plans of reorganization. If the Plan is revoked, withdrawn, or delayed with respect to fewer than all of the Debtors, such revocation, withdrawal, or delay shall not affect the enforceability of the Plan as it relates to the Debtors for which the Plan is not revoked, withdrawn or delayed. If the Debtors revoke or withdraw the Plan in its entirety, if Confirmation does not occur or if the Effective Date does not occur (i) on or prior to 60 calendar days after the Confirmation Date or (ii) with the consent the Creditors' Committee (which consent shall not be unreasonably withheld), on or prior to 120 days after the Confirmation Date, and the Debtors file a notice of revocation on the Bankruptcy Court's docket, then, absent further order of the Bankruptcy Court (a) the Plan shall be null and void in all respects, (b) any settlement or compromise not previously approved by Final Order of the Bankruptcy Court embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests), assumption or rejection of executory contracts or leases effected by the Plan and any document or agreement executed pursuant hereto, shall be deemed null and void and (c) nothing contained in the Plan shall (1) constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or any other Person, (2) prejudice in any manner the rights of such Debtors or any other Person or (3) constitute an admission of any sort by the Debtors or any other Person.

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting executory contracts or unexpired leases.

**5. Miscellaneous**

a) Effectuating Documents; Further Transactions; Timing

The Debtors and the Post-Effective Date Debtors will be authorized to execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents, and to take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. All transactions required to occur on the Effective Date under the terms of the Plan will be deemed to have occurred simultaneously.

b) Exemption from Transfer Taxes and Recording Fees

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, Transfer or exchange of equity securities under the Plan, the creation, the filing, or recording of any mortgage, deed of trust or other security interest, the making, assignment, filing, or recording of any lease or sublease, the transfer of title to or ownership of any of the Debtors' interests in any property, including Aircraft Equipment, or 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, the Plan Documents, the New Common Stock, and any agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, FAA filing, or recording fee or other similar tax or governmental assessment in the United States. The Confirmation Order will direct the appropriate federal, state, or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

c) Expedited Tax Determination

The Post-Effective Date Debtors may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all returns filed for or on behalf of such Debtors or Post-Effective Date Debtors for all taxable periods ending on or before the Effective Date.

d) Modification of Payment Terms

The Post-Effective Date Debtors may modify the treatment of any Allowed Claim or Interest in any manner adverse only to the holder of such Claim or Interest at any time after the Effective Date upon the prior written consent of the Person whose Allowed Claim or Interest treatment is being adversely affected.

e) Insurance

The Debtors are authorized to use (a) any discount or credit with respect to the Debtors' current director and officer liability insurance policy that is available solely for the purchase of a directors and officers "tail" liability insurance policy, (b) incremental funds (including any accrued but unpaid or foregone directors' fees) other than from or otherwise attributable to the Debtors and (c) funds of the Debtors, in each case, for the purchase of a Tail Policy with respect to the period on and after the Effective Date.

f) Payment of Statutory Fees

All fees payable pursuant to section 1930(a) of title 28 of the United States Code and/or section 3717 of title 31 of the United States Code, as determined by the Bankruptcy Court, shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed or closed, whichever occurs first.

g) Notice of Confirmation

As soon as practicable following the Effective Date of the Plan, the Post-Effective Date Debtors will file and serve a notice of the entry of the Confirmation Order in the manner required under Bankruptcy Rule 2002(f). The notice will further identify the Effective Date and set forth the Rejection Claims Bar Date and any other deadlines that may be established under the Plan or the Confirmation Order.

h) Plan Supplement

The Plan Supplement will include certain documents relating to the Plan and its consummation and implementation, including the form of the Amended Certificate of Incorporation, the Amended Bylaws, a list of assumed Management Agreements, the Management Equity Plan, the Stockholders Agreement, the identity of the Reorganized Board, and the initial chair of the Reorganized Board, Schedule 9.1 of the Plan Supplement, and Schedule 11.11 of the Plan Supplement, each of which must be in form and substance reasonably acceptable to the Creditors' Committee. The Plan Supplement will be filed with the Clerk of the Bankruptcy Court no later than ten (10) days prior to the Voting Deadline. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Interests may also obtain a copy of the Plan Supplement on the Debtors' Case Information Website (located at https://cases.primeclerk.com/rjet/) or the Bankruptcy Court's website (located at www.nysb.uscourts.gov).

i) Severability of the Plan

In the event that any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered

or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

## VII. CONDITIONS TO EFFECTIVENESS OF THE PLAN

### 1. Conditions to Effectiveness

The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived in accordance with Section 13.2 of the Plan:

i. The Confirmation Order, in form and substance acceptable to the Debtors and the Creditors' Committee, shall have been entered, and no stay thereof shall be in effect;

ii. All actions, documents, and agreements necessary to implement the Plan shall have been effected or executed as determined by the Debtors and the Creditors' Committee, each in their sole and absolute discretion;

iii. The Debtors shall have received any authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are necessary to implement the Plan and that are required by law, regulation, or order;

iv. The Amended Certificate of Incorporation, in form and substance reasonably acceptable to the Post-Effective Date Debtors and the Creditors' Committee, will be in full force and effect as of the Effective Date; and

v. The Plan Documents shall have been executed and delivered by all of the parties thereto.

### 2. Waiver of Conditions to Effectiveness

The Debtors, with the consent of the Creditors' Committee, as applicable, may waive any of the conditions set forth in Section 12.1 at any time, without any notice to other parties-in-interest or the Bankruptcy Court and without any formal action other than proceeding to confirm and/or consummate the Plan.

The failure to satisfy any condition prior to the Confirmation Date or the Effective Date may be asserted by the Debtors as a reason not to seek Confirmation or declare an Effective Date, regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors, in their sole discretion). The failure of the Debtors, in their sole discretion, to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right shall be deemed an ongoing right, which may be asserted at any time

## VIII. RETENTION OF JURISDICTION

On and after the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction, to the fullest extent permissible under law, over all matters arising out of and related to the Chapter 11 Cases for, among other things, the following purposes:

i. To hear and determine all matters with respect to the assumption or rejection of executory contracts or unexpired leases and the allowance of Cure amounts and Claims resulting therefrom;

ii. To hear and determine any motion, adversary proceeding, application, contested matter, or other litigated matter pending on or commenced after the Confirmation Date;

iii. To hear and determine all matters with respect to the allowance, disallowance, liquidation, classification, priority, or estimation of any Claim;

iv. To ensure that distributions to holders of Allowed Claims are accomplished as provided herein;

vi. To hear and determine all applications for compensation and reimbursement of Professional Fee Claims;

vii. To hear and determine all matters with respect to the Merger;

viii. To hear and determine all matters with respect to the Plan Consolidation;

vi. To hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

vii. To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated hereby or any agreement, instrument, or other document governing or relating to any of the foregoing;

viii. To hear and determine disputes arising in connection with Section 11.9 of the Plan;

ix. To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order or any other order of the Bankruptcy Court;

x. To issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan;

xi. To enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

xii. To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including the expedited determination of tax under section 505(b) of the Bankruptcy Code);

xiii. To hear and determine any other matters related to the Plan and not inconsistent with the Bankruptcy Code;

xiv. To determine any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Approval Order, the Confirmation Order, any of the Plan Documents or any other contract, instrument, release, or other agreement or document related to the Plan, the Disclosure Statement, or the Plan Supplements;

xv. To recover all assets of the Debtors and property of the Debtors' Estates, which shall be for the benefit of the Post-Effective Date Debtors, wherever located;

xvi. To hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge;

xvii. To hear and determine any rights, Claims, or Causes of Action held by or accruing to the Debtors or the Post-Effective Date Debtors pursuant to the Bankruptcy Code or pursuant to any federal or state statute or legal theory, which shall be for the benefit of the Post-Effective Date Debtors;

xviii. To enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases with respect to any Person;

xix. To hear any other matter not inconsistent with the Bankruptcy Code; and

xx. To enter a final decree closing the Chapter 11 Cases.

## IX. SECURITIES LAWS MATTERS

### A. Exemption from Registration Requirements

The Debtors believe that the shares of New Common Stock to be issued pursuant to the Plan constitute "securities," as defined in Section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws.

The Debtors believe that the offer and sale of the New Common Stock pursuant to the Plan will be exempt from federal and state securities registration requirements under various provisions of the Securities Act of 1933 (the "Securities Act") and the Bankruptcy Code.

Section 1145 of the Bankruptcy Code provides that, except with respect to an entity that is an "underwriter" (as defined in section 1145(b)(1) of the Bankruptcy Code), the registration requirements of Section 5 of the Securities Act (and of any state or local securities laws) will not apply to:

i. the offer or sale of stock, warrants, or other securities of a debtor if (x) the offer or sale occurs under a plan of reorganization, (y) the recipients of the securities hold a claim against, an interest in, or a claim for administrative expense in the case concerning, the debtor, and (z) the securities are issued in exchange for a claim against or interest in the debtor or are issued principally in such exchange and partly for cash or property, or

ii. the offer of a security through any warrant, option, right to subscribe, or conversion privilege that was sold in the manner specified in clause (i), or the sale of a security upon the exercise of such a warrant, option, right, or privilege.

In reliance upon the exemptions described above, the offer and sale of the shares of New Common Stock will not be registered under the Securities Act or any state securities laws.

Under section 1145 of the Bankruptcy Code any securities contemplated by the Plan, including without limitation, the shares of New Common Stock, will be freely tradable by the recipients thereof, subject to (i) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act (discussed below), and compliance with any rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), if any, applicable at the time of any future transfer of such securities or instruments; (ii) the restrictions, if any, on the transferability of such securities and instruments; and (iii) applicable regulatory approval. Further, the New Common Stock shall be subject to certain restrictions and limitations as set forth in the Amended Certificate of Incorporation and/or Stockholders Agreement to ensure compliance with applicable Federal regulations relating to air carriers, as well as the other restrictions described herein.

To the extent that the issuance of the shares of New Common Stock and is covered by section 1145 of the Bankruptcy Code, the shares of New Common Stock may be resold without registration under the Securities Act or other federal securities laws, unless the holder is an "underwriter," as defined in section 1145(b)(1) the Bankruptcy Code, with respect to such securities.

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as an entity that, except with respect to "ordinary trading transactions" of an entity that is not an "issuer:"

i. purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest;

ii. offers to sell securities offered or sold under a plan for the holders of such securities;

iii. offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (x) with a view to distribution of such securities and (y) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or

iv. is an "issuer," within the meaning of Section 2(a)(11) of the Securities Act, with respect to such securities. Under Section 2(a)(11) of the Securities Act, an "issuer" includes, in addition to an issuer, any person or entity directly or indirectly controlling or controlled by the issuer, or any person or entity under direct or indirect common control with the issuer. In addition, the term "issuer" includes "controlling persons" of the issuer of the securities. The term "controlling person" refers to any person or entity with possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the issuer of the securities.

Any New Common Stock issued to an "affiliate" of the Debtors within the meaning of the Securities Act or any Person the Debtors reasonably determined to be an "underwriter" within the meaning of the Securities Act, and which does not agree to resell such securities only in "ordinary trading transactions," within the meaning of section 1145(b)(1) of the Bankruptcy Code, shall be subject to such transfer restrictions and bear such legends as shall be appropriate to ensure compliance with the Securities Act.

The shares of New Common Stock generally may also be able to be resold without registration under state securities laws pursuant to various exemptions provided by the respective state securities laws; however, the availability of such exemptions cannot be known unless individual state securities laws are examined.

**Whether any particular Person will fall within any category of "underwriter" with respect to any security, if any, to be issued pursuant to the Plan, of whether any particular Person will be able to resell such security pursuant to an exemption other than provided by section 1145, depends upon various facts and circumstances. Given the complexity and factual nature of such issues, the Debtors make no representations concerning the right of any particular Person to trade in securities, if any, to be distributed pursuant to the Plan.**

**The Debtors have not sought and do not expect to receive any no-action position from the SEC with respect to any securities regulatory matters concerning the Plan, and no assurance can be given that the SEC or "Blue Sky" securities regulatory authorities will not take a position with respect to such matters that is inconsistent with those of the Debtors as described herein. Potential recipients of the securities, if any, distributed pursuant to the Plan are strongly urged to consult their own counsel regarding whether they may freely trade such securities.**

**Neither this Disclosure Statement, not any portion thereof, has been submitted for approval under the Securities Act or applicable state securities laws. Neither the SEC not any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure**

**Statement or any portion thereof. Creditors and interest holders should consult their own legal counsel and advisors as to any securities law related matters.**

Nothing in the Plan is intended to preclude the SEC or any other governmental agency from exercising its police and regulatory powers relating to the Debtors or any other entity.

### B. Restrictions on Resale of Securities to Protect Net Operating Losses.

To the extent reasonably necessary to avoid adverse federal income tax consequences resulting from an ownership change (as defined in section 382 of the Internal Revenue Code), the Amended Certificate of Incorporation and the Stockholders Agreement may restrict the transfer of (i) New Common Stock and (ii) Claims prior to their Allowance without the consent of the Reorganized Board. Such restrictions, if any, will be described in the Plan Supplement.

### C. Hart-Scott-Rodino Compliance

Any shares of New Common Stock to be distributed under the Plan to any Person or Entity required to file a "Premerger Notification and Report Form" under the HSR Act will not be distributed until the notification and waiting periods applicable (if any) under such Act to such Person or Entity shall have expired or been terminated.

## X. CERTAIN FACTORS TO BE CONSIDERED

Prior to voting to accept or reject the Plan, holders of Claims entitled to vote should read and carefully consider the risk factors set forth below, in addition to the information set forth in this Disclosure Statement together with any attachments, exhibits, or documents incorporated by reference thereto. The factors below should not be regarded as the only risks associated with the Plan or its implementation. Documents filed with the SEC may contain important risk factors that differ from those discussed below. Copies of any document filed with the SEC may be obtained by visiting the SEC website at http://www.sec.gov.

### A. Certain Bankruptcy Law Considerations

#### 1. Risk of Non-Confirmation of the Plan

Confirmation of the Plan is subject to certain conditions and requirements of the Bankruptcy Code. Republic can make no assurances that it will receive the requisite acceptances to confirm the Plan. Even if Republic receives the requisite acceptances, although Republic believes that the Plan will satisfy all requirements necessary for confirmation under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. In the event that the Bankruptcy Court refuses to confirm the Plan, Republic may be required to seek an alternative restructuring of their obligations to their creditors and equity holders. There can be no assurance that the terms of any such alternative restructuring would be similar, or as favorable, to Republic's creditors and equity holders as those proposed in the Plan.

### 2. Cramdown

In the event the Plan is not accepted by a class or classes of impaired Claims entitled to vote, the Plan may be confirmed by the Bankruptcy Court pursuant to section 1129(b) of the Bankruptcy Code and become binding on all classes notwithstanding the dissent of such class or classes.

### 3. Undue Delay in Confirmation May Disrupt Operations

Although the Plan is designed to minimize the length of the Chapter 11 Cases, it is impossible to predict with certainty the amount of time that Republic may spend in bankruptcy or to assure parties in interest that the Plan will be confirmed. The continuation of these cases, particularly if the Plan is not approved or confirmed in the time frame currently contemplated, could adversely affect operations and relationships with Republic's vendors, employees regulators, and Codeshare Partners. If confirmation and consummation of the Plan do not occur expeditiously, the result may be, among other things, increased costs for professional fees and similar expenses. In addition, prolonged cases may make it more difficult to retain and attract key personnel and would require senior management to spend a significant amount of time and effort addressing Republic's financial reorganization interfering with the focus on the operation of Republic's business.

### 4. Risk of Non-Occurrence of the Effective Date

Although Republic believes that the Effective Date will occur very shortly after the Confirmation Date, there can be no assurance as to such timing. Moreover, if the conditions precedent to the Effective Date have not occurred, the Plan may be revoked or withdrawn with respect to some or all Debtors.

### 5. Failure to Consummate the Plan

As of the date of this Disclosure Statement, there can be no assurance that the conditions to consummation will be satisfied or waived. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

### 6. Risk of Conversion to Chapter 7

If no plan can be confirmed, or if the Bankruptcy Court otherwise finds that it would be in the best interest of Republic's creditors, any of the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate assets for distribution in accordance with the priorities established by the Bankruptcy Code. Republic believes that liquidation under chapter 7 would result in no distributions being made to unsecured creditors and Republic's equity security holders and smaller distributions being made to the Republic's secured lenders than those provided for in the Plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing Republic's businesses as a going concern, (b) additional administrative expenses involved in the appointment of a

trustee, and (c) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation, and from the rejection of leases and other executory contracts in connection with a cessation of Republic's operations.

### 7. Certain Tax Considerations

There are a number of income tax considerations, risks, and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussions set forth in Article XIV of this Disclosure Statement regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan to the Debtors and the Reorganized Debtors and to certain holders of Claims who are entitled to vote to accept or reject the Plan.

## B. Certain Risks Relating to the Plan Securities

### 1. Variance from Projections

Republic has prepared financial projections for RAH based on certain assumptions, as set forth in Exhibit C hereto. The projections have not been compiled, audited, or examined by independent accountants, and neither Republic nor its advisors make any representations or warranties regarding the accuracy of the projections or the ability to achieve forecasted results.

Many of the assumptions underlying the projections are subject to significant uncertainties that are beyond the control of Republic including, but not limited to, the timing, confirmation, and consummation of the Plan, demand for air travel, the price of fuel, inflation, and other unanticipated market and economic conditions. Some assumptions may not materialize, and unanticipated events and circumstances may affect Republic's actual financial results. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic, and competitive risks, and the assumptions underlying the projections may be inaccurate in material respects. In addition, unanticipated events and circumstances occurring subsequent to the approval of this Disclosure Statement by the Bankruptcy Court including, without limitation, any natural disasters, terrorist attacks, or health epidemics may affect the actual financial results achieved. Such results may vary significantly from the forecasts and such variations may be material.

### 2. Significant Holders

Under the Plan~~, certain holders of Allowed Claims may receive distributions of shares in RAH representing in excess of five percent (5%) of the outstanding shares of New Common Stock. If holders of a significant number of shares of RAH were to act as a group, such holders may be in a position to~~ and based on the Debtors' estimate of Allowed General Unsecured Claims, American will receive a distribution representing approximately 25% of the New Common Stock, Delta will receive a distribution representing approximately 17.35% of the New Common Stock, and United will receive a distribution representing approximately 19.16% of the New Common Stock (and American, Delta and United will collectively receive distributions representing approximately 61.51% of the New Common Stock). Additionally, certain other claimants, including affiliates of Embraer S.A. and GE Capital Aviation Services LLC are each expected to receive a distribution representing more than 5% of the New Common Stock.

It is anticipated under the terms of the Stockholders Agreement, the Amended Certificate of Incorporation, and Amended Bylaws, the election of directors will be by majority vote and certain other major transactions will require the vote of either a majority or supermajority of the holders of New Common Stock. Given the concentrated holdings of the New Common Stock upon emergence from chapter 11, a few of the large holders of New Common Stock, were they to act as a group, could control the outcome of certain actions requiring stockholder approval, including the election of directors, or block actions requiring majority or supermajority consent.

Further, the possibility that one or more of the holders of a number of shares of Reorganized RAH may determine to sell all or a large portion of their shares in a short period of time may adversely affect the market price of the stock of Reorganized RAH.

### 3. Lack of Trading Market

The stock issued under the Plan will not be listed on any exchange. There can be no assurance that an active trading market for the New Common Stock will develop. Accordingly, no assurance can be given that a holder of New Common Stock will be able to sell such securities in the future or as to the price at which any such sale may occur. If such markets were to exist, such securities could trade at prices higher or lower than the value ascribed to such securities herein depending upon many factors, including the prevailing interest rates, markets for similar securities, general economic and industry conditions, and the performance of, and investor expectations for, Reorganized RAH.

### 4. Restrictions on Transfer

Holders of securities issued pursuant to the Plan who are deemed to be "underwriters" as defined in section 1145(b) of the Bankruptcy Code, including holders who are deemed to be "affiliates" or "control persons" within the meaning of the Securities Act, will be unable freely to transfer or to sell their securities except pursuant to (a) "ordinary trading transactions" by a holder that is not an "issuer" within the meaning of section 1145(b), (b) an effective registration of such securities under the Securities Act and under equivalent state securities or "blue sky" laws, or (c) pursuant to the provisions of Rule 144 and Rule 144A under the Securities Act or another available exemption from registration requirements. For a more detailed description of these matters, see section IX.A., above.

### 5. Dividend Policies

Republic anticipates that the Post-Effective Date Debtors' cash flows will be used in the foreseeable future to make payments to service its secured debt obligations. Accordingly, Republic does not anticipate that Reorganized RAH will pay dividends on the New Common Stock in the near future.

### C. Certain Risks Associated with Republic's Operations

#### 1. Liquidity Needs

Republic has substantial liquidity needs in the operation of its business and faces significant liquidity challenges. Accordingly, Republic believes that its cash and cash equivalents will remain under pressure during 2016 and thereafter.

A number of other factors, including Republic's financial results in the recent year, its indebtedness, the difficult revenue environment the company faces, and the shortage of pilots and qualified technicians experienced in the airline industry, adversely affect the availability and terms of funding that might be available to Republic upon emergence from the chapter 11 cases. As a result of these and other factors, there can be no assurances that Republic will be able to source capital at acceptable rates and on acceptable terms, if at all, to fund future operations. An inability to obtain necessary additional funding on acceptable terms would have a material adverse impact on Republic and on its ability to sustain its operations upon emergence from chapter 11.

#### 2. Finding, Training, and Retaining Qualified Pilots and Technicians

There is a shortage of qualified personnel, specifically pilots and maintenance technicians, across the regional airline industry. As is common within the regional airline industry, Republic has, from time to time, faced considerable turnover of its employees. Republic's pilots, flight attendants, and maintenance technicians sometimes leave to work for mainline airlines, which generally offer higher salaries and more extensive benefit programs than regional airlines are financially able to offer. If the turnover of employees, particularly pilots and maintenance technicians, sharply increases, Republic may not be able to hire sufficient pilots and maintenance technicians to replace those leaving, also causing a significant increase in training costs and potential disruption to its operations and financial performance.

On August 1, 2013, the congressionally-mandated pilot experience qualifications contained in the Airline Safety and FAA Extension Act of 2010 became effective. As a result of this legislation, the age and training requirements for Republic's first officer pilots generally increased to 23 years and 1,500 hours of flight time. Military pilots are subject to somewhat lower standards, but as the wind-down of the U.S. involvement in conflicts in Iraq and Afghanistan has substantially concluded, there are fewer military-trained pilots entering the workforce. In addition, the FAA has implemented a new regulation that changes the flight crew duty, flight, and rest requirements for pilots. This update reduces the length of time a pilot may be on duty and how much she or he may fly in a day, month, and year. These new limitations, together with the new, more restrictive certification and qualification requirements, have resulted in a growing scarcity of qualified new entrants and have contributed to the current severe nationwide pilot shortage.

Negative events or publicity associated with our Chapter 11 proceedings could adversely affect Republic's relationships with its employees and lead to higher turnover. In addition, such negative events or publicity could adversely affect Republic's ability to attract qualified pilots and maintenance technicians. This could continue to have adverse effects on Republic's results

of operations and financial condition if the company is not able to fulfill its contractual obligations under the capacity purchase agreements with the Company's Partners.

**3. Increases in Labor Costs**

Labor costs constitute a significant percentage of Republic's total operating costs, and Republic has experienced pressure to increase wages and benefits for its employees. Under Republic's codeshare agreements, Republic's reimbursement rates contemplate labor costs that increase on a set schedule generally tied to an increase in the consumer price index. A significant increase in Republic's labor costs above the reimbursement rates could result in a material reduction of Republic's earnings and cash flows.

On October 27, 2015, 76% of participating members of the IBT voted to ratify a new three-year Collective Bargaining Agreement with approximately 90% of the eligible pilots voting. The three-year agreement became effective on October 29, 2015. The ratification of the pilot CBA provides no assurance that Republic's operation and financial performance will be fully restored. The CBA increased pilot labor costs approximately $50.0 million per year on average over the three-year duration of the agreement, including both the ratification bonus and the anniversary bonus. The ratification bonus of approximately $17.0 million was paid during the fourth quarter of 2015; and the anniversary bonus, of approximately $14.3 million was paid in early November 2016.

Republic has collective bargaining agreements with its pilots, flight attendants, and dispatchers. Republic cannot assure that future agreements with its employees' unions will be on terms in line with Republic's expectations or comparable to agreements entered into by Republic's competitors, and any future agreements may increase Republic's labor costs and reduce its income and competitiveness for future business opportunities.

**4. Labor Disruptions**

All of Republic's pilots, flight attendants, and dispatchers are represented by unions and make up approximately 74% of Republic's workforce. Republic is subject to risks of work interruption or stoppage, and also may incur additional administrative expenses associated with the union representation of its employees.

**5. Codeshare Agreements**

Substantially all of Republic's income is generated under its agreements with its three Codeshare Partners. Republic depends on its relationships with Delta, United, and American for all of its fixed-fee service revenues. Any material modification to, or termination of, Republic's codeshare agreements with any of its Codeshare Partners could have a material, adverse impact upon Republic's financial and operating performance and cash flows. In addition, because substantially all of Republic's fixed-fee service revenues are currently generated under the fixed-fee codeshare agreements, if any one of them is terminated, Republic cannot assure that it would be able to enter into substitute codeshare arrangements, or that any such substitute arrangements would be as favorable to Republic as the current codeshare agreements.

Under Republic's codeshare agreements, Republic is compensated for a percentage of certain costs incurred in providing services. The percentage rates are not based on the actual expenses Republic incurs, and generally increase based on a consumer price index, subject to a maximum cap. If Republic's annual rate increase is less than its actual cost escalations or if Republic incurs expenses that are greater than the pre-determined amounts payable by its Codeshare Partners, Republic's financial results and cash flows will be negative affected.

The Debtors' codeshare agreements contain provisions that give the Codeshare Partners the right to terminate the agreement upon a change of control. Termination of any of the codeshare agreements could have a material, adverse impact upon Republic's financial and operating performance and cash flows.

**6. Changes to Republic's Business Model**

Republic devotes significant attention and resources to restructuring its current business. However, if it is unable to simplify its current operations in a manner that allows Republic to maintain cost synergies, or if such simplification takes longer or costs more than expected, this could reduce Republic's earnings or adversely affect its business and financial results. A prolonged simplification process could also result in the loss of key employees, diversion of management's attention, disruption, or interruption of, or the loss of momentum in Republic's businesses or inconsistencies in standards, controls, procedures, and policies, any of which could adversely affect Republic's ability to maintain relationships with customers and employees.

**7. Reduced Utilization Levels of Aircraft**

Republic's agreements with its Codeshare Partners require each of them to schedule Republic's aircraft to a minimum level of utilization. Historically, actual utilization levels are significantly above the minimum thresholds; however, if Republic's aircraft are at the minimum requirement, Republic will likely lose both the opportunity to recover a margin on the variable costs of flights that would have been flown if its aircraft were more fully utilized and the opportunity to earn incentive compensation on such flights.

**8. Increase in Expenses Associated with Aging Fleet**

The average age of Republic's primary fleet of E170/175 aircraft is approximately 6.4 years old. Republic's aircraft require less maintenance now than they will require in the future. Republic has incurred lower maintenance expenses because most of the parts on its aircraft are under multi-year warranties. Republic's maintenance costs will increase as these warranties expire and the fleet ages. For example, recent engine expenses for Republic's E170/175 aircraft do not reflect the full mature cost of maintaining the aircraft as they do not include any expenses for life limited parts. As Republic incurs expenses to replace such parts, only a portion of such expenses are passed through to Republic's Codeshare Partners.

Republic also bears the cost of all routine and major maintenance on its owned and leased aircraft. Maintenance expenses comprise a significant portion of Republic's operating expenses. In addition, Republic is required to periodically take aircraft out of service for heavy maintenance checks, which can increase costs and reduce revenue. Republic may also be

required to comply with regulations and airworthiness directives issued by the FAA, the cost of which Republic's aircraft lessors may only partially assume depending on the magnitude of the expense. Although Republic believes that its owned and leased aircraft is currently in compliance with all FAA issued airworthiness directives, additional directives will likely be required in the future, necessitating additional expense.

**9. Financial Strength and Future of Codeshare Partners**

Republic is directly affected by the operational and financial strength of its Codeshare Partners. In the event of a decrease in the financial or operational strength of any of its Codeshare Partners, such Codeshare Partner may be unable to make the payments due to Republic under the respective codeshare agreement. In addition, the Codeshare Partner may reduce utilization of Republic's aircraft to the minimum levels specified in the applicable codeshare agreement, and it is possible that any codeshare agreement with a Codeshare Partner that files for reorganization under chapter 11 may not be assumed in bankruptcy and could be modified or terminated. Any such event could have an adverse effect on Republic's operations and price of its common stock.

Republic's Codeshare Partners could choose to operate regional aircraft under their own wholly-owned subsidiaries, thus limiting the expansion of Republic's relationships with its Codeshare Partners. Some major airlines own their own regional airlines and operate their own aircraft instead of entering into contracts with Republic or other independent regional carriers. For example, Delta and American have acquired many aircraft which they fly under their affiliated carriers. Republic has no guarantee that in the future its Codeshare Partners will choose to enter into contracts with it instead of purchasing their own aircraft or entering into relationships with competing regional airlines, as they are not prohibited from doing so under Republic's codeshare agreements. A decision by American, Delta, or United to phase out Republic's contract-based codeshare relationships as they expire and instead acquire and operate their own aircraft or to enter into similar agreements with one or more of Republic's competitors could have a material adverse effect on its financial condition, results of operations, and the price of its common stock.

**10. Codeshare Partners' Restrictions**

Republic's Codeshare Partners may be restricted in increasing the level of business they conduct with Republic. For example, the pilots' unions of certain major airlines have negotiated "scope clauses" in their collective bargaining agreements that restrict the number or size of aircraft that can be operated by the regional codeshare partners of such major airlines. These CBAs limit regional airlines to flying aircraft with a maximum take-off weight of 86,000 pounds and a maximum passenger configuration of 76 seats with certain exceptions expressly provided in certain CBAs. These restrictions may place limitations on Republic's growth opportunities.

**11. Substantial Aircraft Indebtedness**

Republic's substantial aircraft indebtedness may limit its financial and operating activities, and may require Republic to dedicate a substantial portion of cash flow from operations to the payment of principal and interest on indebtedness and thereby reduce the funds

available for operations and future business opportunities, make it more difficult for Republic to satisfy its payment and other obligations under its indebtedness, limit Republic's ability to borrow additional money for working capital, capital expenditures, acquisitions, or other purposes, if needed, and increase the cost of any of these borrowings, and reduce Republic's flexibility in planning for or responding to changing business and economic conditions. Republic has historically needed substantial liquidity to fund the growth of its fixed-fee business, and its indebtedness may adversely affect its ability to incur additional debt to fund future needs.

**12. Dependency on Original Equipment Manufacturers**

Republic relies on Embraer as the primary manufacturer of all of its regional jets and other original equipment manufacturers ("OEMs") who supply critical aircraft parts. Its risks in relying primarily on a single manufacturer for each aircraft type include: the failure or inability of Embraer or an OEM to provide sufficient parts or related support services on a timely basis; the interruption of fleet service as a result of unscheduled or unanticipated maintenance requirements for these aircraft; the issuance of FAA directives restricting or prohibiting the use of Embraer aircraft or requiring time-consuming inspections and maintenance; and the adverse public perception of a manufacturer as a result of an accident or other adverse publicity.

Republic's operations could be materially adversely affected by the failure or inability of Embraer or an OEM to provide sufficient parts or related support services on a timely basis or by an interruption of fleet service as a result of unscheduled or unanticipated maintenance requirements for its aircraft.

**13. Loss of Key Personnel**

Republic's business depends upon the efforts of its Chief Executive Officer, Bryan Bedford, and its other key management and operating personnel. It may have difficulty replacing management or other key personnel who leave and, therefore, the loss of the services of any of these individuals could harm its business. Although Republic maintains a "key man" life insurance policy in the amount of $5 million for Mr. Bedford, this amount may not adequately compensate it in the event it loses his services.

**14. Limited Ability to Utilize NOLs**

As of December 31, 2015, Republic had estimated federal net operating loss carry-forwards, which it refers to as NOLs, of $1.4 billion for federal income tax purposes that begin to expire in 2016. Republic has recorded a valuation allowance for $398.4 million of those NOLs. Section 382 of the Internal Revenue Code imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event of an ownership change, utilization of Republic's NOLs generally would be subject to an annual limitation under Section 382. Any unused NOLs in excess of the annual limitation may be carried over to later years.

The imposition of a limitation on Republic's ability to use its NOLs to offset future taxable income could cause U.S. federal income taxes to be paid earlier than otherwise would be

paid if such limitation were not in effect and could cause such NOLs to expire unused, reducing or eliminating the benefit of such NOLs. Republic has taken steps to avoid an ownership change as defined by Section 382 of the Internal Revenue Code prior to the implementation of the Plan and intends to implement the Plan in a manner that will mitigate the adverse impact on its NOLs of an ownership change. Certain of its NOLs generated prior to July 2005 and acquired from previous business acquisitions are subject to various annual limitations under Section 382.

**15. Accident Risk**

Although Republic has never had a crash causing death or serious injury in over 42 years of operations, it is possible that one or more of its aircraft may crash or be involved in an accident in the future, causing death or serious injury to individual air travelers and its employees and destroying the aircraft and the property of third parties.

In addition, if one of its aircraft were to crash or be involved in an accident, Republic would be exposed to significant tort liability. Such liability could include liability arising from the claims of passengers or their estates seeking to recover damages for death or injury. There can be no assurance that the insurance Republic carries to cover such damages will be adequate. Accidents could also result in unforeseen mechanical and maintenance costs. Any accident involving an aircraft that Republic operates could create a public perception that its aircraft are not safe, which could result in air travelers being reluctant to fly on its aircraft and a decrease in revenues. Such a decrease could materially adversely affect Republic's financial condition, results of operations and the price of its common stock.

**16. Technology Costs and Risks**

Republic has become increasingly dependent on technology initiatives to reduce costs, attract the best human capital, and compete in the current business environment. The performance and reliability of its technology are critical to its ability to compete effectively. Technology initiatives will continue to require significant capital investments in order to deliver these expected benefits. If Republic is unable to make these investments or the expected benefit does not materialize, its business and operations could be negatively affected.

In addition, any internal technological error or failure or large scale external interruption in the technology infrastructure Republic depends on, such as power, telecommunications or the internet, may disrupt its internal network. Any individual, sustained or repeated failure of technology could impact its customer service and result in increased costs. Like most companies, Republic's technology systems and related data may be vulnerable to a variety of sources of interruption due to events beyond its control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. Although Republic has in place, and continues to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and mitigate the resulting adverse financial consequences.

### D. Certain Risks Associated with the Airline Industry

#### 1. Passenger Perception of Safety

Although Republic's regional jets have never had a crash causing death or serious injury in over 42 years of operations, should the public perceive regional aircraft as less safe, making Republic's Partners less inclined to renew its contracts in the future, or should new legislation impose additional burdens on Republic, its financial condition, results of operations, and the price of its common stock could be materially adversely affected.

#### 2. Strikes

The airline industry has been negatively impacted by a number of labor strikes. Any new collective bargaining agreement entered into by other carriers may result in higher industry wages and increase pressure on Republic to increase the wages and benefits of its employees. Furthermore, since each of Republic's Codeshare Partners represents a significant source of its operating revenues, any labor disruption or labor strike by the employees of any one of its Codeshare Partners could have a material adverse effect on Republic's financial condition, results of operations, and the price of its common stock.

#### 3. Factors Beyond Airline's Control

Generally, revenues for airlines depend on the number of passengers carried, the fare paid by each passenger, and service factors, such as the timeliness of departure and arrival. Demand for air travel could weaken in an economic recession. Economic weakness in the United States and international economies could have a significant negative impact on Republic's results of operations. During periods of fog, ice, low temperatures, storms, or other adverse weather conditions, flights may be canceled or significantly delayed. Under its codeshare agreements, Republic's regional airline business is partially protected against cancellations due to weather or air traffic control, although these factors may affect its ability to receive incentive payments for flying more than the minimum number of flights specified in its codeshare agreements.

#### 4. Regulations

Airlines are subject to extensive regulatory and legal compliance requirements, both domestically and internationally, that involve significant costs. In the last several years, the FAA has issued a number of directives and other regulations relating to the maintenance and operation of aircraft that have required Republic to make significant expenditures. FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne wind shear avoidance systems, noise abatement, commuter aircraft safety, and increased inspection and maintenance procedures to be conducted on older aircraft.

Republic incurs substantial costs in maintaining its current certifications and otherwise complying with the laws, rules and regulations to which it is subject. It cannot predict whether it will be able to comply with all present and future laws, rules, regulations and certification

requirements or that the cost of continued compliance will not significantly increase its costs of doing business.

The FAA has the authority to issue mandatory orders relating to, among other things, pilot rest rules, the grounding of aircraft, inspection of aircraft, installation of new safety-related items and removal, replacement or modification of aircraft parts that have failed or may fail in the future. A decision by the FAA to ground, or require time consuming inspections of or maintenance on, all or any of Republic's Embraer aircraft, for any reason, could negatively impact Republic's results of operations.

In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect Republic's operations. From time to time, various airports throughout the country have considered limiting the use of smaller aircraft, such as Embraer aircraft, at such airports. The imposition of any limits on the use of Embraer aircraft at any airport at which Republic operates could interfere with its obligations under its codeshare agreements and severely interrupt its business operations.

Additional laws, regulations, taxes, and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenues. For instance, "passenger bill of rights" legislation was introduced in Congress that, if enacted, would have, among other things, required the payment of compensation to passengers as a result of certain delays and limited the ability of carriers to prohibit or restrict usage of certain tickets. This legislation is not currently active, but if it is reintroduced, these measures could have the effect of raising ticket prices, reducing revenue and increasing costs. Several state legislatures have also considered such legislation, and the State of New York in fact implemented a "passenger bill of rights" that was overturned by a federal appeals court in 2008. The DOT has imposed restrictions on the ownership and transfer of airline routes and takeoff and landing slots at certain high-density airports, including New York LaGuardia and Reagan National. In addition, as a result of the terrorist attacks in New York and Washington, D.C. in September 2001, the FAA and the TSA have imposed stringent security requirements on airlines. Republic cannot predict what other new regulations may be imposed on airlines, and it cannot provide assurance that laws or regulations enacted in the future will not materially adversely affect its financial condition, results of operations and the price of its common stock.

### 5. Competition

Within the airline industry, Republic not only competes with other regional airlines, some of which are owned by or operated as partners of major airlines, but it also faces competition from low-fare airlines and major airlines on many of its routes, including carriers that fly point to point instead of to or through a hub.

In addition, some of Republic's competitors are larger and have significantly greater financial and other resources than Republic. Moreover, federal deregulation of the industry allows competitors to rapidly enter Republic's markets and to quickly discount and restructure fares. The airline industry is particularly susceptible to price discounting because airlines incur only nominal costs to provide service to passengers occupying otherwise unsold seats.

In addition to traditional competition among airlines, the industry faces competition from video teleconferencing and other methods of electronic communication. New advances in technology may add a new dimension of competition to the industry as business travelers seek lower-cost substitutes for air travel.

## XI. PROCEDURES FOR VOTING ON THE PLAN

### A. Voting Procedures and Requirements

The Approval Order, a copy of which is annexed hereto as Exhibit B, sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, and applicable procedures for tabulating Ballots.

#### 1. Who May Vote?

Pursuant to the provisions of the Bankruptcy Code, only holders of claims and interests in classes that are impaired and are to receive property or an interest in property under the proposed plan are entitled to vote to accept or reject the plan. Classes in which the claims and interests are unimpaired are conclusively presumed to have accepted the plan and are not entitled to vote.

a) Impaired Classes Eligible to Vote

Class 3(a) is impaired by the Plan and the holders of Claims in Class 3(a) are entitled to vote to accept or reject the Plan.

b) Unimpaired Classes Presumed to Accept not Eligible to Vote

Classes 1(a), 1(b), 1(c), 1(d), 2(a), and 2(b) are unimpaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, the holders of Claims in these Classes are conclusively presumed to have accepted the Plan and are not entitled to vote.

c) Classes Deemed to Reject or Otherwise not Eligible to Vote

Classes 3(b), 3(c), 3(d), 4, and 5 will neither receive any distributions nor retain any property or interest in property under the Plan on account of the Claims or interests in such Classes. Pursuant to section 1126(g) of the Bankruptcy Code, the holders of Claims in Classes 3(b), 3(c), 3(d), and 4 and the holders of Interests in RAH in Class 5 are deemed to reject the Plan and are not entitled to vote.

Class 6 is presumed to consent to the treatment under the Plan and is not entitled to vote.

#### 2. How to Vote?

A Ballot is enclosed herewith for use in voting on the Plan. To vote on the Plan, use only the Ballot that accompanies this Disclosure Statement. You should read your Ballot and follow the listed instructions carefully.

In order to be counted, Ballots must be properly completed, signed, and returned so that they are actually received no later than [_:__][_].m., prevailing Eastern Time, on the Voting Deadline, [___], 2017, by Prime Clerk LLC (the "Voting Agent") at the following address:

**BY OVERNIGHT COURIER, HAND DELIVERY or FIRST CLASS MAIL:**

RJET Ballot Processing
c/o Prime Clerk LLC
830 3rd Avenue, 3rd Floor
New York, NY 10022

You may also submit your Ballot via the Voting Agent's "E-Ballot" platform by visiting https://cases.primeclerk.com/rjet, clicking on the "Submit E-Ballot" section of the website and following the instructions on the website to submit your Ballot.

**UNLESS THE BALLOT IS ACTUALLY RECEIVED BY THE VOTING AGENT ON OR PRIOR TO THE VOTING DEADLINE, SUCH BALLOT WILL BE REJECTED AS INVALID AND WILL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PLAN; PROVIDED, HOWEVER, THAT THE DEBTORS RESERVE THE RIGHT, IN THEIR SOLE DISCRETION, TO REQUEST OF THE BANKRUPTCY COURT THAT ANY SUCH VOTE BE COUNTED**.

To be counted for purposes of voting on the Plan, all of the information requested on the Ballot must be provided. **If your Ballot is not properly completed, signed, and returned as described, it will not be counted. Unless otherwise ordered by the Bankruptcy Court, Ballots that are signed, dated, and timely received, but on which a vote to accept or reject the Plan has not been indicated, will not be counted for voting purposes.**

**If your Ballot is damaged or lost, you may contact the Voting Agent as set forth in the Ballot.**

**IF YOU HAVE ANY QUESTIONS CONCERNING THE BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR ADDITIONAL COPIES OF THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, YOU MAY CONTACT THE VOTING AGENT AT (855) 252-2304 OR RJETBALLOTS@PRIMECLERK.COM**

### 3. Vote Required for Acceptance by a Class

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds (⅔) in dollar amount and more than one-half (½) in number of the claims of that class which cast ballots for acceptance or rejection of the plan. Thus, acceptance by a class of claims occurs only if at least two-thirds (⅔) in dollar amount and a majority in number of the holders of claims voting cast their ballots to accept the plan.

**4. Withdrawal of Ballot**

Any voter that has delivered a valid Ballot may withdraw its vote, subject to Bankruptcy Rule 3018, by delivering a written notice of withdrawal to the Voting Agent before the Voting Deadline, which notice of withdrawal, to be valid, must be (i) signed by the party who signed the Ballot to be revoked and (ii) received by the Voting Agent before the Voting Deadline. The Debtors may contest the validity of any withdrawals.

Any voter that has delivered a valid Ballot may not change its vote, except in accordance with the Approval Order and Bankruptcy Rule 3018. If a holder casts more than one Ballot voting the same claim before the Voting Deadline, the latest dated Ballot received before the Voting Deadline shall be deemed to reflect the voter's intent and thus to supersede any prior Ballots.

**5. Waivers of Defects, Irregularities, etc.**

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawals of Ballots will be determined by the Voting Agent or the Debtors, as applicable, in their sole discretion, which determination will be final and binding.

The Debtors reserve the right to reject any and all Ballots submitted by any voters not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve their rights to waive any defects or irregularities or conditions of delivery as to any particular Ballot by any of the voters. The interpretation (including the Ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

Signed ballots that indicate the holder's agreement to waive defaults or forbear from exercising remedies will be treated as a valid waiver or forbearance irrespective of whether such holder votes on the Plan or whether such holder accepts or rejects the Plan.

**6. Extension of Voting Deadline / Termination of Solicitation**

The Debtors reserve the right, at their sole discretion, and without notice except as may be required under applicable law, to extend the solicitation period or termination their solicitation of votes on the Plan.

# XII. CONFIRMATION OF THE PLAN

## A. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to conduct a hearing to consider confirmation of a plan (the "Confirmation Hearing"). Notice of the Confirmation Hearing will be provided to creditors, interest holders, and other parties in interest in accordance with the applicable orders of the Bankruptcy Court. 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.

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 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 Dustin P. Smith, Esq. (dustin.smith@hugheshubbard.com)), (ii) the Office of the United States Trustee, 201 Varick Street, Suite 1006, New York, New York 10014 (Attn: Brian Masumoto, Esq.), and (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)), so as to be so filed and received no later than [_____], 2017 at [___][_].m. (Eastern Time).

Objections to confirmation of the Plan are governed by Federal Rule of Bankruptcy Procedure 9014. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

## B. Requirements for Confirmation of the Plan

The Bankruptcy Court will confirm the Plan only if it meets the requirements of section 1129 of the Bankruptcy Code.

**1. General Requirements for Confirmation of the Plan**

At the Confirmation Hearing, the Bankruptcy Court will determine whether the following confirmation requirements for the Plan, as specified in section 1129(a) of the Bankruptcy Code, have been satisfied:

i. The Plan complies with the applicable provisions of the Bankruptcy Code;

ii. The Debtors have complied with the applicable provisions of the Bankruptcy Code;

iii. The Plan has been proposed in good faith and not by any means proscribed by law;

iv. Any payment made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the chapter 11 cases, or in connection with the Plan and incident to the chapter 11 cases, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

v. The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of the Debtors, an affiliate of the Debtors participating in a Plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity security holders and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the reorganized Debtors, and the nature of any compensation for such insider;

vi. Except to the extent that the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (*see* "Confirmation in the Event a Class Fails to Accept the Plan," below), each class of claims or equity interests has either accepted the Plan or is unimpaired under the Plan;

vii. With respect to each class of claims or equity interests, each holder of an impaired claim or impaired equity interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's claim or equity interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. *See* "Best Interests Test," below;

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 administrative expense claims, and priority non-tax claims will be paid in full in cash on the Effective Date and

that priority tax claims will receive on account of such claims deferred cash payments, over a period not exceeding five years after the Commencement Date, of a value as of the effective date of the plan, equal to the allowed amount of such claims with interest from the Effective Date;

ix. At least one class of impaired claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such class;

x. Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor of the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. *See* "Feasibility of the Plan," below;

xi. All fees payable under section 1930 of title 28, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date; and

xii. The Plan provides for the continuation after the Effective Date of payment of all "retiree benefits" (as defined in section 1114 of the Bankruptcy Code), at the level established pursuant to sections 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code at any time prior to confirmation of the Plan, for the duration of the period the Debtors have obligated themselves to provide such benefits.

**2. Confirmation in the Event a Class Fails to Accept the Plan**

As noted directly above, for the Bankruptcy Court to approve the Plan, either the Plan must be accepted by all impaired classes of claims and interests entitled to vote or, if rejected by an impaired class, the Plan must meet the requirements of section 1129(b) of the Bankruptcy Code.

a) Acceptance of the Plan

Under the Bankruptcy Code, acceptance of a chapter 11 plan by a class of claims occurs when holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed claims of that class that cast ballots for acceptance or rejection of the chapter 11 plan vote to accept the plan. Acceptance of a chapter 11 plan by a class of interests occurs when holders of at least two-thirds (2/3) in amount of allowed interests of that class that cast ballots for acceptance or rejection of the chapter 11 plan vote to accept the plan. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

b) Section 1129(b) Requirements

In the event that any impaired class of claims or equity interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired class of claims or equity interests that has not accepted the Plan, the Plan "does not

discriminate unfairly" and is "fair and equitable" under the so-called "cram down" provisions set forth in section 1129(b) of the Bankruptcy Code

(1) *No Unfair Discrimination Test*

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under the plan. The test does not require that the treatment be the same, but only that such treatment not be "unfair."

(2) *Fair and Equitable Test*

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured; claims versus equity interests) and includes the general requirement that no class of claims receives more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards that must be satisfied in order for the plan to be confirmed, depending on the type of claims or interests in such class:

- Secured Claims. Each holder of an impaired secured claim either (a) retains its liens on the property (or if sold, on the proceeds thereof) to the extent of the allowed amount of its secured claim and receives deferred cash payments having a value, as of the effective date of the plan, of at least the allowed amount of such claim or (b) receives the "indubitable equivalent" of its allowed secured claim.

- Unsecured Claims. Either (a) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed unsecured claim or (b) the holders of claims and interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan.

- Equity Interests. Either (a) each equity interest holder will receive or retain under the plan property of a value equal to the greater of (i) the fixed liquidation preference or redemption price, if any, of such equity interest and (ii) the value of the equity interest, or (b) the holders of interests that are junior to the equity interests of the dissenting class will not receive or retain any property under the plan.

The Debtors believes the Plan satisfies the "fair and equitable" requirement with respect to any class that is deemed to reject the plan and requests that the Bankruptcy Court confirm the Plan notwithstanding the rejection or deemed rejection of the Plan by any class. In the event that any other class rejects the Plan, the Debtors will demonstrate at the Confirmation Hearing that the above requirements are satisfied as to such other rejecting class, as well.

The Debtors also reserve the right to amend the Plan prior to the entry of the Confirmation Order in accordance with Section 13.1 of the Plan and applicable provisions of the Bankruptcy Code.

**3. Best Interests Test**

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired claim or impaired equity interest either (i) accept the Plan or (ii) receive or retain under the Plan

property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. This requirement customarily is referred to as the "best interests" test.

The first step in meeting the "best interests test" is to determine the dollar amount that would be generated from a chapter 7 liquidation of the Debtors' assets and properties. The gross amount of cash available would be the sum of the proceeds from the disposition of the Debtors' assets and the unencumbered cash held by the Debtors at the time of the commencement of the chapter 7 cases. The next step is to reduce that total by the amount of any claims secured by such assets, the costs and expenses of liquidation, and such additional administrative expense claims and priority claims that may result from the termination of the Debtors' businesses and the use of chapter 7 for the purposes of liquidation. Finally, the present value of that amount (taking into account the time necessary to accomplish the liquidation) is allocated to creditors and stockholders in strict priority in accordance with section 726 of the Bankruptcy Code (*see* discussion below) and can then be compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that a trustee may engage, plus any unpaid expenses incurred by the Debtors during a chapter 11 case and allowed in the chapter 7 case (such as compensation for attorneys, financial advisors, appraisers, accountants, and other professionals, and costs and expenses of members of any statutory committee of unsecured creditors appointed by the United States Trustee pursuant to section 1102 of the Bankruptcy Code and any other committee so appointed). In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors both prior to, and during the pendency of, the chapter 11 cases. The foregoing types of claims, costs, expenses, and fees and such other claims which may arise in a liquidation case or result from a pending chapter 11 cases would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition priority and unsecured claims. For purposes of the best interests test, distributions under a chapter 11 plan that substantively consolidates debtors are compared against distributions in a hypothetical chapter 7 liquidation that also substantively consolidates the debtors.

In applying the "best interests test," it is possible that claims and equity interests in a chapter 7 liquidation may not be classified as in the Plan. In the absence of a contrary determination by the Bankruptcy Court, all prepetition unsecured claims that have the same rights upon liquidation would be treated as one class for purposes of determining the potential distribution of the liquidation proceeds resulting from a hypothetical chapter 7 liquidation. The distributions for the liquidation proceeds would be calculated ratably according to the amount of the claim held by each creditor. Creditors who are or claim to be third party beneficiaries of any contractual subordination provisions might be required to seek or enforce such contractual subordination provisions in the Bankruptcy Court or otherwise. Section 510 of the Bankruptcy Code specifies that such contractual subordination provisions are enforceable in a chapter 7 liquidation case.

The Debtors believe that the most likely outcome of liquidation proceedings under chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior creditor receives any distribution until all senior creditors are paid in full, with interest, and no equity holder receives any distribution until all creditors are paid in full with interest. Consequently, the Debtors believe that in a liquidation, holders of allowed claims in Classes 3(a), 3(b), 3(c), 3(d) and 4 and allowed equity interests in Classes 5 and 6 would receive no distributions of property under the Plan.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in a chapter 11 case, including, without limitation, (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the claims that would arise from the rejection of executory contracts and unexpired lease that have been assumed in the chapter 11 cases, (iii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail, (iv) the adverse effects on the salability of new common stock as a result of the departure of key employees and the impact on Republic's performance under its codeshare agreements, and (v) substantial increases in claims which would be satisfied on a priority basis or on a parity with creditors in a chapter 11 case, the Debtors have determined that confirmation of the Plan will provide each creditor and equity holder with a recovery that is not less that it would receive pursuant to a liquation of the Debtors under chapter 7 of the Bankruptcy Code.

**The Debtors' liquidation analysis, which is attached as Exhibit D hereto, is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the assets of the Debtors. The analysis is based upon a number of significant assumptions which are described therein. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.**

The value offered to holders of Claims and Interests in Impaired Classes under the Plan is discussed in the valuation analyses attached to this Disclosure Statement as Exhibit E (the "Valuation Analysis"). The Debtors have been advised by Seabury Securities LLC ("Seabury") with respect to the Valuation Analysis. Based on the financial projections set forth in Exhibit C to this Disclosure Statement, Seabury developed valuations for the consolidated Reorganized Debtors. As noted in the Valuation Analysis, subject to the assumptions and caveats noted therein, the pro forma consolidated equity value of the Reorganized Debtors is estimated to be $[___]413 million to $[___]478 million. Based on this, and an estimated aggregate of Allowed General Unsecured Claims against the consolidated Debtors of $1 billion, Seabury estimates the hypothetical recovery to the holders of Allowed General Unsecured Claims against the Consolidated Debtors to be [___]-[___]41-48%.

Under the Plan, distributions to holders of Allowed General Unsecured Claims against the Consolidated Debtors will be in New Common Stock. The summary set forth above does not purport to be a complete description of the analyses performed by Seabury. The preparation of a valuation estimate involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods in the particular

circumstances, all of which are not able to be described in a summary description or in the Valuation Analysis. In performing its analysis, Seabury made numerous assumptions with respect to industry performance, business and economic conditions and other matters. The analyses performed by Seabury are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses.

Notwithstanding the difficulties in quantifying recoveries to holders of Claims and Interests with precision, the Debtors believe that, comparing the Valuation Analysis to the Liquidation ~~Analysis~~Analyses, the Plan meets the best interests test. As the following table indicates, members of each Impaired Class will receive more under the Plan than they would in liquidation in a hypothetical chapter 7 case.

| Class | Recovery Under Liquidation ~~Analysis~~Analyses | Recovery Under Plan |
|---|---|---|
| Class 3(a) | 0% | Cash Distribution of ~~[ ]~~45%; or New Common Stock Distribution of ~~[ ] [ ]~~41-48%; |
| Class 3(b) | 0% | 0% |
| Class 3(c) | 0% | 0% |
| Class 3(d) | 0% | 0% |
| Class 4 | 0% | 0% |
| Class 5 | 0% | 0% |
| Class 6 | 0% | 0% |

### 4. Feasibility of the Plan

Section 1129(a)(11) of the Bankruptcy Code provides that a chapter 11 plan may be confirmed only if the Bankruptcy Court finds that such plan is "feasible." A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared the financial projections set forth in Exhibit C. Based upon such projections, the Debtors believe that they will have sufficient cash resources to make the payments required pursuant to the Plan, repay and service debt obligations, and maintain operations on a going-forward basis. Accordingly, the Debtors believe that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization of the Debtors and therefore, the Plan complies with section 1129(a)(11) of the Bankruptcy Code.

### 5. Additional Financial information

Detailed financial information is contained in the following documents: (a) Republic's Form 10-K for the fiscal year ended December 31, 2015, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 11, 2016, (b) Republic's Form 10-Q for the quarterly period ended March 31, 2016, filed with the SEC on May 10, 2016, (c) Republic's Form 10-Q for the quarterly period ended June 30, 2016, filed with the SEC on July 26, 2016, (d) Republic's Form 10-Q for the quarterly period ended September 30, 2016, filed with the SEC

on October 20, 2016, all of which are incorporated by reference and available free of charge at http://www.rjet.com/Investor_Relations/SEC_Filings.aspx.

## XIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the Debtors' alternatives include (i) liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) the preparation and presentation of an alternative plan or plans under chapter 11.

### A. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtors. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims and Interests is set forth in Exhibit D, above. The Debtors believe that liquidation under chapter 7 would result in, among other things, (i) smaller distributions being made to creditors and equity interest holders than those provided for in the Plan because of additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals, (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of executory contracts and unexpired leases in connection with a cessation of the Debtors' operations, and (iii) the failure to realize the greater, going concern value of the Debtors' estates.

### B. Alternative Chapter 11 Plan

If the Plan is not confirmed, the Debtors or any other party in interest could attempt to formulate a different chapter 11 plan. Such a plan might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets. The Debtors have concluded that the Plan represents the best alternative to protect the interests of creditors and other parties in interest.

The Debtors believe that the Plan enables the Debtors to successfully and expeditiously emerge from chapter 11, preserves their business, and allows creditors to realize the highest recoveries under the circumstances. In a liquidation under chapter 11 of the Bankruptcy Code, the assets of the Debtors would be sold in an orderly fashion which could occur over a more extended period of time than in a liquidation under chapter 7 and a trustee would not be appointed. Accordingly, creditors would receive greater recoveries than in a chapter 7 liquidation. Although a chapter 11 liquidation is preferable to a chapter 7 liquidation, the Debtors believe that a liquidation under chapter 11 is a much less attractive alternative to creditors than the Plan because a greater return to creditors is provided for in the Plan.

## XIV. CERTAIN FEDERAL TAX CONSEQUENCES OF THE PLAN

The following is a summary of certain U.S. federal income tax consequences of the Plan to the Debtors and certain Creditors and interest holders, including holders of Class 3 Claims and

Interests in RAH. This summary is based on the Internal Revenue Code, Treasury Regulations thereunder, and administrative and judicial interpretations and practice, all as in effect on the date of the Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained, and the Debtors do not intend to seek a ruling from the Internal Revenue Service (the "IRS") as to any of the tax consequences of the Plan discussed below. There can be no assurance that the IRS will not challenge one or more of the tax consequences of the Plan described below.

This summary does not apply to holders of Claims or Interests that are not United States persons (as such term is defined in the Internal Revenue Code), that are otherwise subject to special treatment under U.S. federal income tax law (including, for example, partnerships or entities treated as partnerships for U.S. federal income tax purposes; persons whose functional currency is not the U.S. dollar; banks; governmental authorities or agencies; financial institutions; insurance companies; pass-through entities; tax-exempt organizations; brokers and dealers in securities, currencies or commodities; small business investment companies; persons whose claims arose in connection with providing services to the Debtors, including in an employment capacity; persons whose Claims arose as the result of the rejection of a burdensome contract; and regulated investment companies) or that do not hold their Class 3(a) Claims and Interests in RAH as "capital assets" within the meaning of section 1221 of the Internal Revenue Code. Moreover, this summary does not purport to cover all aspects of U.S. federal income taxation that may apply to the Debtors and holders of Class 3(a) Claims, and Interests in RAH based upon their particular circumstances. In addition, this discussion assumes that the Claims constitute debt for U.S. federal income tax purposes. Holders of Class 3(b) claims should consult with their tax advisors about the possibility of recognizing a loss as a result of the Plan.

This summary does not discuss any tax consequences that may arise under any laws other than U.S. federal income tax law, including under U.S. federal estate tax law or any state, local, or foreign tax law.

The following summary is not a substitute for careful tax planning and advice based on the particular circumstances of each holder of a Claim or Interest, including holders of Class 3 Claims and Interests in RAH. Each holder of a Claim or Interest is urged to consult his, her, or its own tax advisors as to the U.S. federal income tax consequences, as well as other tax consequences, including under U.S. federal estate tax law or any applicable state, local, and foreign law, of the restructuring described in the Plan in light of such holders' particular circumstances.

### A. Certain U.S. Federal Income Tax Consequences to the Holders of Certain Claims and Interests

#### 1. Consequences to Holders of Class 3 Claims

Pursuant to the Plan, Class 3(a) Claims will be exchanged for New Common Stock in Reorganized RAH. The U.S. federal income tax consequences to any holder of Class 3(a) Claims depend on whether the Class 3(a) Claims are treated as "securities" of Reorganized RAH

(as opposed to not being treated as "securities" or being treated as "securities" issued by Reorganized RAH's subsidiaries) for purposes of the reorganization provisions of the Internal Revenue Code.

Whether an instrument constitutes a "security" is determined based on all the facts and circumstances, but most authorities have held that term-length of a debt instrument at issuance is an important factor in determining whether such an instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including, among others: the security for payment; the creditworthiness of the obligor; the subordination or lack thereof to other creditors; the right to vote or otherwise participate in the management of the obligor; convertibility of the instrument into an equity interest of the obligor; whether payments of interest are fixed, variable, or contingent; and whether such payments are made on a current basis, or accrued. Each holder of a Class 3(a) Claim should consult with his, her or its own tax advisor regarding whether the Class 3(a) Claim in question constitutes a "security" for U.S. federal income tax purposes.

If holders of a sufficient amount of Claims against RAH also hold Claims against a RAH~~'s Subsidiary~~ subsidiary, it is possible that the IRS may seek to treat the exchange of such Claims for New Common Stock as part of a nonrecognition exchange under section 351 of the Internal Revenue Code. If the transaction were so treated, a holder would not be permitted to recognize any loss, but would be required to recognize any gain to the extent of any accrued market discount. In such case, the holder's tax basis in its New Common Stock would generally equal its tax basis in the Claims surrendered, increased by the amount of gain recognized. In addition, the holder's holding period in the New Common Stock would generally include its holding period in its Claim, except that the holding period of any New Common Stock issued in respect of a Claim for accrued but unpaid interest would begin on the day following the receipt of such New Common Stock.

a) Consequences to Holders of Class 3(a) Claims that Do Not Constitute RAH Securities

The exchange of Class 3(a) Claims that do not constitute RAH securities for New Common Stock pursuant to the Plan generally should constitute a taxable transaction for U.S. federal income tax purposes. Subject to the "market discount" rules (discussed below under the heading "5. Market Discount") a holder of Class 3(a) Claims that do not constitute securities that exchanges such Class 3 Claims for New Common Stock generally should recognize gain or loss in an amount equal to the difference, if any, between (i) the fair market value of the New Common Stock received and (ii) such holder's adjusted tax basis in its Class 3 Claims exchanged therefor (other than any tax basis attributable to accrued but unpaid interest or accrued original issue discount ("OID"), as discussed below under the heading "4. Accrued But Unpaid Interest or OID". In addition, such holder of Class 3(a) Claims generally will recognize interest income to the extent of any consideration allocable to accrued OID or accrued but unpaid interest not previously included in such holder's taxable income, as discussed below under the heading "4. Accrued But Unpaid Interest or OID". A holder's tax basis in its New Common Stock received generally should equal the fair market value of such New Common

Stock on the date of the exchange and its holding period in such New Common stock should begin the day following the exchange date.

b) Consequences to Holders of Class 3 Claims that Constitute RAH Securities

The exchange of Class 3(a) Claims that constitute RAH securities for New Common Stock pursuant to the Plan should be treated as a tax-free reorganization under the rules applicable to recapitalizations. A holder of Class 3(a) Claims that constitute RAH securities should not recognize any gain or loss on its receipt of New Common Stock, although a holder may recognize ordinary income to the extent that New Common Stock is treated as received in satisfaction of accrued but unpaid interest or OID on such Class 3 Claims as discussed below under the heading "4. Accrued But Unpaid Interest or OID". Such holder should obtain a tax basis in the New Common Stock equal to the holder's tax basis in the Class 3 Claims surrendered therefor and should have a holding period for the New Common Stock that includes the holder's holding period in the Class 3(a) Claims exchanged for the New Common Stock; provided, however, that the tax basis of any share of New Common Stock or treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for such New Common Stock should begin on the day following the exchange date.

c) Consequences to Holders that Elect to Exchange Class 3 Claims for Cash

If a holder elects to exchange its Class 3(a) Claims for cash, the exchange will be a taxable event regardless of whether such Claims constitute securities and the holders of such Claims would generally recognize gain or loss in an amount equal to the difference, if any, between (i) the amount of cash received and (ii) such holder's adjusted tax basis in its exchanged Class 3(a) Claims.

**2. Consequences to Holders of Existing Interests in RAH**

Holders of interests in RAH, which are being cancelled under the Plan, will be entitled to claim a worthless stock deduction (assuming that the taxable year that includes the Effective Date of the Plan is the same taxable year in which such stock first became worthless and only if such holder had not previously claimed a worthless stock deduction with respect to any Interest in RAH) in an amount equal to the holder's adjusted basis in the Interest. If the holder held its Interest in RAH as a capital asset, the loss will be treated as a capital loss.

**3. Accrued But Unpaid Interest or OID**

A portion of the consideration received by a holder of a Claim pursuant to the Plan, including any New Common Stock, may be attributable to accrued but unpaid interest or OID on such Claim. Such amount should be taxable to that holder as interest income if such accrued interest or OID has not been previously included in the holder's gross income for U.S. federal income tax purposes.

A holder generally recognizes a deductible loss to the extent any accrued interest claimed or accrued OID was previously included in its gross income and is not paid in full. However, the IRS has privately ruled that a holder of a "security" of a corporate issuer, in an otherwise tax-free exchange, could not claim a current loss with respect to any accrued unpaid OID. Accordingly, it is also unclear whether, by analogy, a holder of a Claim that does not constitute a security would be required to recognize a capital loss, rather than an ordinary loss, with respect to previously included OID that is not paid in full. Each Claim holder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for U.S. federal income tax purposes.

If the fair market value of the consideration received by a holder is not sufficient to fully satisfy all principal and interest on an Allowed Claim, the extent to which such consideration will be attributable to accrued but unpaid interest or OID is unclear. Under the Plan, the aggregate consideration to be distributed to holders of Allowed Claims in each Class will be treated as first satisfying an amount equal to the stated principal amount of the Allowed Claim for such holders and any remaining consideration as satisfying accrued but unpaid interest or OID, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, but it is unclear whether this extends to OID. There can be no assurance that the IRS will not take the position that the consideration received by a holder should be allocated in some way other than as provided in the Plan. Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

### 4. Market Discount

Certain holders who exchange Claims for New Common Stock or cash may be affected by the "market discount" provisions of sections 1276 through 1278 of the Internal Revenue Code. Under these rules, some or all of the gain recognized by a holder may be treated as ordinary income (instead of capital gain), to the extent of the amount of accrued "market discount" on such Claims.

In general, a debt obligation with a fixed maturity of more than one year that is acquired by a holder on the secondary market (or, in certain circumstances, upon original issuance) generally is considered to be acquired with "market discount" as to that holder if the debt obligation's stated redemption price at maturity (or revised issue price as defined in section 1278 of the Internal Revenue Code, in the case of a debt obligation issued with original issue discount) exceeds the tax basis of the debt obligation in the holder's hands immediately after its acquisition. However, a debt obligation is not a "market discount bond" if such excess is less than a statutory de minimis amount (equal to 0.25 percent of the debt obligation's stated redemption price at maturity or revised issue price, in the case of a debt obligation issued with OID, multiplied by the number of complete years remaining until maturity at the time of the acquisition).

Gain recognized by a holder on the taxable disposition of a Claim (each as determined as described above) that was acquired with market discount may be treated as ordinary income to

the extent of the market discount that accrued thereon while the Claim was held by the holder (unless the holder elected to include market discount in income as it accrued). To the extent that Class 3(a) Claims that were acquired with market discount are exchanged in a tax-free transaction for New Common Stock, any market discount that accrued on the Class 3(a) Claims (up to the time of the exchange) but was not recognized by the holder may be carried over to the New Common Stock received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of such New Common Stock will be treated as ordinary income to the extent of such accrued market discount.

Holders who purchased their Claims with market discount are advised to consult their tax advisors regarding the tax consequences to them under the market discount rules.

**5. Bad Debt Deduction**

A holder who, under the Plan, receives in respect of a Claim an amount less than the holder's tax basis in the Claim in a taxable transaction may be entitled to a bad debt deduction in some amount under section 166(a) of the Internal Revenue Code. The rules governing character, timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the holder, the obligor and the instrument with respect to which a deduction is claimed. Each holder of a Claim, therefore, is urged to consult its tax advisors with respect to its ability to take such a deduction.

**6. Limitation on Use of Capital Losses**

Holders of Claims are subject to limits on their use of capital losses. For non-corporate holders, capital losses may be used to offset any capital gains (without regard to holding periods) plus ordinary income to the extent of the lesser of (1) $3,000 ($1,500 for married individuals filing separate returns) or (2) the excess of the capital losses over the capital gains for the year. Non-corporate holders may carry over unused capital losses and apply them to capital gains and a portion of their ordinary income as described above for an unlimited number of years. Corporate holders cannot use capital losses to offset ordinary income and may carry over unused capital losses only to the five years following the capital loss year, and are allowed to carry back unused capital losses to the three years preceding the capital loss year.

**7. Information Reporting and Backup Withholding**

In general, information reporting requirements may apply to distributions or payments or accruals of OID under the Plan. Additionally, under the backup withholding rules, a holder of a Claim may be subject to backup withholding (currently at a rate of 28%) with respect to distributions or payments made pursuant to the Plan unless that holder: (a) falls within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax, provided that the required information is provided to the IRS.

The Debtors will withhold all amounts required by law to be withheld from payments of interest. The Debtors will comply with all applicable reporting requirements of the Internal Revenue Code.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM OR INTEREST IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE RESTRUCTURING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

### B. Certain U.S. Federal Income Tax Consequences to Reorganized Debtors

#### 1. Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of cash paid, and (y) the fair market value of any non-cash consideration (including stock of the debtor) given in satisfaction of such indebtedness at the time of the exchange. The payment of certain claims will not give rise to COD Income to the extent that the claim payment would have been deductible.

A debtor will not, however, be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce certain of its tax attributes by the amount of COD Income that it excluded from gross income under section 108 of the Internal Revenue Code. In general, tax attributes will be reduced in the following order: (a) NOLs; (b) general business tax credit carryovers, (c) minimum tax credits, (d) capital loss carryovers; (e) tax basis in assets; and (f) foreign tax credit carryovers. A debtor with COD Income may elect first to reduce the basis of its depreciable assets under section 108(b)(5) of the Internal Revenue Code.

Because the Plan provides that holders of Class 3(a) Claims will receive New Common Stock of Reorganized RAH, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend on the fair market value of the New Common Stock exchanged therefor. This value cannot be known with certainty until after the Effective Date.

**2. Limitation of Net Operating Loss Carry Forwards and Other Tax Attributes**

The precise amount of NOL carryovers that will be available to the Reorganized Debtors at emergence is based on a number of factors and is impossible to calculate at this time. As of December 31, 2015, Republic had consolidated NOL carryforwards, for U.S. federal income tax purposes, of approximately $1.4 billion. Approximately $450 million of the NOLs are subject to limitation as a result of previous ownership changes and limitations imposed by section 382 of the Internal Revenue Code. Some of the factors that will impact the amount of available NOLs include: the amount of taxable income or loss incurred by the Debtors in 2016; the value of the New Common Stock of Reorganized RAH; and the amount of COD Income incurred by the Debtors in connection with consummation of the Plan. The Debtors anticipate that, taking these factors into account, they will have substantial federal NOL carryovers following emergence, subject to the limitations discussed below. The Reorganized Debtors' subsequent utilization of any losses and NOL carryovers remaining and possibly certain other tax attributes may be restricted as a result of and upon consummation of the Plan.

Following consummation of the Plan, the Debtors anticipate that any remaining NOL and tax credit carryovers and, possibly, certain other tax attributes of the Reorganized Debtors allocable to periods prior to the Effective Date (collectively, "Pre-Change Losses") may be subject to limitation under section 382 of the Internal Revenue Code as a result of an "ownership change" of the Reorganized Debtors by reason of the transactions pursuant to the Plan. Under section 382 of the Internal Revenue Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation.

a) General Section 382 Annual Limitation

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (i) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (ii) the "long-term tax-exempt rate" in effect for the month in which the "ownership change" occurs (currently 1.54%, as of November 2016). However, the annual limitation is reduced to zero if the corporation fails to continue its business enterprise for the two years following the ownership change. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

If the Debtors' assets in the aggregate have a fair market value less than the Debtors' tax basis therein (a "Net Unrealized Built-in Loss"), any built-in losses recognized during the following five years (up to the amount of the original Net Unrealized Built-in Loss), including loss on disposition of assets and depreciation and amortization deductions attributable to the excess of the tax basis of the assets of the Debtors over their fair market value as of the date of the ownership change, generally will be treated as Pre-Change Losses subject to the annual limitation. While the Debtors have not completed a review and valuation of their assets, the Debtors do not expect to have a Net Unrealized Built-in Loss after the consummation of the Plan.

If the Debtors' assets in the aggregate have a fair market value greater than the Debtors' tax basis therein (such excess, a "Net Unrealized Built-in Gain"), any Net Unrealized Built-in Gain recognized by the Debtors in the five years immediately after the ownership change will generally increase the section 382 limitation in the year recognized, such that the Debtors would be permitted to use their pre-change NOLs against such gain in addition to their regular allowance. For these purposes, the Debtors would be permitted to increase their annual section 382 limitation during the five years immediately after the ownership change by an amount determined by reference to the depreciation and amortization deductions that a hypothetical purchaser of the Debtors' assets would have been permitted to claim if it had acquired the Debtors' assets in a taxable transaction as compared to the actual depreciation and amortization deductions of the Debtors. While the Debtors have not completed a review and valuation of their assets, the Debtors anticipate that they will have a substantial Net Unrealized Built-in Gain in their assets that would allow them to increase the otherwise applicable section 382 limitation.

b) Special Bankruptcy Exceptions

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor company in chapter 11 receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). A "qualified creditor" generally is a creditor who has held (i) its claim continuously for at least 18 months prior to the petition date or (ii) a claim incurred in the ordinary course of the debtor's business since the claim was incurred. A claim that arises upon the rejection of a burdensome contract pursuant to a chapter 11 case is treated as an ordinary course claim. The Debtors believe and intend to take the position that the Codeshare Partners' Claims have so arisen and accordingly, the Codeshare Partners are treated as "qualified creditors." Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis but, instead, are required to be reduced by the amount of any interest deductions claimed during the three taxable years preceding the Effective Date, and during the part of the taxable year prior to and including the Effective Date, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Debtors undergo another "ownership change" within two years after consummation of the Plan, then the Debtors' Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). When the 382(l)(6) Exception applies, the general section 382 limitation applies, but a debtor corporation that undergoes an "ownership change" generally is permitted to determine the fair market value of its stock for the purposes of calculation the section 382 limitation after taking into account the increase in value resulting from any surrender or cancellation of creditors' claims in the bankruptcy. This differs from the ordinary rule that requires the fair market value of the stock of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the debtor corporation is not required to reduce its NOLs by the amount of interest deductions claimed

within the prior three-year period, and the debtor may undergo a change of ownership within two years without triggering the elimination of its NOLs.

Although a final determination will not be made until the Debtors' 2017 U.S. federal income tax return is filed, the Debtors believe there is a significant likelihood they will be eligible to utilize the 382(l)(5) Exception. However, neither the Internal Revenue Code nor the Treasure regulations address whether the 382(l)(5) Exception applies on a consolidated basis or only on a separate company basis. The IRS has, however, issued a private letter ruling applying the 382(l)(5) Exception on a consolidated basis under certain circumstances. Although the present circumstances differ somewhat from those in the ruling, Republic believes that the consolidated application of the 382(l)(5) Exception in the present context is proper. In the event that the Debtors do not use the 382(l)(5) Exception, the Debtors expect that their use of their NOLs after the Effective Date will be subject to limitation based on the rules discussed above, but taking into account the 382(l)(6) Exception.

### 3. Restrictions on Resale of Securities to Protect NOLs

The Debtors expect to emerge from chapter 11 with valuable tax attributes, including substantial NOLs. Regardless of whether the Debtors elect to utilize the 382(l)(5) Exception, the Reorganized Debtors' ability to utilize these NOLs could be subject to elimination of the limitation if an "ownership change" with respect to the New Common Stock of Reorganized RAH were to occur after emergence. To the extent reasonably necessary to avoid adverse federal income tax consequences resulting from an ownership change (as defined in section 382 of the Internal Revenue Code), the Amended Certificate of Incorporation and the Stock holders Agreement may impose certain restrictions on the transfer of (i) New Common Stock and (ii) Claims prior to their Allowance without the consent of the Reorganized Board. Such restrictions, if any, will be described in the Plan Supplement.

### 4. Section 269 of the Internal Revenue Code

Aside from the objective limitations of section 382 of the Internal Revenue Code, the IRS may disallow the subsequent use of a corporation's losses pursuant to section 269 of the Internal Revenue Code. Under section 269, if the IRS determines that the "principal purpose" of an acquisition was to evade or avoid U.S. federal income tax by allowing the taxpayer to secure the benefit of a deduction, credit, or other allowance which such person or corporation would not otherwise enjoy, the IRS may disallow such deduction, credit, or other allowance. Section 269 applies to direct or indirect acquisition of 50% or more (by vote or value) of a corporation's stock, including such acquisition pursuant to a plan of reorganization in chapter 11. The Debtors do not believe that securing a tax benefit is the principal purpose of the acquisition of control of Reorganized RAH by the Creditors pursuant to the Plan. However, no assurance can be given in this regard.

### 5. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable

income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular tax purposes by available NOL carryforwards, only 90% of a corporation's AMTI may be offset by available NOL carryforwards. The effect of this rule could cause Reorganized RAH to owe a modest amount of federal income tax on taxable income in future years even if NOL carryforwards are otherwise available to offset that taxable income. Additionally, under section 56(g)(4)(G) of the Internal Revenue Code, an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built-in loss in its assets will cause, for purposes of calculating Reorganized RAH's "adjusted current earnings" that may increase Reorganized RAH's AMTI, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under section 382(h) of the Internal Revenue Code, immediately before the ownership change.

## XV. CONCLUSION AND RECOMMENDATION

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because the Plan will provide the greatest recoveries to creditors. Other alternatives would involve significant delay, uncertainty, and substantial additional administrative costs. The Debtors urge holders of impaired Claims entitled to vote on the Plan to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received no later than [_:__][_].m., Eastern Time, on [___], 2017.

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Dated: New York, New York
~~November 16,~~December 19, 2016

Respectfully submitted,

REPUBLIC AIRWAYS HOLDINGS INC.

By: _____
Name: Bryan K. Bedford
Title: Chairman, President, and Chief Executive Officer

SHUTTLE AMERICA CORPORATION

By: _____
Name: Bryan K. Bedford
Title: Chairman, President, and Chief Executive Officer

REPUBLIC AIRWAYS SERVICES, INC.

By: _____
Name: Bryan K. Bedford
Title: Chairman, President, and Chief Executive Officer

REPUBLIC AIRLINE INC.

By: _____
Name: Bryan K. Bedford
Title: Chairman, President, and Chief Executive Officer

SKYWAY AIRLINES, INC.

By: _____
Name: Bryan K. Bedford
Title: Chairman, President, and Chief Executive Officer

MIDWEST AIRLINES, INC.

By: _____
Name: Bryan K. Bedford
Title: Chairman, President, and Chief Executive Officer

MIDWEST AIR GROUP, INC.

By: _____
Name: Bryan K. Bedford
Title: Chairman, President, and Chief Executive Officer

**Exhibit A**

**Plan of Reorganization**

**Exhibit B**

**Disclosure Statement Approval Order**

[To be inserted]

**Exhibit C**

**Financial Projections**

~~**Business Plan and Projected Financial Information**~~

~~[To be provided]~~

# EXHIBIT C

## Financial Projections

The financial projections presented herein for the Reorganized Debtors (the "Financial Projections") are shown on a consolidated basis for the period of January 1, 2017 through December 31, 2021 (the "Projection Period"). Also provided herein are key assumptions and commentary for the Financial Projections (the "Notes"). The Financial Projections and the Notes should be read in conjunction with the Plan and Disclosure Statement. The Debtors, with the assistance of their financial advisors, have prepared these Financial Projections to assist the Bankruptcy Court in determining whether the Plan meets the so-called "feasibility test" of section 1129(a)(11) of the Bankruptcy Code.

The Debtors generally do not publish their business plans, market strategies, anticipated future financial position or results of operations in the level of detail and in the format set forth herein. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to holders of Claims or Interests, or to include such information in documents required to be filed with the SEC or otherwise make public such information.

THE FINANCIAL PROJECTIONS HAVE BEEN PREPARED BY THE DEBTORS' MANAGEMENT, IN CONJUNCTION WITH THE DEBTORS' FINANCIAL ADVISOR, SEABURY CORPORATE ADVISORS LLC ("SEABURY"). SEABURY HAS REVIEWED THE FINANCIAL PROJECTIONS AND BELIEVES THAT THE ASSUMPTIONS USED BY MANAGEMENT IN THE PREPARATION THEREOF ARE REASONABLE AND REFLECT THE BEST INFORMATION AVAILABLE TO THE DEBTORS AT THIS TIME. THE FINANCIAL PROJECTIONS WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AND BY THEIR NATURE ARE NOT FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA.

THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE ACCOMPANYING FINANCIAL PROJECTIONS AND ACCORDINGLY DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE FINANCIAL PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE FINANCIAL PROJECTIONS AND DISCLAIM ANY ASSOCIATION WITH THE FINANCIAL PROJECTIONS.

THE FINANCIAL PROJECTIONS DO NOT REFLECT THE FULL IMPACT OF FRESH START REPORTING IN ACCORDANCE WITH AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS STATEMENT OF POSITION 90-7, "FINANCIAL REPORTING BY ENTITIES IN REORGANIZATION UNDER THE BANKRUPTCY CODE." THE

IMPACT OF FRESH START REPORTING, WHEN REFLECTED AT THE EFFECTIVE DATE, MIGHT MATERIALLY DIFFER FROM THE ENCLOSED PROJECTIONS.

THE FINANCIAL PROJECTIONS CONTAIN CERTAIN STATEMENTS THAT ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS AND THE REORGANIZED DEBTORS, INCLUDING THE CONFIRMATION OF THE PLAN ON THE PRESUMED EFFECTIVE DATE, THE CONTINUING AVAILABILITY OF SUFFICIENT LIQUIDITY OR OTHER FINANCING TO FUND OPERATIONS, ACHIEVING OPERATING EFFICIENCIES, COVENANTS IN NEW CREDIT FACILITIES, MAINTAINING GOOD EMPLOYEE RELATIONS, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, ACTS OF TERRORISM OR WAR, INDUSTRY SPECIFIC RISK FACTORS (AS DETAILED IN THE DISCLOSURE STATEMENT IN THE SECTION TITLED "CERTAIN RISKS ASSOCIATED WITH THE AIRLINE INDUSTRY") AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS AND SEABURY, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS AND THE REORGANIZED DEBTORS. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE OR ARE MADE AS TO THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THESE FINANCIAL PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE DEBTORS AND REORGANIZED DEBTORS DO NOT INTEND AND DO NOT UNDERTAKE ANY OBLIGATION TO UPDATE OR OTHERWISE REVISE THE FINANCIAL PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE THESE FINANCIAL PROJECTIONS ARE INITIALLY FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE FINANCIAL PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN,

HOLDERS OF CLAIMS OR INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE FINANCIAL PROJECTIONS.

THESE FINANCIAL PROJECTIONS WERE DEVELOPED SOLELY FOR PURPOSES OF THE FORMULATION AND NEGOTIATION OF THE PLAN AND TO ENABLE THE HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE UNDER THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF SECURITIES OF, OR CLAIMS OR INTERESTS IN, THE DEBTORS OR ANY OF THEIR AFFILIATES.

**General Assumptions in the Financial Projections and the Notes**

The Financial Projections have been prepared based on the assumption that the Effective Date of the Plan is February 28, 2017. The Financial Projections are based on, and assume, among other things, the Debtors' successful reorganization, completion of the Debtors' fleet restructuring initiatives, and implementation of the Debtors' business plan. Although the Debtors presently intend to cause the Effective Date to occur as soon as practicable following Confirmation of the Plan, there can be no assurance as to when the Effective Date will actually occur. If the Effective Date is delayed, the Debtors will continue to incur reorganization costs, which may be significant. The Financial Projections do not include any assumptions about any equity capital or debt financing transactions that the Reorganized Debtors may consummate after the Effective Date.

Please read in conjunction with associated Notes. Figures shown may not tie due to rounding.

## Financial Projections

### Projected Consolidated Statements of Operations (unaudited)

| $ mil | Projected for the year ending December 31 | | | | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Revenue | 1,225 | 1,248 | 1,220 | 1,224 | 1,240 |
| Wages and benefits | 381 | 406 | 416 | 434 | 442 |
| Depreciation | 203 | 201 | 200 | 197 | 196 |
| Maintenance and repair | 322 | 325 | 302 | 282 | 312 |
| All other operating expenses | 165 | 175 | 178 | 181 | 182 |
| Total operating expenses | 1,071 | 1,108 | 1,097 | 1,095 | 1,132 |
| Operating income | 153 | 141 | 124 | 130 | 108 |
| Non-operating expenses | 113 | 85 | 72 | 60 | 49 |
| Pretax income | 40 | 56 | 51 | 69 | 59 |
| Income taxes | 15 | 21 | 19 | 26 | 23 |
| **Net income** | 25 | 34 | 32 | 43 | 37 |

### Projected Consolidated Balance Sheets (unaudited)

| $ mil | Actual | Projected for the year ending December 31 | | | | |
|---|---|---|---|---|---|---|
| | Oct 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Cash and cash equivalents | 161 | 161 | 124 | 131 | 152 | 157 |
| Other current assets | 149 | 108 | 104 | 101 | 100 | 98 |
| Total current assets | 310 | 269 | 228 | 232 | 252 | 255 |
| Aircraft and other assets | 2,935 | 2,059 | 1,878 | 1,698 | 1,521 | 1,345 |
| **Total assets** | **3,245** | **2,328** | **2,106** | **1,930** | **1,773** | **1,601** |
| Current liabilities | 385 | 343 | 292 | 292 | 298 | 302 |
| Long-term debt - less current portion | 1,886 | 1,546 | 1,319 | 1,092 | 860 | 624 |
| Other liabilities | 1,093 | 21 | 43 | 62 | 88 | 111 |
| Total liabilities | 3,365 | 1,910 | 1,654 | 1,446 | 1,247 | 1,037 |
| Stockholders' (deficit) equity | (120) | 417 | 452 | 484 | 527 | 563 |
| **Total liabilities and stockholders' (deficit) equity** | **3,245** | **2,328** | **2,106** | **1,930** | **1,773** | **1,601** |

**Projected Consolidated Statements of Cash Flows**
**(unaudited)**

| $ mil | Projected for the year ending December 31 | | | | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating cash flow | 291 | 273 | 265 | 276 | 265 |
| Investing cash flow | (33) | (20) | (20) | (20) | (20) |
| Financing cash flow | (226) | (290) | (237) | (236) | (240) |
| Increase/(decrease) in cash | 32 | (37) | 8 | 20 | 5 |
| Beginning cash balance | 129 | 161 | 124 | 131 | 152 |
| **Ending cash balance** | **161** | **124** | **131** | **152** | **157** |

## Notes to the Financial Projections

## Projected Consolidated Statements of Operations

Overview

The Reorganized Debtors' plan to operate a fleet of E170/175 aircraft under the Codeshare Agreements on behalf of American, Delta, and United.

Upon the expected Effective Date, the Debtors will operate 168 aircraft. Under the United Codeshare Agreement, the Debtors will receive an additional 12 E175 aircraft over a period of seven months beginning in April 2017, resulting in a committed contractual fleet of 180 E170/175 aircraft.

As aforementioned, the Debtors' fleet of ERJ-140/145 and Q400 aircraft have been rejected or surrendered to the secured parties. The Debtors have also rejected or surrendered excess E170/E175 aircraft. The Debtors will not incur any financial obligations with regard to these aircraft following the Effective Date.

Revenue

Revenue consists of payments earned in connection with the Codeshare Agreements. In exchange for providing flights and all other services under the codeshare agreements, the Debtors receive from the Codeshare Partners certain fixed amounts plus certain additional amounts based upon the number of flights flown and block hours performed during the month. In addition, certain costs incurred by the Debtors in performing the flight services are "passthrough" costs, where the Codeshare Partner agrees to reimburse the Debtors for the actual amounts incurred, including: basic aircraft and engine rentals, passenger liability, war risk, and hull insurance, and property taxes, among others, all as defined in each of the codeshare agreements. Further, the codeshare partners provide fuel, ground handling services, and various other services at no cost to the Debtors. The Debtors incur penalties if certain predetermined operational performance goals are not achieved and incentives if operational performance goals are exceeded.

Revenue under the codeshare agreements is forecast based on a number of factors, including (i) fleet size (ii) expected utilization for the contracted aircraft (iii) contract reimbursement rates and annual adjustments thereto and (iv) the Debtors' expected operating performance.

Operating Expenses

Wages and Benefits
Salaries, wages and benefits include labor expenses based on labor contracts, expected fleet operating levels and projected benefits.

Maintenance and Repair:
The Debtors currently outsource all heavy engine and airframe maintenance work as well as major component and landing gear repairs. Airframe and engine heavy maintenance expenses are based on a calendar of upcoming repair events (the timing for which is relatively predictable based on anticipated aircraft utilization) and their associated costs, which are estimated based on recent historical activity. Component repair costs are estimated based on current repair contract rates. Line maintenance expenses are based on historical trends and the Debtors' actual costs in this category adjusted for changes in the size and composition of the operating fleet.

Depreciation:
The Financial Projections reflect depreciation for owned aircraft and other property and equipment, including aircraft rotable parts.

All Other Operating Expenses:
Other expenses include, among others, aircraft and engine rent, property and franchise taxes, insurance, navigation fees, crew overnight accommodations and transportation, airport landing fees, hub facility and other facilities rental, equipment rental costs and fees, communications, utilities, hardware and software maintenance, employee training and flight simulation expenses, and general supplies.

Non-Operating Expenses:
Non-operating expenses primarily consist of interest expense, but also include certain restructuring expenses and charges in 2017.

Income Taxes:
The Debtors assume a statutory tax rate of approximately 38% throughout the Projection Period. The Debtors expect to utilize federal NOLs, subject to statutory limitations, to offset substantially all of the Debtors' anticipated federal taxable income during the Projection Period. The assumed utilization of federal NOLs is expected to offset the Debtors' cash tax burden with respect to the payment of income taxes.

**Projected Consolidated Balance Sheets**

Capital Structure:
The Debtors' capital structure is assumed to include the following:

Common Stock:
On the Effective Date, each holder of a General Unsecured Claim (Classes 3(a)-(b)), in complete satisfaction of such Claim, shall receive a percentage of the New Common Stock as noted in the Plan.

DB Facility:
Approximately $60.0 million under the existing DB Facility.

Secured Financed Aircraft and Equipment Obligations:
Approximately $2.37 billion in principal amount of notes amortized through 2028, bearing interest at fixed rates ranging from 2.0% to 7.5%, secured by aircraft

**Projected Consolidated Statements of Cash Flows**

During the Projection Period, the Debtors estimate their business operations will generate substantial operating cash flows that will be utilized primarily for debt service. Net cash flow over the Projection Period is approximately $28 million. The Debtors expect to have unrestricted cash of approximately $128 million at emergence.

Operating Cash Flow:

During the Projection Period, it is estimated that the Debtors will generate positive cash flow from operations. Cash flow from operating activities is projected to be in a range of approximately $265 to $291 million per year during the Projection Period. Aggregate cash produced from operating activities during the Projection Period is approximately $1.4 billion.

Investing Cash Flow:

Investing activities are projected to utilize cash of approximately $113 million over the Projection Period related to ongoing purchases of engines, spare parts and rotables, offset by return of pre-delivery deposits.

Financing Cash Flow:

The Financial Projections anticipate the use of approximately $1.2 billion during the Projection Period as debt service, including principal payments on aircraft and engines and full repayment of the DB Facility upon expiry in 2018.

**Exhibit D**

**Liquidation ~~Analysis~~Analyses**

~~[To be provided]~~

# EXHIBIT D

## Liquidation Analyses

## INTRODUCTION

In connection with the Plan and Disclosure Statement, the following hypothetical Liquidation Analyses ("Liquidation Analyses") have been prepared by Debtors' management with the assistance of their financial advisors for: (1) the Consolidated Debtors (2) the Skyway Debtor, (3) the Midwest Debtor, and (3) the MAGI Debtor.

The Liquidation Analyses represent a hypothetical scenario whereby, under chapter 7 liquidation proceedings, all estimated proceeds from the liquidation of the Debtors' estates would be paid to claimants and equity interest holders of the Debtors. It is the Debtors' and their financial advisor's opinion that even though the assumptions used in this Analysis are reasonable, they are subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors, their management and their advisors. ACCORDINGLY, NEITHER THE DEBTORS NOR THEIR ADVISORS MAKE ANY WARRANTY OR REPRESENTATION THAT THE HYPOTHETICAL RECOVERY OF AMOUNTS OUTLINED IN THESE ANALYSES WOULD OR WOULD NOT APPROXIMATE THE ACTUAL AMOUNTS THE CLAIMANTS MIGHT HAVE BEEN ABLE TO RECOVER HAD THE DEBTORS LIQUIDATED THEIR ASSETS UNDER A CHAPTER 7 PROCEEDING.

The Debtors, with the assistance of their financial advisors, have prepared these Liquidation Analyses for the purpose of evaluating whether the Plan meets the so-called best interests test under section 1129(a)(7) of the Bankruptcy Code.

The Liquidation Analyses indicate the values, which may be obtained upon disposition of assets, pursuant to a hypothetical chapter 7 liquidation, as an alternative to continued operation of the business as proposed under the Plan. Accordingly, values discussed herein are different than amounts referred to in the Plan, which illustrates the value of the Debtors business as a going concern.

## BASIS OF PRESENTATION

The Analyses assume that the Debtors' chapter 11 cases are converted into chapter 7 cases under the Bankruptcy Code on January 31, 2017 (the "Liquidation Date"). All calculations put forth in the Analyses are based on the unaudited book values as of September 30, 2016 and these values, in total, are assumed to be representative of each Debtor's assets and liabilities as of the Liquidation Date.

The Analyses assume that, on the Liquidation Date, the Bankruptcy Court would appoint a Bankruptcy Trustee (the "Trustee"). The Trustee would oversee the orderly process of liquidating the Debtors' assets and the distribution of proceeds to the Debtors' claimants. It is assumed that the liquidation process would take approximately 12-18 months. Furthermore, it is assumed that the distribution of all proceeds would be in accordance with Bankruptcy Code

sections 726 and 507 as follows: to satisfy (i) all secured claims to the extent the relevant collateral values of the Debtors' assets are sufficient to do so, (ii) any administrative claims for fees and expenses arising from the Chapter 7 process for the benefit of the Trustee and other professionals involved in the liquidation process, (iii) any administrative claims such as Chapter 11 professional fees, post-petition payables and other accrued liabilities, (iv) any priority unsecured claims and (v) any General Unsecured Claims.

The Analyses include an estimate of the amount of claims that could ultimately be allowed under a hypothetical chapter 7 liquidation. Nothing contained in these valuation assumptions is intended to be or constitutes a concession or admission of the Debtors for any other purpose nor is it intended to bind any other party.

The Analyses also assume that there are no recoveries from the pursuit of any potential preferences, fraudulent conveyances, or other causes of action that may exist and does not include the estimated costs of pursuing those actions.

In preparing the Liquidation Analyses, the amount of allowed claims have been projected based upon a review of scheduled claims and all Proofs of Claims associated with pre-petition and post-petition obligations. Additional claims were estimated to include certain post-petition obligations on account of which claims have not been asserted, but which would be asserted in a hypothetical chapter 7 liquidation. These potential claims include, without limitation, claims related to assumed executory contracts, pension and related obligations, and lease and contract rejections including additional administrative claims relating to damages for breach of contracts and leases that were assumed during the chapter 11 cases. In the event litigation were necessary to resolve claims asserted in a chapter 7 liquidation, the delay could be prolonged and claims could further increase. The effects of this delay on the value of distributions under the hypothetical liquidation have not been considered. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of claims at the estimated amounts set forth in the Liquidation Analyses. THE ESTIMATED AMOUNT OF ALLOWED CLAIMS SET FORTH IN THE LIQUIDATION ANALYSES SHOULD NOT BE RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING, WITHOUT LIMITATION, ANY DETERMINATION OF THE VALUE OF ANY DISTRIBUTION TO BE MADE ON ACCOUNT OF ALLOWED CLAIMS UNDER THE PLAN. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY
AND SIGNIFICANTLY DIFFER FROM THE AMOUNT OF CLAIMS ESTIMATED IN THE LIQUIDATION ANALYSES.

**PRINCIPAL ASSUMPTIONS – CONSOLIDATED DEBTORS**

The following notes detail the assumed treatment and estimated value of (i) the Consolidated Debtors' assets, (ii) costs associated with the liquidation of these assets and (iii) any claims that have been asserted or could be asserted against these assets. The number associated with each note below corresponds with the number of a line item on the Consolidated Debtors Liquidation Analysis.

***Note 1: Cash and cash equivalents***
Cash and cash equivalents (including checking, savings or other financial accounts) includes any cash amounts or cash equivalent securities which are held by any of the Consolidated Debtors. The estimated recovery for this asset is 100%.

***Note 2: Restricted cash***
Restricted cash consists of cash-collateralized Letters of Credit ("LCs") with various financing counterparties, workers compensation claim reserves and certain airport authorities and funds held by a third party owner/trustee in trust for the satisfaction of certain contingent tax obligations. Upon liquidation, relevant counterparties will demand delivery of this cash collateral to offset any potential claims which may be asserted against the Consolidated Debtors' estate. The estimated recovery for this asset is 0%.

***Note 3: Receivables***
Receivables include customer receivables, insurance receivables, various trade receivables and intercompany receivables from the Midwest Airline Debtor. Estimated recoveries are based on specific knowledge of the various trade contracts as well as on industry experience of the Debtors and their advisors. Furthermore, the age of each receivable was considered in the application of the discount factor. Customer receivables and certain trade receivables are assumed to be retained by the relevant creditors and offset against potential claims which may be asserted against the Consolidated Debtors' estate. The estimated recovery for this asset is 2.5%.

***Note 4: Inventory***
Inventory consists of expendable and repairable parts, as well as other supplies and materials used in day-to-day operations. Total estimated recovery for this asset is 25%.

***Note 5: Prepaid expenses and other current assets***
Prepaid expenses and other current assets consists primarily of deposits, facility and engine rent, and other current assets. It is assumed that these assets will be utilized (i) for offsetting any claims that the relevant creditor may have against the Consolidated Debtors or (ii) through consumption in the normal course of the Consolidated Debtors' operations in chapter 11 prior to the Liquidation Date. The estimated recovery for this asset is 0%.

***Note 6: Assets held for sale***
Assets held for sale consists of spare parts (expendables, repairables, rotables and tools) for aircraft which have since been removed from the Consolidated Debtors' fleet and are no longer required to support the Consolidated Debtors' operation. The estimated recovery for this asset is 50%.

***Note 7: Aircraft and other equipment***
Aircraft and other equipment is comprised of aircraft and related installed engines, spare engines, aircraft improvements and related rotable spare parts. The aircraft are operated primarily in the U.S. by regional carriers on behalf of major airlines under Capacity Purchase Agreements similar to the Consolidated Debtors' business model. As the Consolidated Debtors' are the world's largest operator of the aircraft type, market values of this equipment would be

significantly impacted in a chapter 7 liquidation of Consolidated Debtors. The estimated recovery for this asset is 54.1% of book value.

***Note 8: Maintenance deposits***
Maintenance deposits are assumed to be retained by the maintenance provider and offset against any potential claims which may be asserted against the Consolidated Debtor's estate. The estimated recovery for this asset is 0%.

***Note 9: Intangible and other assets***
Intangible and Other Assets consist largely of deposits, credits receivable from vendors and the Consolidated Debtors' airport slot portfolio. The estimated recovery for this asset is 0% of book value.

***Note 10: Assumed liquidation costs***
Assumed liquidation costs include chapter 7 Trustee and professional fees assumed to be 3% of the total liquidation value of proceeds as well as estimated expenses that would be incurred during the wind-down period, including wages and benefits for employed personnel, aircraft storage costs and general overhead costs.

***Note 11: Senior secured super-priority claims***
The DIP Financing Facility is undrawn and is assumed to be terminated.

***Note 12: Secured claims***
This amount includes claims secured by certain aircraft and other equipment. The allowed claim amount is equal to the liquidation value ascribed to the underlying collateral. Any debt that is not satisfied by the value of the underlying collateral becomes an unsecured deficiency claim and is included in the estimated amount for General Unsecured Claims.

***Note 13: Administrative claims***
This amount includes administrative claims that are senior to priority and General Unsecured Claims, including post-petition accounts payable and accrued expenses, allowed administrative claims and incurred but unpaid professional fees.

***Note 14: Incremental administrative claims***
This amount includes estimated incremental administrative claims that may result from the termination of the Consolidated Debtors' businesses and the liquidation of their assets, including, but not limited to, assumed contract rejection claims, post-petition contract rejection claims and post-petition lease rejection claims. Note that assumed contract rejection damage, particularly assumed Codeshare Agreements, could generate materially higher claims in a liquidation.

***Note 15: Priority claims***
This amount includes estimated priority tax claims.

***Note 16: Allowed and estimated allowed General Unsecured Claims***

This amount includes claims arising from approved settlement agreements and management's estimation of allowed unsecured claims based upon General Unsecured Claims which have been filed but not yet resolved.

***Note 17: Incremental General Unsecured Claims expected in liquidation***

This amount represents estimated incremental General Unsecured Claims that would result from a liquidation of the Consolidated Debtors' business including aircraft deficiency claims, pre-petition contract rejection damages claims and pre-petition trade payables.

*Hypothetical Liquidation Analysis for Consolidated Debtors*
*Republic Airways Holdings Inc. and Certain of its Subsidiaries*
*(UNAUDITED)*
*Values in USD 000*

| | | Net Book Value as of 9/30/2016 | Liquidation Value | |
|---|---|---|---|---|
| | | | *Estimated Value* | *% of Book Value* |
| | Assets and estimated realization | | | |
| 1 | Cash and cash equivalents | 174,900 | 174,900 | 100.0% |
| 2 | Restricted cash | 14,200 | - | 0.0% |
| 3 | Receivables | 271,069 | 6,683 | 2.5% |
| 4 | Inventory | 44,500 | 11,125 | 25.0% |
| 5 | Prepaid expenses and other current assets | 10,900 | - | 0.0% |
| 6 | Assets held for sale | 5,000 | 2,500 | 50.0% |
| 7 | Aircraft and other equipment, net | 2,870,385 | 1,554,282 | 54.1% |
| 8 | Maintenance deposits | 30,000 | - | 0.0% |
| 9 | Intangible and other assets | 85,200 | - | 0.0% |
| | **Total assets / proceeds available for distribution** | **3,506,154** | **1,749,490** | **49.9%** |
| 10 | Assumed liquidation costs | | 55,485 | |
| | **Amounts available to creditors** | | **1,694,005** | |
| | Amounts available to satisfy claims | *Allowed Claim* | | |
| 11 | *Senior secured super priority claims* | - | - | n/a |
| | **Amounts Available to Other Creditors Following Satisfaction of Senior Secured Super Priority Claims** | | **1,694,005** | |
| 12 | *Secured claims* | 1,575,000 | 1,575,000 | 100.0% |
| | **Amounts available to other creditors following satisfaction of super priority and secured claims** | | **119,005** | |
| 13 | *Administrative claims* | 200,000 | 11,334 | 5.7% |
| 14 | *Incremental admistrative claims* | 1,900,000 | 107,672 | 5.7% |
| | **Total administrative claims** | **2,100,000** | **119,005** | |
| | **Amounts available to other creditors following satisfaction of super priority, secured and administrative claims** | | - | |
| 15 | *Priority claims* | 5,000 | - | 0.0% |
| | **Amounts available to General Unsecured Creditors** | | - | |
| 16 | *Allowed and estimated allowed General Unsecured Claims* | 1,000,000 | - | 0.0% |
| 17 | *Incremental General Unsecured Claims in liquidation* | 1,000,000 | - | 0.0% |
| | **Total General Unsecured Claims** | **2,000,000** | - | |
| | **Hypothetical Recovery for General Unsecured Creditors** | | - | 0.0% |

## PRINCIPAL ASSUMPTIONS – SKYWAY DEBTOR

The following notes detail the assumed treatment and estimated value of (i) the Skyway Debtor's assets, (ii) costs associated with the liquidation of these assets and (iii) any claims that have been asserted or could be asserted against these assets. The number associated with each note below corresponds with the number of a line item on the Skyway Debtor Liquidation Analysis.

***Note 1: Assets***
The Skyway Debtor has no assets.

***Note 2: Assumed liquidation costs***
Minimal fees are assumed for liquidation of the estate.

***Note 3: Allowed and estimated allowed General Unsecured Claims***
The amount includes claims arising from management's estimation of allowed unsecured claims based upon General Unsecured Claims which have been filed but not yet resolved.

*Consolidated Hypothetical Liquidation Analysis for*
*Skyway Airlines, Inc.*
*(UNAUDITED)*
*Values in USD 000*

| | | Net Book Value as of 9/30/2016 | Liquidation Value | |
|---|---|---|---|---|
| | | | *Estimated Value* | *Realization* |
| | Assets and estimated realization | | | |
| 1 | Assets | - | - | n/a |
| | **Total assets / Proceeds available for distribution** | - | - | **n/a** |
| 2 | Assumed liquidation costs | | 100 | |
| | **Amounts available to creditors** | | - | |
| | Amounts available to satisfy claims | *Allowed Claim* | | |
| 3 | *Allowed and estimated allowed General Unsecured Claims* | 3,100 | - | 0.0% |
| | **Hypothetical recovery for creditors** | | - | |

## PRINCIPAL ASSUMPTIONS – MAGI DEBTOR

The following notes detail the assumed treatment and estimated value of (i) the MAGI Debtor's assets, (ii) costs associated with the liquidation of these assets and (iii) any claims that have been asserted or could be asserted against these assets. The number associated with each note below corresponds with the number of a line item on the MAGI Debtor Liquidation Analysis.

***Note 1: Assets***
The MAGI Debtor has no assets.

***Note 2: Assumed liquidation costs***
Minimal fees are assumed for liquidation of the estate.

***Note 3: Allowed and estimated allowed claims***
No claims are expected for the MAGI Debtor.

*Hypothetical Liquidation Analysis for*
*MAGI Debtor*
*(UNAUDITED)*
*Values in USD 000*

| | | Net Book Value as of 9/30/2016 | Liquidation Value | |
|---|---|---|---|---|
| | | | *Estimated Value* | *Realization* |
| | Assets and estimated realization | | | |
| 1 | Assets | - | - | n/a |
| | **Total assets / Proceeds available for distribution** | - | - | **n/a** |
| 2 | Assumed liquidation costs | | 100 | |
| | **Amounts available to creditors** | | - | |
| | Amounts available to satisfy claims | *Allowed Claim* | | |
| 3 | *Allowed and estimated allowed claims* | - | - | n/a |
| | **Hypothetical recovery for creditors** | | - | **0.0%** |

**PRINCIPAL ASSUMPTIONS – MIDWEST DEBTOR**

The following notes detail the assumed treatment and estimated value of (i) the Midwest Debtor's assets, (ii) costs associated with the liquidation of these assets and (iii) any claims that have been asserted or could be asserted against these assets. The number associated with each note below corresponds with the number of a line item on the Midwest Debtor Liquidation Analysis.

***Note 1: Cash and cash equivalents***
Cash and cash equivalents (including checking, savings or other financial accounts) includes any cash amounts or cash equivalent securities which are held by the Midwest Debtor. The estimated recovery for this asset is 100%.

***Note 2: Deferred tax asset***
This amount represents a deferred tax assets of the Midwest Debtor. As the Debtor has no operations and generates no income, the estimated recovery for this asset is 0%.

***Note 3: Intangible and other assets***
Intangible and other assets consists of equipment, leasehold improvements and deposits related to an abandoned maintenance hangar. Estimated recovery for this asset is 0%.

***Note 4: Assumed liquidation costs***
Minimal fees are assumed for liquidation of the estate.

***Note 5: Allowed and estimated allowed General Unsecured Claims***
The amount includes claims arising from approved settlement agreements and management's estimation of allowed unsecured claims based upon General Unsecured Claims which have been filed but not yet resolved.

***Note 6: Incremental General Unsecured Claims expected in liquidation***
This amount represents estimated incremental General Unsecured Claims that would result from a liquidation of the Midwest Debtor including pension claims that are to be assumed by the Consolidated Debtors.

*Hypothetical Liquidation Analysis for*
*Midwest Debtor*
*(UNAUDITED)*
*Values in USD 000*

| | | Net Book Value as of 9/30/2016 | Liquidation Value | |
|---|---|---|---|---|
| | | | *Estimated Value* | *Realization* |
| | Assets and estimated realization | | | |
| 1 | Cash and cash equivalents | 2 | 2 | 100.0% |
| 2 | Deferred tax asset | 27,562 | - | n/a |
| 3 | Intangible and other assets | 59 | - | n/a |
| | **Total assets / proceeds available for distribution** | **27,623** | **2** | **0.0%** |
| 4 | Assumed liquidation costs | | 100 | |
| | **Amounts available to creditors** | | - | |
| | Amounts available to satisfy claims | *Allowed Claim* | | |
| 5 | *Allowed and estimated allowed General Unsecured Claims* | 194,600 | - | 0.0% |
| 6 | *Incremental General Unsecured Claims in liquidation* | 3,000 | - | 0.0% |
| | **Total claims** | **3,000** | - | **0.0%** |
| | **Hypothetical recovery for creditors** | | - | **0.0%** |

**Exhibit E**

**Valuation Analysis**

# EXHIBIT E

## Valuation Analysis

### Overview

The Debtors directed Seabury Securities LLC ("**Seabury**"), as their financial advisor and investment banker, to prepare a valuation analysis of the Post-Effective Date Debtors as of their assumed bankruptcy emergence date of February 28, 2017 (the "**Valuation Analysis**"). The valuation was performed for the purposes of (i) evaluating the range of potential recoveries for holders of general unsecured claims; (ii) providing a basis for the allocation of value across the Reorganized Debtors; and (iii) establishing an estimate of the initial stockholders' equity value for fresh-start accounting. The Valuation Analysis has also been undertaken for the purpose of evaluating whether the Plan meets the so-called "best interests test" under section 1129(a)(7) of the Bankruptcy Code.

The Valuation Analysis should be read in conjunction with the Plan and the Disclosure Statement.

Seabury developed a valuation for the consolidated Reorganized Debtors based on the financial projections for the consolidated Reorganized Debtors provided in Appendix C of the Disclosure Statement (the **"Consolidated Financial Projections"**) and its knowledge of the Reorganized Debtors.

Based on Seabury's analysis, the adjusted enterprise value (the **"Adjusted Enterprise Value"**) of the consolidated Reorganized Debtors is estimated to range from approximately $2,375 million to $2,440 million. These valuation ranges assume an Effective Date of February 28, 2017 and reflect the going concern value of the Reorganized Debtors after giving effect to the implementation of the Plan.

The table below describes the calculation of estimated equity value available for distribution to unsecured Creditors. The equity value available to unsecured Creditors on a consolidated basis (the **"Consolidated Equity Value"**) is estimated to range from approximately $413 million to $478 million[1].

| | Post-Effective Date Debtors | |
|---|---|---|
| | *Low* | *High* |
| *In Millions of Dollars* | | |
| Enterprise Value | 2,375 | 2,440 |
| Plus: Total Cash | 133 | 133 |
| Less: Capitalized Operating Leases (7.0x) | (74) | (74) |
| Less: Secured Debt | (2,021) | (2,021) |
| **Equity Value** | **413** | **478** |

In arriving at estimated enterprise value, Seabury reviewed the Financial Projections and believes they are good faith judgments of the Debtors as to the future operating and financial

[1] Certain estimates have been made for the impact on Equity Value of incentive compensation to management

performance of the Post-Effective Date Debtors. The Valuation Analysis is based on numerous qualifications and contingencies, including but not limited to: (i) the Debtors' ability to achieve the Financial Projections, including, without limitation: certain cost reduction / cost containment initiatives; utilization by the Debtors' code-share partners of contracted aircraft at forecast levels; and assumptions about future requirements; (ii) the Debtors' ability to maintain sufficient capital to implement the business plan on which the Financial Projections are based; (iii) no material adverse change in the airline industry or in the Debtors' operations due to further deterioration in the domestic economy, a prolonged recessionary environment or any other factor; (iv) the effect of exogenous events such as terrorist attacks; (v) the Debtors' ability to maintain and utilize deferred tax assets; and (vii) other unexpected events not currently foreseeable by the Debtors.

In preparing the Valuation Analysis, Seabury (i) reviewed certain internal financial and operating data of the Debtors, including projections provided by management relating to the Debtors' businesses and prospects; (ii) met with certain members of the Debtors' senior management to discuss operations, capital structure considerations and future prospects; (iii) reviewed publicly available financial data and considered the market value of public companies that Seabury deemed generally comparable to the operating businesses of the Debtors; (iv) considered certain economic and industry information relevant to the Debtors' operating businesses; and (v) conducted such other studies, analyses, inquiries and investigations as deemed appropriate by Seabury.

**Valuation Methodology**

The following is a brief summary of the financial analyses performed by Seabury to arrive at the Valuation Analysis. Seabury relied primarily on the Comparable Company Analysis (**"Comparable Company Analysis"**) and Discounted Cash Flow Analysis (**"Discounted Cash Flow Analysis"**), which were weighted equally in the estimate of Adjusted Enterprise Value for the Debtors' operating business.

Seabury completed the financial analyses described below, and reviewed with the Debtors' management the assumptions on which such analyses were based, including the Financial Projections. Seabury's Valuation Analysis must be considered as a whole and selecting just one methodology or portions of the analysis, without considering the analysis as a whole, could create a misleading or incomplete conclusion.

*Comparable Company Analysis*

A Comparable Company Analysis estimates enterprise value based on a comparison of the subject company's actual and projected financial statistics with those actual and projected financial statistics for similar publicly-traded companies. Criteria for selecting comparable companies for the Valuation Analysis include, among other relevant characteristics, similar lines of businesses, business risks, growth prospects, maturity of businesses, market presence, size and scale of operations. The analysis establishes benchmarks for valuation by deriving financial multiples and ratios for the comparable companies, standardized using common variables such as revenue or Earnings Before Interest, Taxes, Depreciation, Amortization and Rent

**("EBITDAR").**

The selection of truly comparable companies is often difficult and subject to interpretation. However, the underlying concept is to develop a premise for relative value, which, when coupled with other approaches, presents a foundation for determining firm value. The selection of appropriate comparable companies is difficult because there is only one public, "pure-play" competitor to the Debtor in the United States, namely SkyWest, Inc. ("**SkyWest**"). In performing the Comparable Company Analysis for the Debtors, Seabury focused on SkyWest. as the principal comparator.

Seabury deemed EBITDAR multiples as most relevant for deriving a value estimate for the Debtors based on historical trading multiples for both the Debtors and SkyWest. Seabury determined the appropriate multiple range to be 6.25x to 6.75x times the Debtors' estimated EBITDAR. This range considers a number of potentially positive and negative factors, including (i) a "illiquidity discount" for the anticipated relative lack of marketability for new common shares of the Reorganized Debtors, and (ii) the Debtors' reorganized business and single fleet.

*Discounted Cash Flow Analysis*

The Discounted Cash Flow valuation methodology (**"DCF Valuation Methodology"**) relates the value of an asset or business to the present value of expected future free cash flows to be generated by that asset or business. The DCF Valuation Methodology discounts the expected future free cash flows by a theoretical or observed discount rate (the "**Applicable Discount Rate**"), which rate is determined by estimating the average cost of debt and equity for the subject company based upon financial analyses of similar publicly traded companies. This approach has two components: (i) the present value of the projected unlevered, after-tax free cash flows for a determined forecast period; and, (ii) the present value of the terminal value of cash flows (the "**Terminal Value**"). The Terminal Value represents the value of future free cash flows beyond the time horizon of the financial projections.

The DCF calculations were performed based on unlevered, after-tax free cash flows for the period beginning April 1, 2017 through December 31, 2021 (the **"Projection Period"**) discounted to March 31, 2017.

In performing these calculations, Seabury utilized the Financial Projections and made assumptions for (i) the Applicable Discount Rate used to calculate the present value of expected future free cash flows and (ii) the terminal EBITDAR multiple (the "**Terminal EBITDAR Multiple**"), which is used to determine the value of free cash flows in the time period beyond the Projection Period. Seabury used a range of 7.75% to 8.25% per annum for the Applicable Discount Rates reflecting a number of company and market specific factors. Seabury used a Terminal EBITDAR Multiple range of 6.25x to 6.75x. The rationale of the range is consistent with that incorporated in the Comparable Company Analysis.

**Recovery Analysis**

As described above, Seabury estimates the Consolidated Equity Value distributable to Creditors to be to be $413 million to $478 million (the "**Distributable Value Range**"). The midpoint of the Debtors' Distributable Value Range is approximately $445 million. Recoveries for Creditors was calculated as follows:

Based on the Consolidated Equity Value estimate and an estimated pool of Unsecured Claims for the Reorganized Debtors of $1,000 million, Seabury estimates the hypothetical recovery to the Consolidated Debtors' Creditors to be 41 cents to 48 cents per $1 of Unsecured Claim with a midpoint of approximately 45 cents, which includes an illiquidity discount associated with emergence from chapter 11 as a private company.

Potential recoveries for individual creditors are influenced by a variety of factors, including, without limitation, the legal structure of the Debtor entities, the existence (or non-existence) of guaranty claims, the potential satisfaction of claims (or a portion of claims) from the primary obligor prior to reliance on the guaranty, if any, and the seniority and ranking of claims.

**Additional Valuation and Recovery Analysis Considerations**

Seabury considered incorporating valuation analyses based upon precedent or comparable recent transactions, another commonly-used methodology which estimates enterprise value by examining the economic terms of public merger and acquisition transactions involving companies similar to the Reorganized Debtors. However, due to the very limited number of transactions in the regional airline subsector, the volatile industry dynamics seen over the course of the last several years and the idiosyncratic complexities of the few recent precedent transactions, Seabury concluded precedent transaction analysis would not meaningfully improve its estimates of Adjusted Enterprise Value.

THE SUMMARY SET FORTH ABOVE DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE ANALYSES PERFORMED BY SEABURY. THE PREPARATION OF A VALUATION ESTIMATE INVOLVES VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE AND RELEVANT METHODS OF FINANCIAL ANALYSIS AND THE APPLICATION OF THESE METHODS IN THE PARTICULAR CIRCUMSTANCES, ALL OF WHICH ARE NOT DESCRIBED IN THIS SUMMARY DESCRIPTION. IN PERFORMING ITS ANALYSIS, SEABURY MADE NUMEROUS ASSUMPTIONS WITH RESPECT TO INDUSTRY PERFORMANCE, BUSINESS AND ECONOMIC CONDITIONS AND OTHER MATTERS. THE ANALYSES PERFORMED BY SEABURY ARE NOT NECESSARILY INDICATIVE OF ACTUAL VALUES OR FUTURE RESULTS, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE SUGGESTED BY SUCH ANALYSES.

While Seabury did review the Financial Projections and believes they are reasonable, Seabury did not independently verify management's Financial Projections in connection with the estimates of Adjusted Enterprise Value and Consolidated Equity Value for the Debtors contained herein. Valuation estimates were developed solely for the analysis of implied relative recoveries to Creditors under the Plan. Such estimates reflect computations of the estimated Adjusted

Enterprise Value through the application of the various valuation techniques described herein and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein.

The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict and which will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimated valuations set forth herein may not necessarily be indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. In addition, the valuation of newly issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated holding period of securities received by prepetition Creditors, some of whom may prefer to liquidate their investment rather than hold it on a long-term basis, restrictions on the sale of securities for a prescribed period of time to protect the value of NOL's, if any, and other factors which generally influence the prices of securities.

Seabury's valuation represents a hypothetical value that reflects the estimated intrinsic value of the Debtors derived through the application of various valuation techniques. Such analyses do not purport to represent valuation levels which would be achieved in, or assigned by, the public or private markets for debt and equity securities. Estimates of value do not purport to be appraisals or necessarily reflect the values which may be realized if assets are sold as a going concern, in liquidation, or otherwise.

This Valuation Analysis was developed solely for purposes of the formulation and negotiation of the Plan and to enable the holders of Unsecured Claims entitled to vote under the Plan to make an informed judgment about the Plan and should not be used or relied upon for any other purpose, including the purchase or sale of securities of, or Unsecured Claims or Interests in, the Debtors or any of their non-Debtor affiliates.

~~[To be provided]~~

THE VALUATION AND RECOVERY ANALYSIS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS AND THE REORGANIZED DEBTORS. EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE VALUATION ANALYSIS WAS PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT THESE ANALYSES IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. SEABURY, THE DEBTORS AND REORGANIZED DEBTORS DO NOT INTEND AND DO NOT UNDERTAKE ANY OBLIGATION TO UPDATE OR OTHERWISE

REVISE THE VALUATION ANALYSIS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THESE ARE INITIALLY FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE VALUATION ANALYSIS MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS OR INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE VALUATION ANALYSIS.