

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

Chapter 11  
Case No. 16-10429-SHL  
(Jointly Administered)

In re:  
Republic Airways Holdings Inc., et al.

Debtors' Address:

Republic Airways Holdings Inc.  
8909 Purdue Road, Suite 300  
Indianapolis, IN 46268

Debtors' Attorneys:

Zirinsky Law Partners, PLLC  
375 Park Avenue, Suite 2607  
New York, New York 10152

Hughes Hubbard & Reed LLP  
One Battery Park Plaza  
New York, New York 10004

DISBURSEMENTS (IN MILLIONS): \$ 71.4  
FOR THE MONTH ENDED FEBRUARY 28, 2017

CONSOLIDATED NET INCOME (IN MILLIONS): \$ 4.3  
FOR THE MONTH ENDED FEBRUARY 28, 2017

REPORT PREPARER Republic Airways Holdings Inc.

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate, and truthful to the best of my knowledge.

Joseph P. Allman  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: March 20, 2017

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(UNAUDITED)

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**REPUBLIC AIRWAYS HOLDINGS INC., ET AL.**  
**DEBTORS AND DEBTOR-IN-POSSESSION**  
**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
**(In millions)**

|  | <u>As of</u><br><u>February 28, 2017</u> |
|--|--|
| <b>ASSETS</b>                                      |  |
| Current Assets:                                    |  |
| Cash and cash equivalents                          | \$ 196.9                                 |
| Restricted cash                                    | 11.9                                     |
| Receivables, net                                   | 81.8                                     |
| Inventories  | 43.8                                     |
| Prepaid expenses and other current assets          | 13.0                                     |
| Assets held for sale                               | 3.8                                      |
| Total current assets                               | <u>351.2</u>                             |
| Aircraft and other equipment, net                  | 2,767.2                                  |
| Airport slots and other assets                     | 12.9                                     |
| Total assets                                       | <u>\$ 3,131.3</u>                        |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>       |  |
| Current Liabilities:                               |  |
| Current portion of long-term debt                  | \$ 209.3                                 |
| Accounts payable                                   | 17.6                                     |
| Accrued liabilities                                | 141.6                                    |
| Total current liabilities                          | <u>368.5</u>                             |
| Long-term debt – less current portion              | 1,833.9                                  |
| Deferred credits and other non-current liabilities | 29.2                                     |
| Deferred income taxes                              | 3.4                                      |
| <b>Liabilities subject to compromise (Note 2)</b>  | <b>1,012.7</b>                           |
| Commitments and contingencies                      |  |
| Stockholders' Deficit:                             |  |
| Preferred stock                                    | —  |
| Common stock                                       | —  |
| Additional paid-in capital                         | 436.5                                    |
| Treasury stock                                     | (183.9)                                  |
| Accumulated other comprehensive loss               | (2.4)                                    |
| Accumulated deficit                                | (366.6)                                  |
| Total stockholders' deficit                        | <u>(116.4)</u>                           |
| Total liabilities and stockholders' deficit        | <u>\$ 3,131.3</u>                        |

See accompanying notes to the condensed consolidated financial statements (unaudited).

**REPUBLIC AIRWAYS HOLDINGS INC., ET AL.**  
**DEBTORS AND DEBTOR-IN-POSSESSION**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)**  
**(In millions)**

|   | <u>For the month ended<br/>February 28, 2017</u> |
|---|--|
| OPERATING REVENUES:                                 |  |
| Fixed-fee revenue                                   | \$ 89.1  |
| Other revenue                                       | 0.7  |
| Total operating revenues                            | <u>89.8</u>                                      |
| OPERATING EXPENSES:                                 |  |
| Wages and benefits                                  | 29.9   |
| Aircraft and engine rent                            | 0.9  |
| Maintenance and repair                              | 16.8   |
| Depreciation and amortization                       | 14.5   |
| Other   | 11.5   |
| Total operating expenses                            | <u>73.6</u>                                      |
| OPERATING INCOME                                    | 16.2   |
| INTEREST EXPENSE, NET                               | <u>8.7</u>                                       |
| INCOME BEFORE REORGANIZATION ITEMS AND INCOME TAXES | 7.5  |
| REORGANIZATION ITEMS, NET (Note 2)                  | <u>3.2</u>                                       |
| INCOME BEFORE INCOME TAX EXPENSE                    | 4.3  |
| INCOME TAX EXPENSE                                  | <u>—</u>   |
| NET INCOME  | <u>\$ 4.3</u>                                    |

See accompanying notes to the condensed consolidated financial statements (unaudited).

**REPUBLIC AIRWAYS HOLDINGS INC., ET AL.**  
**DEBTORS AND DEBTOR-IN-POSSESSION**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
(In millions)

**For the month ended**  
**February 28, 2017**

|  |                 |
|--|-----------------|
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                | <b>\$ 20.1</b>  |
| <b>INVESTING ACTIVITIES:</b>                             |                 |
| Purchase of aircraft equipment                           | (3.6)           |
| Proceeds from sale of spare parts and aircraft equipment | 0.7             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>             | <b>(2.9)</b>    |
| <b>FINANCING ACTIVITIES:</b>                             |                 |
| Payments on debt   | (8.2)           |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>             | <b>(8.2)</b>    |
| NET CHANGES IN CASH AND CASH EQUIVALENTS                 | 9.0             |
| CASH AND CASH EQUIVALENTS—Beginning of period            | 187.9           |
| CASH AND CASH EQUIVALENTS—End of period                  | <b>\$ 196.9</b> |

See accompanying notes to the condensed consolidated financial statements (unaudited).

**REPUBLIC AIRWAYS HOLDINGS INC., ET AL.**  
**DEBTORS AND DEBTOR-IN-POSSESSION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**AS OF AND FOR THE MONTH ENDED FEBRUARY 28, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation and going concern** - On February 25, 2016 (the "Petition Date"), Republic Airways Holdings Inc. (the "Company") and certain of its wholly-owned direct and indirect subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Chapter 11 cases are being administered under the caption "In re Republic Airways Holdings Inc., et al." Case Number 16-10429-SHL.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of Republic Airways Holdings Inc. and its direct and indirect wholly-owned subsidiaries, including our subsidiary Debtor and non-debtor entities. Intercompany transactions and balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. The accompanying condensed consolidated financial statements do not include necessary adjustments to the recoverability of assets and classification of liabilities if the Debtors were unable to continue as a going concern, which could result in material differences to reported amounts.

As a result of the Chapter 11 proceedings, the satisfaction of the Debtors' liabilities and funding of ongoing operations are subject to uncertainty and, accordingly, there is a substantial doubt of the Company's ability to continue as a going concern. Management has carried out its plans to mitigate going concern uncertainty throughout the Chapter 11 proceedings, which includes (1) expansive efforts to restructure the Debtors' long-term debt and lease obligations, (2) restructure its capacity purchase agreements with partner airlines, (3) acceleration of the removal of out-of-favor aircraft from service and (4) amendment of agreements with certain key creditors to preserve liquidity. See Note 2, *Bankruptcy proceedings and reorganization update*.

The unaudited condensed consolidated financial statements do not purport to reflect any anticipated outcomes of the Chapter 11 cases, other than amounts set forth under liabilities subject to compromise and reorganization items, net on the accompanying consolidated balance sheet and consolidated statement of operations, respectively. Specifically, balances and transactions do not give effect (1) as to assets, their realizable values on a liquidation basis, or availability to settle liabilities; (2) as to prepetition liabilities, except for those set forth in liabilities subject to compromise, amount which may be allowed for claims and contingencies, including status or priority thereof; (3) as to stockholders' deficit accounts, the effect of capitalization or recapitalization activities; or (4) as to ongoing operations, the effect of any changes to our operations in reorganization.

**Reorganization activities** - The Company has applied provisions of U.S. GAAP applicable to the Debtors in reorganization under the Bankruptcy Code. Accounting Standards Codification ("ASC") 852, *Reorganizations* requires that transactions and events directly associated with reorganization activities are separately distinguished from ongoing operations of the business. Accordingly, the Company has recorded certain revenues, expenses (including professional fees), realized gains and losses and provisions for realized or incurred losses to reorganization items, net in the accompanying statement of operations and comprehensive loss. In addition, prepetition obligations that may be impacted by the Chapter 11 cases have been separately classified as liabilities subject to compromise in the consolidated balance sheet. Liabilities subject to compromise are recorded at the amounts expected to be allowed by the Bankruptcy Court, although they may settle for less. Interest expense is recorded only to the extent that (1) interest expense has been paid during the Chapter 11 cases, and (2) it is probable that the Bankruptcy Court will allow the interest-related claim. Interest expense recorded in the condensed consolidated statement of operations and contractual interest expense totaled \$8.7 million for the one month period ended February 28, 2017.

Additional information about the Chapter 11 cases, including court filings and claims information, is available on the Internet at <https://cases.primeclerk.com/rjet/>.

**Insurance** - Premiums to date for all insurance policies, including workers' compensation and disability insurance, have been paid in accordance with each respective policy's payment terms. No payments are past due.

**Restricted cash** - The restricted cash includes cash in escrow for satisfaction of certain debt and lease obligations and certificates of deposit, securing letters of credit issued for workers' compensation claim reserves, deposits with various airport authorities and

funds held by a third party owner in trust for the satisfaction of certain contingent tax obligations. Funds in trust total \$4.0 million as of February 28, 2017. We have no interest in amounts held in trust.

## **2. BANKRUPTCY PROCEEDINGS AND REORGANIZATION UPDATE**

As a result of the Chapter 11 cases, the Company, along with its debtor subsidiaries are currently operating as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In general, as debtors-in-possession under the Bankruptcy Code, the Debtors continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. The Bankruptcy Court has granted a variety of motions that allow the Debtors to continue to operate their businesses in the ordinary course without interruption. Motions include, among other things, obligations to employee wages, salaries and benefits, taxes and vendor charges to support the core regional airline business after the Petition Date.

While operating as debtors-in-possession under Chapter 11 of the Bankruptcy Code, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business, in amounts other than those reflected in the consolidated financial statements.

### ***Events leading to the Chapter 11 cases***

The Company's Chapter 11 cases followed an extended effort by the Company to restructure its business to strengthen its competitive and financial position in an out-of-court restructuring. However, due to an ongoing national shortage of qualified pilots in the United States, the Company encountered significant difficulty in maintaining the necessary pilot staffing levels to sustain reliable performance requirements under the capacity purchase agreements with American Airlines, Inc. ("American Airlines"), Delta Air Lines, Inc. ("Delta Air Lines"), and United Airlines, Inc. ("United Airlines"). The pilot shortage additionally gave rise to a reduction in scheduled flying due to grounded aircraft from crew shortages, which has adversely affected the Company's operations, financial position and cash flows.

The national pilot shortage has been amplified by two primary factors: an aging pilot population and new government regulations, which increase new pilot qualification requirements. These factors have created greater demand at mainline, low cost and cargo carriers, which recruit from regional airlines, offering higher salaries and more extensive benefit programs than regional carriers have historically offered. This, in turn, increases difficulty for regional airlines to retain sufficient pilots.

*Government regulation* - 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 the Company's first officer pilots increased to 23 years of age and 1,500 hours of flight time. In addition, the Federal Aviation Administration ("FAA") has implemented a new regulation that increases the flight crew duty, flight, and rest requirements for pilots. These new limitations, together with the new, more restrictive certification and qualification requirements, have resulted in a growing scarcity of qualified new workforce entrants and have contributed to the current nationwide pilot shortage.

*Aging pilot population* - The pilot shortage, in part, is exacerbated by the aging population of experienced pilots approaching the mandatory retirement age of 65. The shift in demographic is concentrated at mainline carriers, giving rise to increased attrition at regional air carriers to replace mainline pilot retirements. The collective bargaining agreement reached with the Company's pilots during 2015 has curtailed pilot attrition rates and significantly increased new pilot hiring.

### ***Chapter 11 proceedings***

**Notices to creditors; effect of automatic stay** – Subject to certain exceptions under the Bankruptcy Code, the filing of the Debtors' Chapter 11 cases automatically enjoined, or stayed, the continuation of most judicial or administrative proceedings or filing of other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a prepetition claim, are enjoined unless and until the Bankruptcy Court lifts the automatic stay as to any such claim. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

**Appointment of Creditors' Committee** – On March 4, 2016, the U.S. Trustee appointed an official committee of unsecured creditors (the "Creditors' Committee") for the Chapter 11 cases. The composition of the Creditors' Committee was amended by the U.S. Trustee on June 3, 2016. The Bankruptcy Code provides for the U.S. Trustee to appoint a statutory committee of creditors holding unsecured claims as soon as practicable after the commencement of a Chapter 11 case. The statutory creditors' committee

ordinarily consists of holders of the seven largest unsecured claims who are willing to serve. Generally, an official creditors' committee represents the interests of all unsecured creditors in a bankruptcy case.

On April 4, 2016, the Debtors submitted a letter to the Office of the U.S. Trustee to oppose the creation of an official committee of equity security holders. After careful consideration of the facts of the case and analysis of the requests, the U.S. Trustee declined to form an official equity committee.

**Executory contracts and unexpired leases** – Under section 365 and other relevant sections of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, certain aircraft, aircraft engines, appliances and spare parts (each, as defined in section 1110(a)(3)(A)(i) of the Bankruptcy Code), and collectively with all records and documents relating thereto, the ("Aircraft Equipment") and leases of real property, subject to the approval of the Bankruptcy Court and certain other conditions. The Debtors' rights to assume, assume and assign, or reject unexpired leases of non-residential real estate were extended by order of the Bankruptcy Court and ended on September 22, 2016.

In general, rejection of an executory contract or unexpired lease is treated as a prepetition breach of the executory contract or unexpired lease in question and, subject to certain exceptions, relieves the Debtors from performing their future obligations under such executory contract or unexpired lease, but entitles the contract counterparty or lessor to a prepetition general unsecured claim for damages caused by such deemed breach. Counterparties to such rejected contracts or leases have the right to file claims against the Debtors' estate for such damages. Generally, the assumption of executory contracts or unexpired leases requires the Debtors to cure existing defaults under such executory contracts or unexpired leases.

Any description of an executory contract or unexpired lease elsewhere in these notes, including where applicable the Debtors' express termination rights or a quantification of their obligations, must be read in conjunction with, and is qualified by, any rights the Debtors have under section 365 of the Bankruptcy Code.

The Debtors expect that liabilities subject to compromise and resolution in the Chapter 11 cases will arise in the future as a result of damage claims created by the Debtors' rejection of various executory contracts and unexpired leases. To the extent such claims arise, amounts will be included in liabilities subject to compromise in the consolidated balance sheets.

**Special protection applicable to leases and secured financing of aircraft equipment** – Notwithstanding the general discussion above of the impact of the automatic stay, under section 1110 of the Bankruptcy Code ("Section 1110"), beginning 60 days after filing a petition under Chapter 11, certain secured parties, lessors and conditional sales 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 Debtors, subject to approval by the Bankruptcy Court, agree to perform under the applicable agreement, and cure any defaults as provided in Section 1110 (other than defaults of a kind specified in section 365(b)(2) of the Bankruptcy Code). Taking such action does not preclude the Debtors from later rejecting the applicable lease or surrendering and returning the Aircraft Equipment subject to the related security agreement.

A Debtor may extend the 60-day period by agreement of the relevant financing party, with Bankruptcy Court approval. In the absence of an agreement and cure as described above or such an extension, following written demand for possession, the financing party may take possession of the Aircraft Equipment and enforce any of its contractual rights or remedies to sell, lease or otherwise retain or dispose of such Aircraft Equipment.

The 60-day period under Section 1110 in the Chapter 11 cases expired on April 26, 2016. In accordance with the Bankruptcy Court's Order Authorizing the Debtors to (1) enter into Agreements Under 11 U.S.C. 1110(a), (2) enter into stipulations to extend the time to comply with 11 U.S.C. 1110, and (3) file redacted Section 1110 notices and 1110(b) stipulations, dated March 23, 2016, the Debtors entered into agreements to extend the 60-day period set forth in section 1110(a)(2) or agreed to perform and cure defaults under financing agreements with respect to certain Aircraft Equipment.

In accordance with applicable sections of the Bankruptcy Code, as of February 28, 2017, the Debtors took the following actions:

| Chapter 11 event  | Bankruptcy Code Section  | Retained / returned / sold | Owned / leased | Quantity | Fleet / equipment type                              |
|---|--------------------------|----------------------------|----------------|----------|---|
| <i>E170/175 fleet</i>   |                          |                            |                |          |   |
| Rejected leases   | 365 and 1110             | Returned                   | Leased         | 18       | E170 aircraft                                       |
| Surrendered and returned  | 363 and 1110             | Returned                   | Owned          | 1        | E175 aircraft                                       |
| Assumed amended leases  | 363, 365 and 1110(a)     | Retained                   | Leased         | 5        | E170/175 aircraft                                   |
| Secured   | 1110(a)                  | Retained                   | Owned          | 81       | E170/175 aircraft                                   |
| Amended aircraft agreements   | 363, 1110(a) and 1110(b) | Retained                   | Owned          | 86       | E170/175 aircraft                                   |
| Payoff of aircraft debt   | 105 and 363              | Retained                   | Owned          | 1        | E170 aircraft                                       |
| Aerolitoral sale  | 363                      | Sold                       | Owned          | 3        | E170 aircraft                                       |
| <i>E145 fleet</i>   |                          |                            |                |          |   |
| Rejected leases   | 365 and 1110             | Returned                   | Leased         | 29       | E145 aircraft                                       |
| Reached stipulations with secured parties                               | 1110(b)                  | Returned                   | Leased         | 7        | E140/145 aircraft                                   |
| Surrendered and returned  | 363 and 1110             | Returned                   | Owned          | 11       | E140/145 aircraft                                   |
| Transferred title of aircraft previously subject to an 1110(a) election | 363 and 1110(a)          | Returned                   | Owned          | 15       | E140/145 aircraft                                   |
| Reached stipulations with secured parties                               | 1110(b)                  | Returned                   | Owned          | 16       | E140/145 aircraft                                   |
| <i>Q400 fleet</i>   |                          |                            |                |          |   |
| Rejected leases   | 365 and 1110             | Returned                   | Leased         | 27       | Q400 aircraft                                       |
| <i>E190 fleet</i>   |                          |                            |                |          |   |
| Transfer title  | 105 and 363              | Sold                       | Owned          | 1        | E190 aircraft                                       |
| <i>Spare engines and spare parts</i>                                    |                          |                            |                |          |   |
| Rejected leases   | 365 and 1110             | Returned                   | Leased         | 11       | Spare engines (E145)                                |
| Surrendered and returned  | 363 and 1110             | Returned                   | Owned          | 2        | Spare engines (E145, E190)                          |
| Rejected leases   | 365 and 1110             | Returned                   | Leased         | 6        | Spare engines (Q400)                                |
| Secured   | 1110(a)                  | Retained                   | Owned          | 10       | Spare engines and spare parts collateral (E170/175) |
| Secured   | 1110(a)                  | Retained                   | Leased         | 9        | Spare engines and spare parts collateral (E170/175) |

**Plan of Reorganization and Disclosure Statement** - The Debtors filed a second amended proposed plan of reorganization (the “Plan”) and related Disclosure Statement with the Bankruptcy Court on December 9, 2016. The Debtors have an exclusive period to solicit and obtain acceptances of the Plan through and including June 1, 2017. The proposed Plan provides for, among other things, (1) consolidation of certain of the Debtors’ assets and liabilities for Plan purposes only, (2) the classification and treatment under the Plan of the various claims and equity interests, and (3) the distributions of cash or equity to be made thereunder. Nothing contained in the consolidated financial statements is intended to be, nor should it be construed as, a solicitation for a vote on the Plan.

Confirmation of the Plan is subject to Bankruptcy Court approval. The Plan was heard before the Bankruptcy Court on March 8, 2017 and March 16, 2017, and was subsequently closed subject to (1) resolution of a single creditor's objection and (2) completion of Hart-Scott-Rodino ("HSR") review procedures required by the U.S. Department of Justice and Federal Trade Commission.

On March 17, 2017, the Company filed on Form 15 with the Securities and Exchange Commission ("SEC") its Certification and Notice of Termination of Registration under Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act") and Suspension of Duty to File Reports under Sections 13 and 15(d) of the Exchange Act. The Company's periodic reporting obligations under the Exchange Act were suspended immediately upon its filing of the Form 15.

**Claims reconciliation** – On May 26, 2016, the Debtors filed schedules and statements of financial affairs with the Bankruptcy Court setting forth, among other things, the assets and liabilities of the Debtors, subject to the assumptions filed in connection therewith. All of the schedules are subject to further amendment or modification.

Bankruptcy Rule 3003(c)(3) requires the Bankruptcy Court to fix the time within which proofs of claim must be filed in a Chapter 11 case pursuant to section 501 of the Bankruptcy Code. This Bankruptcy Rule also provides that any creditor who asserts a claim against the Debtors that arose prior to the Petition Date and whose claim (1) is not listed on the Debtors' schedules or (2) is listed on the schedules as disputed, contingent, or unliquidated, must file a proof of claim. On June 13, 2016, the Bankruptcy Court entered an order that established July 22, 2016 at 4:00 p.m. (Eastern Time) as the general deadline to file proofs of claims against any Debtor and established August 23, 2016 at 4:00 p.m (Eastern Time) as the deadline for governmental units to file proof of claims (together, the "Bar Dates"). Through the claims resolution process, we have identified and expect that we will continue to identify substantial claims that we believe should be disallowed by the Bankruptcy Court because they are duplicative, without merit, overstated or for other reasons.

The Debtors are currently resolving differences between amounts scheduled by the Debtors and claims by creditors in connection with the claims resolution process and have commenced filing objections with the Bankruptcy Court to disallow, reduce, or reclassify disputed claims. Creditor claims which are probable of being allowed by the Bankruptcy Court and are estimable have been recorded in liabilities subject to compromise at the amount expected to be allowed by the Bankruptcy Court, which could differ from the amount we expect to pay pursuant to the Plan. Claims which are not subject to reasonable estimation have been excluded from liabilities subject to compromise, as these amounts are neither probable nor able to be estimated.

**Liabilities subject to compromise** - The following table summarizes the components of liabilities subject to compromise included in the condensed consolidated balance sheet as of February 28, 2017:

| <b>(in millions)</b>                    |                   |
|---|-------------------|
| Accounts payable and other liabilities  | \$ 396.5          |
| Partner liabilities                     | 616.2             |
| Total liabilities subject to compromise | <u>\$ 1,012.7</u> |

**Reorganization items, net** - Reorganization items refer to revenues, expenses (including professional fees), net of realized gains and losses and provisions for losses that are realized or incurred in the Chapter 11 proceedings. The following table summarizes the components included in reorganization items, net on the condensed consolidated statement of operations for the one month period ended February 28, 2017:

| <b>(in millions)</b>   |               |
|--|---------------|
| Aircraft financing renegotiations, rejections, and other items | \$ 0.8        |
| Professional fees  | 2.4           |
| Total reorganization items, net                                | <u>\$ 3.2</u> |

**Significant claims activity** - On May 6, 2016, the Bankruptcy Court approved amendments to the Company's agreements with Delta Air Lines and granted Delta Air Lines an allowed, unsecured prepetition claim. The amendments to the agreements result in the following items: consensual wind-down of our single-class flying, full settlement of litigation and related claims, full restoration of 30 E170 and E175 aircraft, increased reimbursement rates in the single- and dual-class agreements, and compensation for certain slots. The Company also entered a Debtor-In-Possession ("DIP") Financing Agreement that provides incremental liquidity in the form of \$75.0 million. Additionally, on December 9, 2016, the Company agreed to the placement of six additional E170 aircraft into the Delta Air Lines operation under customary commercial leasing arrangements. Aircraft are scheduled to begin revenue service in April, 2017.

On June 15, 2016, the Bankruptcy Court approved amendments to the Company's agreements with United Airlines and granted United Airlines an allowed, unsecured prepetition claim. The amended agreements provide substantial and interrelated operational and economic benefits, including an increase in reimbursement rates, an extension in duration of the 38 E170 aircraft, modifications that improve our operating schedules, and revisions to the delivery schedule for the remaining E175 aircraft. On November 15, 2016, United Airlines and the Company agreed to Amendment No. 15 ("Amendment No. 15") to the original United Express Agreement, dated December 28, 2006 to expand the Company's current E175 operation with United Airlines with the placement of additional E175 aircraft into service. Aircraft deliveries are expected to commence in April, 2017 under customary commercial leasing arrangements with United Airlines. The Bankruptcy Court approved Amendment No. 15 by order dated December 14, 2016.

On September 22, 2016, the Bankruptcy Court approved amendments to the Company's agreements with American Airlines. The amended agreements consolidate all of the Company's flying for American Airlines under a single codeshare agreement, provide for American Airlines to continue to pay the Company market-competitive rates, facilitate the Company's fleet restructuring by allowing for a reduction in the aircraft the Company is required to allocate to American Airlines, extend the terms of the agreement with respect to certain aircraft, and provide for a two-phase transition regarding the configuration of seats in certain aircraft. The portion of the Company's agreements with American Airlines that grant an allowed, unsecured prepetition claim was approved by the Bankruptcy Court on November 17, 2016.

On October 20, 2016, the Company and Bombardier Inc. ("Bombardier"), Learjet Inc., and C Series Aircraft Limited Partnership (collectively, the "Bombardier Parties") entered into an amendment (the "Amendment") to the original aircraft purchase agreement with Bombardier, dated February 25, 2010, for the delivery of 40 Bombardier CS300 Series aircraft with the option to purchase up to an additional 40 aircraft. The Amendment provided for deferral of (1) scheduled aircraft payments to Bombardier and (2) scheduled aircraft deliveries, as previously scheduled under the initial purchase agreement. Republic and the Bombardier Parties reached a settlement agreement ("the Settlement") to provide for a general unsecured claim in the amount of \$1.5 million and an administrative claim of \$0.7 million for the satisfaction of certain claims asserted against the Company. The Bankruptcy Court approved the Settlement and the Amendment on December 8, 2016. The Debtors additionally satisfied the \$0.7 million administrative claim in December, 2016.

On November 15, 2016, the Company and Embraer S.A. (formerly Embraer - Empresa Brasileira de Aeronautica S.A) and affiliates (collectively, "Embraer," or the "Embraer Parties") entered into a Letter of Intent Regarding Embraer - Republic Global Settlement (the "Global Settlement") to amend certain contractual relationships between the Company and the Embraer Parties. The Global Settlement calls for, among other arrangements, (1) cancellation of remaining firm and option aircraft scheduled in the Amended and Restated Purchase Agreement COM0191-10 (the "Purchase Agreement"), (2) return to Republic of a portion of the predelivery payments made to Embraer under the Purchase Agreement, (3) assumption of the existing heavy maintenance relationship with Embraer in its current form, and (4) an orderly termination of the Company's participation in the E-Jet parts pool agreement. Under the terms of the Global Settlement, in satisfaction of the Embraer Parties' claims asserted against the Company and Republic, the Embraer Parties received reimbursement for legal fees incurred in connection with our Chapter 11 Bankruptcy proceeding and received allowed prepetition claims in the aggregate amount of \$99.0 million. The Bankruptcy Court approved the Global Settlement by order dated December 14, 2016.

On November 28, 2016, the Bankruptcy Court approved the motion filed on November 3, 2016 for the approval of the merger of the operations of Shuttle America Corporation ("Shuttle") into those of Republic Airline Inc. ("Republic Airline") through consolidation of flying operations under a single Air Carrier Certificate. Following the consummation of the merger on January 31, 2017, Shuttle surrendered its Air Carrier Certificate to the FAA, to support the single flying operation. Claims previously filed against Shuttle are treated substantially similarly as claims against Republic Airline, the surviving entity. Business interruption as a result of the consolidation of Shuttle and Republic Airline operations was minimal.

On December 14, 2016, the Company obtained approval from the Bankruptcy Court for the sale of three E170 aircraft to the existing third party aircraft lessee. The Company completed the sale on January 19, 2017 for total proceeds of \$27.6 million. As a result of the sale, the Company extinguished \$18.4 million in aircraft debt collateralized by the aircraft included in the sale. Market information available prior to the consummation of the sale resulted in an impairment charge of \$4.4 million to the leased aircraft asset group as of December 31, 2016.

**REPUBLIC AIRWAYS HOLDINGS INC., ET AL.**  
**DEBTORS AND DEBTOR-IN-POSSESSION**  
**SCHEDULE I: CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)**  
**AS OF FEBRUARY 28, 2017**  
**(In millions)**

| <b>ASSETS</b>                                      | <b>Debtors</b>    | <b>Non-Debtors</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|--|-------------------|--------------------|---------------------|---------------------|
| <b>Current Assets:</b>                             |                   |                    |                     |                     |
| Cash and cash equivalents                          | \$ 196.9          | \$ —               | \$ —                | \$ 196.9            |
| Restricted cash                                    | 11.9              | —                  | —                   | 11.9                |
| Intercompany receivable                            | 7.1               | —                  | (7.1)               | —                   |
| Receivables, net                                   | 81.8              | —                  | —                   | 81.8                |
| Intercompany lease receivable <sup>(1)</sup>       | —                 | 188.5              | (188.5)             | —                   |
| Inventories  | 43.8              | —                  | —                   | 43.8                |
| Prepaid expenses and other current assets          | 13.0              | —                  | —                   | 13.0                |
| Assets held for sale                               | 3.8               | —                  | —                   | 3.8                 |
| <b>Total current assets</b>                        | <b>358.3</b>      | <b>188.5</b>       | <b>(195.6)</b>      | <b>351.2</b>        |
| Aircraft and other equipment, net                  | 2,767.2           | —                  | —                   | 2,767.2             |
| Airport slots and other assets                     | 12.9              | —                  | —                   | 12.9                |
| Deferred income taxes                              | —                 | 15.6               | (15.6)              | —                   |
| Investment in non-debtors                          | 35.3              | —                  | (35.3)              | —                   |
| <b>Total assets</b>                                | <b>\$ 3,173.7</b> | <b>\$ 204.1</b>    | <b>\$ (246.5)</b>   | <b>\$ 3,131.3</b>   |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>       |                   |                    |                     |                     |
| <b>Current Liabilities:</b>                        |                   |                    |                     |                     |
| Intercompany payable <sup>(1)</sup>                | \$ 188.5          | \$ 7.1             | \$ (195.6)          | \$ —                |
| Current portion of long-term debt                  | 194.8             | 14.5               | —                   | 209.3               |
| Accounts payable                                   | 17.6              | —                  | —                   | 17.6                |
| Accrued liabilities                                | 141.6             | —                  | —                   | 141.6               |
| <b>Total current liabilities</b>                   | <b>542.5</b>      | <b>21.6</b>        | <b>(195.6)</b>      | <b>368.5</b>        |
| Long-term debt – less current portion              | 1,659.9           | 174.0              | —                   | 1,833.9             |
| Deferred credits and other non-current liabilities | 29.2              | —                  | —                   | 29.2                |
| Deferred income taxes                              | 19.0              | —                  | (15.6)              | 3.4                 |
| <b>Liabilities subject to compromise (Note 2)</b>  | <b>1,012.7</b>    | <b>—</b>           | <b>—</b>            | <b>1,012.7</b>      |
| <b>Commitments and contingencies</b>               |                   |                    |                     |                     |
| <b>Stockholders' Deficit:</b>                      |                   |                    |                     |                     |
| Preferred stock                                    | —                 | —                  | —                   | —                   |
| Common stock                                       | —                 | —                  | —                   | —                   |
| Additional paid-in capital                         | 436.5             | 35.3               | (35.3)              | 436.5               |
| Treasury stock                                     | (183.9)           | —                  | —                   | (183.9)             |
| Accumulated other comprehensive loss               | (2.4)             | —                  | —                   | (2.4)               |
| Accumulated deficit                                | (339.8)           | (26.8)             | —                   | (366.6)             |
| <b>Total stockholders' deficit</b>                 | <b>(89.6)</b>     | <b>8.5</b>         | <b>(35.3)</b>       | <b>(116.4)</b>      |
| <b>Total liabilities and stockholders' deficit</b> | <b>\$ 3,173.7</b> | <b>\$ 204.1</b>    | <b>\$ (246.5)</b>   | <b>\$ 3,131.3</b>   |

<sup>(1)</sup> There is a \$188.5 million intercompany receivable and payable between Debtor Republic Airline and non-Debtor Carmel Finance 2015, LLC ("Carmel Finance"). The amount represents basic rent on a lease by Carmel Finance to Republic Airline of nine E175 aircraft, which is equal to Carmel Finance's debt service requirements on the notes payable for those aircraft. Republic Airways Holdings Inc. has guaranteed the debt obligation of non-Debtor Carmel Finance in the event of non-payment or performance.

**REPUBLIC AIRWAYS HOLDINGS INC., ET AL.  
DEBTORS AND DEBTOR-IN-POSSESSION**

**SCHEDULE II: CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)  
FOR THE MONTH ENDED FEBRUARY 28, 2017**

(In millions)

| OPERATING REVENUES:                                    | Debtors | Non-Debtors | Eliminations | Consolidated |
|--|---------|-------------|--------------|--------------|
| Fixed-fee revenue                                      | \$ 89.1 | \$ —        | \$ —         | \$ 89.1      |
| Other revenue  | 0.7     | —           | —            | 0.7          |
| Total operating revenues                               | 89.8    | —           | —            | 89.8         |
| <b>OPERATING EXPENSES:</b>                             |         |             |              |              |
| Wages and benefits                                     | 29.9    | —           | —            | 29.9         |
| Aircraft and engine rent                               | 0.9     | —           | —            | 0.9          |
| Maintenance and repair                                 | 16.8    | —           | —            | 16.8         |
| Depreciation and amortization                          | 14.5    | —           | —            | 14.5         |
| Other  | 11.5    | —           | —            | 11.5         |
| Total operating expenses                               | 73.6    | —           | —            | 73.6         |
| OPERATING INCOME                                       | 16.2    | —           | —            | 16.2         |
| INTEREST EXPENSE, NET                                  | 8.7     | —           | —            | 8.7          |
| INCOME BEFORE REORGANIZATION ITEMS AND<br>INCOME TAXES | 7.5     | —           | —            | 7.5          |
| REORGANIZATION ITEMS, NET (Note 2)                     | 3.2     | —           | —            | 3.2          |
| INCOME BEFORE INCOME TAX EXPENSE                       | 4.3     | —           | —            | 4.3          |
| INCOME TAX EXPENSE                                     | —       | —           | —            | —            |
| NET INCOME   | \$ 4.3  | \$ —        | \$ —         | \$ 4.3       |

**REPUBLIC AIRWAYS HOLDINGS INC., ET AL.**  
**DEBTORS AND DEBTOR-IN-POSSESSION**  
**SCHEDULE III: TOTAL DISBURSEMENTS BY FILED LEGAL ENTITY (UNAUDITED)**  
**FOR THE MONTH ENDED FEBRUARY 28, 2017**  
**(In millions)**

This schedule includes total disbursements for the one month period ended February 28, 2017.

| <b>Legal entity</b>             | <b>Case number</b> | <b>Disbursements</b> |
|---------------------------------|--------------------|----------------------|
| Republic Airways Holdings Inc.  | 16-10429           | \$ —                 |
| Republic Airways Services, Inc. | 16-10426           | —                    |
| Republic Airline Inc.           | 16-10428           | 71.4                 |
| Shuttle America Corporation     | 16-10427           | —                    |
| Midwest Air Group, Inc.         | 16-10430           | —                    |
| Midwest Airlines, Inc.          | 16-10431           | —                    |
| Skyway Airlines, Inc.           | 16-10432           | —                    |
| <b>Total disbursements</b>      |                    | <b>\$ 71.4</b>       |

## REPUBLIC AIRWAYS HOLDINGS INC. AND, ET AL.

## DEBTORS AND DEBTOR-IN-POSSESSION

## SCHEDULE IV: SCHEDULE OF FEDERAL, STATE AND LOCAL TAXES COLLECTED, RECEIVED, DUE OR WITHHELD (UNAUDITED)

FOR THE MONTH ENDED FEBRUARY 28, 2017

(In millions)

| <b>Payroll taxes</b>                              | <b>Disbursements</b> |
|---|----------------------|
| Gross wages and salaries paid or incurred         | \$ 15.3              |
| Payroll taxes withheld – employee                 | 4.9                  |
| Payroll taxes withheld – employer                 | 2.0                  |
| Total payroll taxes withheld                      | \$ 6.9               |
| Amount of payroll tax remitted to tax authorities | 6.9                  |
| Date(s) remitted to tax authorities               | Various              |
| <b>Property taxes paid</b>                        | <b>\$ 1.0</b>        |

**REPUBLIC AIRWAYS HOLDINGS INC., ET AL.**  
**DEBTORS AND DEBTOR-IN-POSSESSION**  
**SCHEDULE V: TOTAL DISBURSEMENTS TO RETAINED PROFESSIONALS (UNAUDITED)**  
**FOR THE MONTH ENDED FEBRUARY 28, 2017**  
(In millions)

| <b>Retained professionals</b>                        | <b>Disbursements <sup>(1)</sup></b> |
|--|-------------------------------------|
| <b>Debtors' advisors:</b>                            |                                     |
| Hughes Hubbard & Reed LLP                            | 0.4                                 |
| Norton Rose Fulbright US LLP                         | 0.1                                 |
| KPMG, LLP  | 0.4                                 |
| Zirinsky Law Partners PLLC                           | 0.2                                 |
| Seabury Consulting, LLC                              | 0.2                                 |
|  | <u>1.3</u>                          |
| <b>Advisors to unsecured creditor's committee:</b>   |                                     |
| Morrison & Foerster LLP                              | 0.3                                 |
| Skyworks Capital, LLC                                | 0.2                                 |
| Imperial Capital, LLC                                | 0.3                                 |
|  | <u>0.8</u>                          |
| <b>Ordinary course professionals:</b>                |                                     |
|  | 0.1                                 |
|  |                                     |
|  |                                     |
| <b>Total disbursements to retained professionals</b> | <u><u>\$ 2.2</u></u>                |

<sup>(1)</sup> The Debtors and the Unsecured Creditors' Committee have retained various legal and financial professionals for advice relating to Chapter 11 matters. As of February 28, 2017, \$8.6 million remains payable to retained professionals fees in relation to these matters, which have been recorded to accrued professional fees. Payment of these expenses will be made in accordance with applicable orders of the Bankruptcy Court.