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

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**In re** : **Chapter 11 Case No.**  
**REPUBLIC AIRWAYS HOLDINGS INC., et al.,** : **16-\_\_\_\_\_ (\_\_\_)**  
**Debtors.<sup>1</sup>** : **(Joint Administration Pending)**

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**DEBTORS' MOTION PURSUANT TO 11 U.S.C. §§ 105(a), 363(b) & 503(b)(9)  
FOR ENTRY OF INTERIM AND FINAL ORDERS (i) AUTHORIZING, BUT NOT  
DIRECTING, DEBTORS TO PAY PREPETITION OBLIGATIONS OF CRITICAL  
VENDORS AND (ii) AUTHORIZING AND DIRECTING FINANCIAL INSTITUTIONS  
TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS**

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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.

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Republic Airways Holdings Inc. (“RAH”), and certain of its wholly-owned direct and indirect subsidiaries, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively with RAH, “Republic” or the “Debtors”), respectfully represent:

**Background**

1. On the date hereof (the “Commencement Date”) each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of title 11, United States Code (the “Bankruptcy Code”). The Debtors are authorized to continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or statutory committee of unsecured creditors has been appointed in these cases.

2. Contemporaneously herewith, the Debtors have filed a motion requesting joint administration of their chapter 11 cases for procedural purposes only pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure.

**Republic’s Business**

3. RAH is a holding company whose common stock is traded on the NASDAQ under the symbol “RJET.” RAH provides scheduled regional passenger services through its wholly-owned operating air carrier subsidiaries, Shuttle America Corporation (“Shuttle America”) and Republic Airline Inc. (“Republic Airline”). Republic offers approximately 1,000 flights daily to 105 cities in 38 states, Canada, the Caribbean, and the Bahamas through Republic’s fixed-fee code-share agreements with United Continental Holdings, 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 operational fleet consists of approximately 230 aircraft.

4. As of January 31, 2016, on a consolidated basis, Republic had assets and liabilities of \$3,561,000,000 and \$2,971,000,000 (unaudited). For the year ended December 31, 2015, on a consolidated basis, Republic had operating revenue of \$1,343,900,000, operating expenses of \$1,259,200,000, and a net loss of \$27,117,000 (unaudited). In 2015, Republic carried 21,900,000 passengers an average of 479 miles per passenger, with a passenger load factor of 79.2%.

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

#### **Jurisdiction**

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

#### **Relief Requested**

7. By this Motion, pursuant to sections 105(a), 363(b) and 503(b)(9) of the Bankruptcy Code, Republic seeks entry of an order authorizing, but not directing, it to pay certain prepetition claims of certain vendors, suppliers, service providers, and other similar entities that are essential to maintaining the going concern value of Republic's business (the "Critical Vendors," and their prepetition claims, the "Critical Vendor Claims"), subject to the procedures and conditions described herein.

8. Republic also requests that the Court authorize and direct the banks and other financial institutions at which the Debtors maintain disbursement accounts (the “Banks”), to receive, process, honor, and pay, at Republic’s direction, to the extent of funds on deposit or otherwise available, any and all checks drawn or automatic or other electronic fund transfers requested or to be requested by Republic relating to the Critical Vendor Claims. Republic also seeks authority to issue new postpetition checks, or effect new fund transfers, on account of the Critical Vendor Claims to replace any prepetition checks or electronic fund transfer requests that may be lost, dishonored, or rejected as a result of the commencement of these chapter 11 cases. A proposed form of order granting the relief requested herein on an interim basis is annexed hereto.

#### **The Critical Vendors**

9. Republic operates in a highly specialized, highly regulated, and highly competitive industry. The uniqueness and competitiveness of the airline industry, coupled with the remote and highly-regulated venue in which airlines must operate, leave airlines with few options with respect to certain vendors and service providers. Even where more than one vendor can be located to provide a service, Federal Aviation Administration (“FAA”) regulations inhibit an airline’s ability to switch expeditiously from one supplier of goods or services to another.

10. Republic also purchases goods and services from certain vendors which are sole- or limited-source suppliers without which the company could not operate. Unlike vendors that may be easily and timely replaceable, these suppliers are, by definition, irreplaceable absent extraordinary expense or extensive delay, and as a result, these limited-source suppliers are in the unique position of having a virtual monopoly over the goods and services they provide.

11. While Republic expects to be able to assure a continuing postpetition supply of goods and services by consensual negotiation with the Critical Vendors, it recognizes that its fiduciary duties require that the company plan for those Critical Vendors that may refuse to provide future goods or services unless their prepetition claims are paid. The Critical Vendors are so important to Republic's business that the lack of each of their particular services, even for a short duration, will likely cause irreparable harm to Republic's business as a result of the potential disruption to its flight operations. Republic submits that this irreparable harm will far outweigh the cost of Critical Vendor Claims.

12. Accordingly, as discussed further below, it is in the best interests of Republic's estates and creditors to pay some or all of the Critical Vendor Claims. In most instances, these payments would be contingent on agreements that the Critical Vendors continue to sell their goods or services at the same or reduced prices and on terms at least as favorable as those in effect before the Commencement Date. If, however, Republic is unable to reach agreement with a particular Critical Vendor to continue business on customary trade terms, Republic seeks authority to pay, in its discretion, all or a portion of any such Critical Vendor's prepetition claims.

13. Republic has identified the following categories of Critical Vendors, the loss of which could materially harm the Republic's business or impair going concern viability: (i) safety and security providers, (ii) maintenance service providers, (iii) flight training providers, (iv) customer amenity providers, (v) passenger and cargo handling and ground support service providers, (vi) fuel providers, (vii) crew services providers, and (viii) information technology suppliers and service providers.

Safety and Security Providers

14. In the airline industry, the need for an uninterrupted supply of safety and security products and services is self-evident. Regulations prescribed by the FAA require airlines to use certain safety and security products and services that protect airline passengers, employees, baggage, goods in transit, aircraft, and other airline property. These products and services primarily relate to the handling and screening of baggage and cargo, hazardous materials, building security systems, fire systems, and catering security services.

15. Republic employs third-party vendors to provide many of these specialized safety and security products and services including (i) vendors to remove hazardous material from airfields and maintenance centers, (ii) on-field personnel to monitor catering deliveries and personnel inside catering kitchens, and (iii) private security guard to protect maintenance bases and other aspects of Republic's business. As a result of airport security regulations, for these services, Republic may only employ personnel who have received security clearance following lengthy background checks. In some of Republic's locations, there is only a single authorized provider of such services. If Republic was forced to suddenly change vendors, it would take time to locate qualified replacements and Republic might need to suspend landing at certain airports until the services are restored.

Maintenance Service Providers

16. To maintain safety standards, flight schedules, and on-time performance, Republic requires the ability to repair aircraft parts and make on-the-spot repairs to aircraft on little or no notice. Any disruption in the flow of parts or services immediately effects on-time performance, a key component by which customer satisfaction is measured, and would result in immediate and substantial economic harm to Republic's business.

17. Republic's relationship with maintenance service providers (some of which may be located in foreign countries) is subject to many mandatory layers of oversight and control by the FAA, the original equipment manufacturers ("OEMs"), and Republic's engineers. Maintenance service providers are difficult to source because they are subject to mandatory certification and approval by several entities prior to an airline being able to use the services. Therefore, Republic's options for maintenance service providers are limited.

18. Aircraft maintenance service providers are subject to licensing, certification, or approval of the FAA. All work on commercial passenger jets must be validated and signed off by FAA-licensed providers. This work must also be approved by the OEM or Republic's engineers, or both, in accordance with Republic's FAA approved maintenance plan. Republic must conduct audits before using new maintenance service providers. The ability to quickly audit new maintenance service providers is limited.

#### Flight Training Providers

19. Continuous and rigorous training of pilots and flight attendants is an essential component of maintaining a safe airline and ongoing operations. To comply with FAA regulations, pilots and flight attendants must receive both initial qualifications and continuous proficiency training. Republic requires the use of specialized products, devices, and facilities, including flight simulators, to meet federal requirements and assure that all pilots perform at the highest level of competency.

20. Pursuant to FAA regulations, flight training is required every nine months and every time a pilot switches aircraft types or "switches seats" (going from first officer to captain or vice versa). Recent spikes in pilot retirements have increased these training requirements. Flight simulators are essential for training pilots because they are a far less expensive and completely safe method of training. There are only a small number of major

simulator manufacturers from which Republic leases simulators. Flight simulator manufacturers are the exclusive producers of many of the replacement parts for their simulators. Republic has a consistent need for these simulators, which are continually in use unless they are being serviced. If Republic is unable to purchase spare parts to service their simulators and get them back online for training, it would be severely disadvantaged in the operation of its business as more and more pilots would lose their FAA authorization to fly or could not be trained to switch to other aircraft.

#### Customer Amenity Providers

21. To meet passenger expectations, Republic provides customer amenities on the ground and in flight, including food, beverages, in-flight audio and video, and other products which its passengers have come to expect. Any drop-off in the quality of these “passenger-facing” products would damage Republic’s business and revenue. The airport distribution and catering requirements for in-flight meals and related goods are extremely high and cannot be met by most food service suppliers. Many of the goods require airline-specific packaging and product identification to meet airline requirements. These providers of these services are uniquely situated to fill Republic’s needs and meet the internal configuration of each aircraft, which requires substantial lead time. Without their ongoing support and service, Republic’s business operations could be severely disrupted.

#### Passenger and Cargo Handling and Ground Support Service Providers

22. Moving passengers, baggage, and cargo from the point of origin to the ultimate destination requires specialized products and services driven by FAA, airline, and airport requirements. These goods and services include, but are not limited to, check-in equipment, baggage sorter parts, ground equipment, ground support, cargo ground handling, and de-icing. Certain locations may only have one service provider at the airport. This is common at international locations and at the smaller airports (which Republic serves for its customers.) The



capital expense related to de-icing equipment may limit the number of de-icing service providers at an airport. Finally, the time required to train a different Passenger and Cargo Handling or Ground Support Service Provider will impact current operations at any given airport if there is a provider change.

#### Fuel Providers

23. Republic purchases fuel at certain maintenance hangars from into-plane fuel providers for maintenance test flights and ferry reposition flights. Generally, there are only one or two such vendors at each location. Republic's operations will be severely impaired if it is unable to purchase fuel and have it provided for test flights and ferry flights.

#### Crew Services Providers

24. Republic is subject to Federal Aviation Administration regulations regarding crew rest. In order to ensure its crews receive sufficient rest, consistent with its obligations, from time to time Republic must provide its airline crews adequate lodging and other necessities. Without these services, Republic would not be able to ensure its compliance with federal standards and would not be able to adequately staff its flights.

#### Information Technology Suppliers and Service Providers

25. Republic's business requires a vast and complex set of management and information systems. The applications and infrastructure knowledge of these suppliers for Republic's information technology environment is unique to the airline industry and critical to ongoing operations. Replacement systems could be less than completely accurate and would require comprehensive and lengthy testing. Even if Republic could replace these suppliers, replacement would take substantial time at great cost to Republic's business. Without reliable access to all of these critical systems, Republic's aircraft would be grounded.

26. As discussed in further detail below, it is in the best interests of Republic and its estates to pay certain Critical Vendor Claims (including such claims under section 503(b)(9) of the Bankruptcy Code). These payments would be contingent on the Critical Vendors agreeing to continue to sell their goods or provide their services on terms at least as favorable as those in effect before the Commencement Date. If, however, Republic is unable to reach such an agreement with a particular Critical Vendor to continue business on such terms, Republic seeks authority to pay, in its sole discretion, all or a portion of such Critical Vendor's prepetition obligations.

### **The Critical Vendor Payments**

27. Republic seeks authority to pay, in its sole discretion and business judgment, some or all of the prepetition obligations of Critical Vendors that are essential to its ongoing operations and reorganization efforts. Republic estimates that the aggregate amount owed to Critical Vendors for goods delivered or services provided during the period before the Commencement Date should not exceed \$310,000.<sup>2</sup> Of this amount, Republic requests authority to pay up to \$155,000 prior to the hearing to authorize the relief requested herein on a final basis.

28. In identifying the Critical Vendors that it is seeking authority to pay for goods delivered or services provided during the period before the Commencement Date, Republic excluded vendors which are party to executory contracts and therefore precluded from unilaterally ceasing to comply with terms of their contracts. Republic also considered, among other things, the following: (i) which suppliers are sole-source or limited-source suppliers, without which Republic could not continue to operate, (ii) which suppliers would be prohibitively expensive to replace, (iii) which suppliers are at risk of ceasing the provision of

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2. This amount does not include any amounts owed for prepetition claims that Republic is seeking authority to pay pursuant to other motions filed in the chapter 11 cases.

truly critical services or supplies, (iv) the financial condition of each supplier, to the extent such information was known, and whether the supplier might face its own liquidity crisis, due to such supplier's operational or cash flow issues, if Republic does not promptly pay its prepetition claim, (v) whether the goods or services the vendor provides could be replaced without interruption to Republic's operations, (vi) whether failure to pay the claim would result in Republic paying substantially more for the same goods or services, and (vii) whether failure to pay the claim would interrupt Republic's operations or cause a loss of revenue and the ability to perform its own contractual commitments. Republic then estimated the amount it believes may be required to pay for prepetition obligations to ensure the continued supply of critical goods and services. Thus, the aggregate amount owed to Critical Vendors for goods delivered or services provided during the period before the Commencement Date was determined after taking into account all appropriate circumstances and represents an amount necessary to avoid irreparable harm to Republic's business.

**Proposed Conditions to Receiving Payment**

29. Republic proposes to pay the Critical Vendor Claim of each Critical Vendor that agrees, to Republic's satisfaction, to continue to supply goods or services to Republic on terms no less favorable to Republic those in effect prior to the Commencement Date, or on such other terms individually agreed to between Republic and such Critical Vendor that Republic deems acceptable. Moreover, to the extent a Critical Vendor holds a mechanics' liens, possessory lien, or similar state law trade lien on Republic's assets securing its Critical Vendor Claim, Republic proposes that the Critical Vendor must agree to take whatever action is necessary to remove such lien at Critical Vendor's sole expense.

30. Republic proposes the following procedures as a condition of paying such creditors' claims: (a) in the sole discretion of Republic, that a letter or contract including

provisions substantially in the form of the letter attached to hereto as Exhibit A (a “Vendor Agreement”) be delivered to, and executed by, the Critical Vendors along with a copy of the order granting the relief sought herein and (b) that payment of Critical Vendor Claims include a communication of the following statement:

By accepting this payment, the payee agrees to the terms of the Order of the U.S. Bankruptcy Court for the Southern District of New York, dated \_\_\_\_\_, 2016, in the chapter 11 cases of Republic Airways Holdings Inc., et al. (Cases No. 0[-] \_\_\_\_\_(-) through 0[ ]- \_\_\_\_\_(-), entitled Order Pursuant to 11 U.S.C. §§ 105(a) , 363(b) & 503(b)(9) (I) Authorizing, But Not Directing, Debtors to Pay Prepetition Obligations of Critical Vendors and (II) Authorizing and Directing Financial Institutions To Honor and Process Related Checks and Transfers.

31. Republic further proposes that if a Critical Vendor fails to comply with these conditions, then Republic may, in its discretion, and without further order of the Court, declare that: (i) the payment of the Critical Vendor’s Critical Vendor Claim is a voidable postpetition transfer pursuant to section 549(a) of the Bankruptcy Code that Republic may recover from the Critical Vendor in cash or in goods (including by setoff against postpetition obligations) or (ii) the Critical Vendor shall immediately return the payment of its Critical Vendor Claim without giving effect to alleged setoff rights, recoupment rights, adjustments, or offsets of any type whatsoever, and the creditor’s Critical Vendor Claim shall be reinstated in an amount that will restore Republic and the Critical Vendor to their original positions as if the payment of the Critical Vendor Claim had not been made.

32. Republic proposes to maintain a matrix summarizing (i) the name of each Critical Vendor paid, (ii) the amount paid to each Critical Vendor on account of its Critical Vendor Claim, and (iii) the type of goods or services provided by that Critical Vendor. This matrix will be provided upon request to the United States Trustee, and if applicable, the attorneys retained by the statutory committee of unsecured creditors appointed in these chapter 11 cases (the “Committee”); provided, that the Committee’s attorneys shall keep the matrix confidential

and shall not disclose any of the information in the matrix to anyone, including, but not limited to, any member of the Committee, without prior written consent of Republic.

**The Court May Authorize Payment of Critical Vendor Claims  
Pursuant to Sections 105(a), 363(b) & 503(b)(9) of the Bankruptcy Code**

33. Republic submits that the Court has authority pursuant to sections 105(a), 363(b) and 503(b)(9) of the Bankruptcy Code to authorize Republic to pay all or part of the Critical Vendor Claims.

34. Section 363(b) of the Bankruptcy Code provides that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” To approve the use of a debtor’s assets outside the ordinary course of business pursuant to section 363(b), “the debtor must articulate some business justification, other than the mere appeasement of major creditors.” See *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989).

35. This business judgment rule is satisfied where “the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the company.” *Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting *Smith v. Van Gorkom*, 488 A.2d 858, 872 (Del. 1985)), *appeal dismissed*, 3 F.3d 49 (2d Cir. 1993). “Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.” *Comm. of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). Courts in this District consistently have declined to interfere with corporate decisions absent a showing of bad faith, self-interest, or gross negligence, and have upheld a board’s decisions as long as such decisions

are attributable to any “rational business purpose.” *Integrated*, 147 B.R. at 656 (quoting *CRTF Corp. v. Federated Dep’t Stores*, 683 F. Supp. 422, 436 (S.D.N.Y. 1988)).

36. Furthermore, certain of the Critical Vendor Claims that Republic is seeking authority to pay may be for equipment, supplies, and other goods delivered in the ordinary course to Republic within the twenty days before the Commencement Date and entitled to administrative expense priority status pursuant to section 503(b)(9) of the Bankruptcy Code. Payment of such Critical Vendor Claims at the onset of these chapter 11 cases, therefore, merely accelerates the timing of payment and not the ultimate treatment of such claims. Additionally, all creditors will benefit from the seamless transition of Republic’s operations into chapter 11.

37. In addition, the Court has the authority, pursuant to its equitable powers under section 105(a) of the Bankruptcy Code, to authorize Republic to pay any amounts that may be owed to Critical Vendors because such payments are necessary for the Debtors to carry out their fiduciary duties under section 1107(a) of the Bankruptcy Code, which “contains an implied duty of the debtor-in-possession” to act as a fiduciary to “protect and preserve the estate, including an operating business’ going-concern value,” on behalf of the debtor’s creditors and other parties in interest. *In re CEI Roofing, Inc.*, 315 B.R. 50, 59 (Bankr. N.D. Tex. 2004) (quoting *In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002)); *see also Unofficial Comm. of Equity Holders v. McManigle (In re Penick Pharm., Inc.)*, 227 B.R. 229, 232-33 (Bankr. S.D.N.Y. 1998) (“upon filing its petition, the Debtor became debtor in possession and, through its management . . . was burdened with the duties and responsibilities of a bankruptcy trustee”).

38. In a long line of well-established cases, courts consistently have permitted postpetition payment of prepetition obligations where necessary to preserve or enhance the value

of a debtor's estate for the benefit of all creditors. *See, e.g., In re Fin. News Network, Inc.*, 134 B.R. 732, 735-36 (Bankr. S.D.N.Y. 1991) (“[A] bankruptcy court may allow pre-plan payments of prepetition obligations where such payments are critical to the debtor’s reorganization”); *Ionosphere*, 98 B.R. at 175 (citing *Miltenberger v. Logansport, C&S W.R. Co.*, 106 U.S. 286, 312 (1882) (payment of pre-receivership claim before reorganization permitted to prevent stoppage of “indispensable business relations”)); *Mich. Bureau of Workers’ Disability Comp. v. Chateaugay Corp. (In re Chateaugay Corp.)*, 80 B.R. 279, 285-86 (S.D.N.Y. 1987) (approving lower court order authorizing payment of prepetition wages, salaries, expenses, and benefits).

39. This “doctrine of necessity” functions in a chapter 11 reorganization as a mechanism by which the Court can exercise its equitable power to allow payment of critical prepetition claims not explicitly authorized by the Bankruptcy Code. *See In re Lehigh & New England Ry. Co.*, 657 F.2d 570, 581 (3d Cir. 1981) (quoting *In re Penn Cent. Transp. Co.*, 467 F.2d 100, 102 n.1 (3d Cir. 1972) (“[T]he ‘necessity of payment’ doctrine [permits] immediate payment of claims of creditors where those creditors will not supply services or material essential to the conduct of the business until their pre-reorganization claims shall have been paid.”)); *In re Boston & Me. Corp.*, 634 F.2d 1359, 1382 (1st Cir. 1980) (recognizing “existence of a judicial power to authorize trustees in reorganization to pay claims [for] goods and services indispensably necessary” to debtors’ continued operation); *In re Quality Interiors, Inc.*, 127 B.R. 391, 396 (“A general practice has developed . . . where bankruptcy courts permit the payment of certain pre-petition claims, pursuant to 11 U.S.C. § 105, where the debtor will be unable to reorganize without such payment.”); *In re Structurelite Plastics Corp.*, 86 B.R. 922, 931 (Bankr. S.D. Ohio 1988) (“[A] *per se* rule proscribing the payment of pre-petition indebtedness may well be too inflexible to permit the effectuation of the rehabilitative purposes of the Code.”). The

rationale for the doctrine of necessity is consistent with the paramount goal of chapter 11—  
“facilitating the continued operation and rehabilitation of the debtor.” *Ionosphere*, 98 B.R. at  
176.

**Payment of Critical Vendor Claims  
Is Necessary to the Debtors’ Reorganization**

40. As set forth herein, payment of Critical Vendor Claims is essential to Republic’s continued operations and business. Based on experience, Republic believes that some of its Critical Vendors could demand that Republic satisfy prepetition obligations as a condition to doing business postpetition. Notwithstanding the automatic stay, failure to pay certain of these servicers may cause an interruption in Republic’s business that could result in huge economic losses for the company. Replacing these suppliers is not feasible because of the limited availability of aircraft parts suppliers and the regulated nature of the airline industry and would require significant time and resources that could be expended elsewhere.

41. Republic submits that the failure to pay Critical Vendor Claims may result in (i) the inability to acquire necessary materials and parts for operations, (ii) temporary shutdowns of operations, and (iii) a severe negative impact on the going concern value of the business. Accordingly, the relief requested herein is necessary and appropriate and is in the best interest of the Debtors’ estates and all their creditors.

**Reservation of Rights**

42. Nothing contained herein is intended to be or shall be construed as (i) an admission as to the validity or priority of any claim against Republic, (ii) a waiver of Republic’s or any appropriate party in interest’s rights to dispute any claim, or (iii) an approval or assumption of any agreement, contract, program, policy, or lease under section 365 of the Bankruptcy Code. Likewise, if the Court grants the relief sought herein, any payment made



pursuant to the Court's order is not intended to be and should not be construed as an admission of the validity or priority of any claim or a waiver of Republic's rights to dispute such claim subsequently.

**Fed. R. Bankr. P. 6003 Is Satisfied**

43. Fed. R. Bankr. P. 6003 provides that to the extent "relief is necessary to avoid immediate and irreparable harm," a Bankruptcy Court may approve a motion to "pay all or part of a claim that arose before the filing of the petition" prior to twenty-one days after the Commencement Date. As described herein the Critical Vendors are an integral part of Republic's business. Failure to pay Critical Vendor Claims could subject Republic to a potential cessation of operations to the detriment of all parties in interest. Accordingly, Republic submits that the relief requested herein is necessary to avoid immediate and irreparable harm, and therefore, rule 6003 is satisfied.

**Waiver of Fed. R. Bankr. P. 6004(a) and 6004(h)**

44. To implement the foregoing immediately, Republic seeks a waiver of the notice requirements under Fed. R. Bankr. P. 6004(a) and the fourteen-day stay of an order authorizing the use, sale, or lease of property under rule 6004(h).

**Notice**

45. Notice of this motion is being provided to (i) the Office of the United States Trustee for the Southern District of New York, (ii) the holders of the ten largest secured claims against Republic (on a consolidated basis), (iii) the holders of the forty largest unsecured claims against Republic (on a consolidated basis), (iv) the attorneys for the agents under Republic's prepetition revolving credit facilities, (v) the attorneys for Republic's Codeshare Partners, (vi) the International Brotherhood of Teamsters, (vii) the Securities and Exchange Commission, (viii) the Internal Revenue Service, (ix) the Office of the United States Attorney for

the Southern District of New York, and (x) the Banks. Republic submits that, in view of the facts and circumstances, such notice is sufficient and no other or further notice need be given.

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

WHEREFORE Republic respectfully requests (i) entry of an order substantially in the form annexed hereto granting the relief requested herein on an interim basis, (ii) entry of an order granting the relief requested herein on a final basis, and (iii) such other and further relief as is just.

Dated: New York, New York  
February 25, 2016

/s/ Bruce R. Zirinsky

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*Proposed Attorneys for the Debtors and  
Debtors in Possession*

**EXHIBIT A**

Republic Airways Holdings Inc.

\_\_\_\_\_, 2016

TO: [Critical Vendors]

[Name]

[Address]

Dear Valued Supplier:

As you are aware, Republic Airways Holdings Inc. and certain of its subsidiaries (collectively, “Republic” or the “Debtors”) filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Case” and the “Bankruptcy Court,” respectively) on February 25, 2016 (the “Commencement Date”). On the Commencement Date, Republic requested the Bankruptcy Court’s authority to pay the pre-bankruptcy claims of certain suppliers in recognition of the importance of Republic’s relationship with such suppliers and its desire that the Bankruptcy Cases have as little effect on the Company’s ongoing business operations as possible. On [ ], the Bankruptcy Court entered an order (the “Order”) authorizing Republic, under certain conditions, to pay the prepetition claims of certain Critical Vendors that agree to the terms set forth below and to be bound by the terms of the Order. A copy of the Order is enclosed.

In order to receive payment on account of prepetition claims, you must agree to continue to supply goods and services to Republic based on customer trade terms, which are the normal and customary trade terms, practices and programs (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, normal product mix and availability and other applicable terms and programs), that were most favorable to Republic and in effect between you and Republic prior to the Commencement Date, or such other trade terms as you and Republic agree.

For purposes of administration of this trade program as authorized by the Bankruptcy Court, you and Republic both agree that:

1. The estimated balance of the prepetition claim (net of any setoffs, credits or discounts) (the Vendor Claim) that you will receive from Republic is \$\_\_\_\_\_.
2. You agree to waive any general unsecured claim against Republic.
3. You will provide an open trade balance or credit line to Republic for shipment of postpetition goods in the amount of \$ \_\_\_\_\_ (which shall not be less than the greater of the open trade balance outstanding: (a) on \_\_\_\_\_, or (b) on normal and customary terms on a historical basis before and up to the Commencement Date.
4. The terms of such open trade balance or credit line are as follows (if more space is required, attach continuation pages):

5. During the pendency of the Bankruptcy Case you will continue to extend to Republic all customary trade terms.
6. You will not demand a lump sum payment upon consummation of a plan of reorganization in these chapter 11 cases on account of any administrative expense priority claim that you assert, but instead agree that such claims will be paid in the ordinary course of business after consummation of a plan under applicable customary trade terms, if the plan provides for the ongoing operations of Republic.
7. The undersigned, a duly authorized representative of [Critical Vendor], has reviewed the terms and provisions of the Order and agrees that [Critical Vendor] is bound by such terms.
8. You will not separately seek payment for reclamation and similar claims outside of the terms of the Order unless your participation in the Critical Vendor payment program authorized by the Order (the "Critical Vendor Payment Program") is terminated.
9. You agree not to file or otherwise assert against Republic, the estates or any other person or entity or any of their respective assets or property (real or personal) any lien (regardless of the statute or other legal authority upon which such lien is asserted) related in any way to any remaining prepetition amounts allegedly owed to you by Republic arising from agreements entered into prior to the Commencement Date. Furthermore, you agree to take (at your own expense) all necessary steps to remove any such lien as soon as possible.
10. If either the Critical Vendor Payment Program or your participation therein terminates as provided in the Order, or you later refuse to continue to supply goods to Republic on customary trade terms during the pendency of the Bankruptcy Case, any payments you receive on account of your Vendor Claim will be deemed voidable postpetition transfers pursuant to section 549(a) of the Bankruptcy Code. You will immediately repay to the Company any payments made to you on account of your Vendor Claim to the extent that the aggregate amount of such payments exceeds the postpetition obligations then outstanding without giving effect to alleged setoff rights, recoupment rights, adjustments, or offsets of any type whatsoever. Your Vendor Claim shall be reinstated in such an amount so as to restore Republic and you to the same positions as would have existed if payment of the Vendor Claim had not been made.
11. Any dispute with respect to this letter agreement, the Order, and/or your participation in the Critical Vendor Payment Program shall be determined by the Bankruptcy Court.

If you have any questions about this Agreement or our financial restructuring, please do not hesitate to call.

Sincerely,

Republic Airways Holdings Inc.

By:

[Name] [Title]

Agreed and Accepted by: [Critical Vendor]

By: Its:

Dated: \_\_\_\_\_

**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-\_\_\_\_\_ (\_\_\_)**  
**Debtors.**<sup>1</sup> : **(Jointly Administered)**

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**INTERIM ORDER PURSUANT TO 11 U.S.C. §§ 105(a), 363(b) & 503(b)(9)  
(I) AUTHORIZING, BUT NOT DIRECTING, DEBTORS TO  
PAY PREPETITION OBLIGATIONS OF CRITICAL VENDORS AND  
(II) AUTHORIZING AND DIRECTING FINANCIAL INSTITUTIONS  
TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS**

A hearing having been held on \_\_\_\_\_, 2016 (the "Hearing"), to consider the motion, dated February 25, 2016 (the "Motion"),<sup>2</sup> of Republic Airways Holdings Inc. ("RAH"), and certain of its wholly-owned direct and indirect subsidiaries, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively with RAH, "Republic" or the "Debtors"), pursuant to sections 105(a), 363(b) and 503(b)(9) of title 11, United States Code (the "Bankruptcy Code"), for entry of an order (i) authorizing, but not directing, Republic to pay, in its discretion, the prepetition claims of Critical Vendors and (ii) authorizing and directing the banks and financial institutions at which Republic maintains disbursement accounts, including but not limited to, those identified on Schedule 1 hereto (collectively, the "Banks") to pay, honor, and process related checks and automated and other electronic fund transfers with respect to Critical Vendor Claims, all as more fully set forth in the

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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.
  2. Capitalized terms not otherwise herein defined shall have the meanings ascribed to them in the Motion.



Motion; and the Declaration of Bryan K. Bedford Pursuant to Local Bankruptcy Rule 1007-2 having been filed with the Court contemporaneously with the Motion (the “Bedford Declaration”); and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and Amended Standing Order of Reference M-431, dated January 31, 2012 (Preska, C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and sufficient notice of the Motion having been provided to (i) the Office of the United States Trustee for the Southern District of New York, (ii) the holders of the ten largest secured claims against Republic (on a consolidated basis), (iii) the holders of the forty largest unsecured claims against Republic (on a consolidated basis), (iv) the attorneys for the agents under Republic’s prepetition revolving credit facilities, (v) the attorneys for Republic’s Codeshare Partners, (vi) the International Brotherhood of Teamsters, (vii) the Securities and Exchange Commission, (viii) the Internal Revenue Service, (ix) the Office of the United States Attorney for the Southern District of New York, and (x) the Banks (collectively, the “Notice Parties”), and it appearing that no other or further notice need be given; and upon the Motion, the papers in support thereof and the responses thereto, if any, the Bedford Declaration, the record of the Hearing, and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is necessary to avoid immediate and irreparable harm to Republic and its estates, as contemplated by Fed. R. Bankr. P. 6003, and is in the best interests of Republic, its estates, creditors, and all parties in interest, and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted on an interim basis, as provided herein; and it is further

ORDERED that, pursuant to sections 105(a), 363(b) and 503(b)(9) of the Bankruptcy Code, Republic is authorized, but not directed, in the reasonable exercise of its business judgment, to pay some or all of the Critical Vendor Claims (which may include claims under section 503(b)(9) of the Bankruptcy Code), upon such terms and in the manner provided in this Order and the Motion; provided that prior to a final hearing to consider the relief requested in the Motion (the “Final Hearing”) the amount paid with respect to Critical Vendor Claims shall not exceed the aggregate amount of \$155,000; and it is further

ORDERED that Republic shall, to the extent it deems required in its sole discretion, undertake all appropriate efforts to cause Critical Vendors to enter into an agreement (the “Vendor Agreement”) including provisions substantially in the form attached to the Motion as Exhibit A; and it is further

ORDERED that Republic is authorized, but not required, to enter into Vendor Agreements when Republic determines, in the exercise of its business judgment, that it is appropriate to do so. However, Republic’s inability to enter into a Vendor Agreement shall not preclude it from paying a claim, when, in the exercise of its business judgment, such payment is necessary to Republic’s operations; and it is further

ORDERED that if Republic, in its discretion, determines that a Critical Vendor has not complied with the terms and provisions of the Vendor Agreement or has failed to continue to provide customary trade terms following the date of the agreement, or on such terms as were individually agreed to between Republic and such vendor, Republic may terminate a

Vendor Agreement, together with the other benefits to the Critical Vendor as contained in this interim order; and it is further

ORDERED that if a Vendor Agreement is terminated as set forth above, or if an Critical Vendor has received payment of its Critical Vendor Claim and thereafter refuses to continue to supply goods or services to Republic on terms no less favorable to Republic those in effect prior to the Commencement Date or on such other terms individually agreed to between Republic and such Critical Vendor that Republic deems acceptable, Republic may, in its discretion, declare that (x) the payment of the Critical Vendor's Critical Vendor Claim is a voidable postpetition transfer pursuant to section 549(a) of the Bankruptcy Code that Republic may recover in cash or in goods from such Critical Vendor (including by setoff against postpetition obligations) or (y) the Critical Vendor shall immediately return the payment of its Critical Vendor Claim without giving effect to alleged setoff rights, recoupment rights, adjustments, or offsets of any type whatsoever, and the Critical Vendor Claim shall be reinstated in such an amount so as to restore Republic and the Critical Vendor to their original positions as if no payment of the Critical Vendor Claim had been made; and it is further

ORDERED that Republic shall maintain a matrix (a) summarizing (i) the name of each Critical Vendor paid, (ii) the amount paid to each Critical Vendor for its Critical Vendor Claim, and (iii) the type of goods or services provided by each such Critical Vendor and (b) that shall be provided upon request to the U.S. Trustee and, if applicable, the attorneys retained by the Committee; provided, that the Committee's attorneys shall keep the matrix confidential and shall not disclose any of the information in the matrix to any person or entity, including, but not limited to, any member of the Committee, without the prior written consent of Republic; and it is further

ORDERED that each of the Banks is authorized and directed to receive, process, honor, and pay, at Republic's direction, to the extent of funds on deposit or otherwise available, any and all checks drawn or automatic or other electronic fund transfers requested or to be requested by the Debtor in respect of the Critical Vendor Claims; and it is further

ORDERED that Republic is authorized, but not directed, to issue new postpetition checks, or effect new electronic fund transfers, with respect to the Critical Vendor Claims to replace any prepetition checks or electronic fund transfer requests that may be lost or dishonored or rejected as a result of the commencement of the chapter 11 cases; and it is further

ORDERED that nothing herein or in the Motion shall constitute an assumption, adoption, or rejection of any executory contract or agreement between Republic and any third party, or to require Republic to make any of the payments authorized herein; and it is further

ORDERED that nothing herein or in the Motion shall be construed (i) to limit, or in any way affect, Republic's ability to dispute any Critical Vendor Claim or (ii) as a waiver by Republic of its rights to contest any invoice or other claim of a Critical Vendor under applicable law; and it is further

ORDERED that any payment made pursuant to this Order is not, and shall not be, deemed an admission of the validity or priority of the underlying obligation or waiver of any rights Republic may have to subsequently dispute such obligation; and it is further

ORDERED that notwithstanding entry of this Order, Republic's rights to enforce the automatic stay provisions of section 362 of the Bankruptcy Code with respect to any creditor that demands payment of its prepetition claims as a condition to doing business with the Debtor postpetition are preserved; and it is further

ORDERED that notwithstanding entry of this Order, nothing herein shall create, nor is intended to create, any rights in favor of, or enhance the status of any claim held by, any party; and it is further

ORDERED that Fed. R. Bankr. P. 6003(b) has been satisfied; and it is further

ORDERED that the requirements set forth in Fed. R. Bankr. P. 6004(a) are waived; and it is further

ORDERED that, pursuant to Fed. R. Bankr. P. 6004(h), the terms and provisions of this Order shall be effective and enforceable immediately upon its entry; and it is further

ORDERED that within three (3) business days after entry of this Order, Republic shall serve a copy hereof on each of the Notice Parties; and it is further

ORDERED that the Final Hearing on the Motion shall be held on \_\_\_\_\_, **2016** at \_\_:\_\_ .m. (**Eastern Time**), and any objections or responses to the Motion and entry of an order granting the relief requested on a final basis shall be in writing, filed with the Court in accordance with local rules and orders of the Court, and served upon (i) the proposed 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 Ramsey Chamie, Esq. (ramsey.chamie@hugheshubbard.com)) and (ii) the Notice Parties, in each case so as to be received no later than at **4:00 p.m. (Eastern Time) on \_\_\_\_\_, 2016**; and it is further

ORDERED that this Order is effective only from the date of entry through this Court's disposition of the Motion on a final basis at or after the Final Hearing; provided, that the

Court's ultimate disposition of the Motion on the final basis shall not impair or otherwise affect any action taken pursuant to this Order; and it is further

ORDERED that Republic is authorized to take all steps necessary to carry out this Order; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from or related to the interpretation, implementation, or enforcement of this Order.

Dated: New York, New York  
\_\_\_\_\_, 2016

\_\_\_\_\_  
United States Bankruptcy Judge

**Schedule 1**

**Banks and Other Financial Institutions**

<b>Entity</b>	<b>Bank</b>	<b>Acct Last 4</b>	<b>Type</b>	<b>Cur.</b>
Republic Airways Holdings Inc.	Bank of America	9785	Operating	USD
Republic Airways Holdings Inc.	Bank of America	1560	Accounts Payable	USD
Republic Airways Holdings Inc.	Bank of America	9670	Manual Payroll	USD
Republic Airways Holdings Inc.	Bank of America	7605	LC Restricted Cash	USD
Republic Airways Holdings Inc.	Bank of America	3476	Securities Custody	USD
Republic Airline Inc.	Bank of America	2600	Operating	USD
Republic Airline Inc.	Bank of America	1586	Accounts Payable	USD
Republic Airline Inc.	Bank of America	3160	Manual Payroll	USD
Shuttle America Corporation	Bank of America	3814	Operating	USD
Shuttle America Corporation	Bank of America	7108	Accounts Payable	USD
Shuttle America Corporation	Bank of America	9819	Manual Payroll	USD
Shuttle America Corporation	Bank of America (Canada)	8207	Operating	CAD
Shuttle America Corporation (Chautauqua)	Bank of America	4556	Operating	USD
Midwest Air Group, Inc.	Bank of America	9120	Operating	USD
Republic Airline Inc.	JPMorgan	1038	Operating	USD
Republic Airways Holdings Inc.	JPMorgan	1038	Operating	USD
Shuttle America Corporation	JPMorgan	6755	Operating	USD
Republic Airways Services, Inc.	JPMorgan	3380	Operating	USD
Republic Airways Holdings Inc.	JPMorgan	0690	Investments Clearing	
Republic Airline Inc.	US Bank	7576	ACH	USD
Shuttle America Corporation	US Bank	7865	ACH	USD
Republic Airways Holdings Inc.	Deutsche Bank	0741	Irrevocable Trust	USD
Republic Airways Holdings Inc.	Key Bank	0496	Operating	USD
Republic Airways Holdings Inc.	Key Bank	4121	Accounts Payable	USD
Republic Airways Holdings Inc.	Key Bank	4139	Manual Payroll	USD
Republic Airline Inc.	Key Bank	0520	Operating	USD
Republic Airline Inc.	Key Bank	4105	Accounts Payable	USD
Republic Airline Inc.	Key Bank	4113	Manual Payroll	USD
Shuttle America Corporation	Key Bank	0553	Operating	USD
Shuttle America Corporation	Key Bank	4147	Accounts Payable	USD
Shuttle America Corporation	Key Bank	4154	Manual Payroll	USD
Shuttle America Corporation	Key Bank	0835	Operating	CAD
Midwest Air Group, Inc.	Key Bank	0587	Operating	USD