

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

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:
In re : Chapter 11
:
SOUTHERN AIR : Case No. 12-12690 ()
HOLDINGS, INC., et al., :
: Joint Administration Requested
Debtors.1 :
:
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MOTION OF DEBTORS FOR
(I) INTERIM AND FINAL AUTHORITY TO
(A) CONTINUE EXISTING CASH MANAGEMENT SYSTEMS,
(B) MAINTAIN BUSINESS FORMS AND EXISTING BANK ACCOUNTS,
AND (C) CONTINUE INTERCOMPANY ARRANGEMENTS, AND (II) AN
EXTENSION OF TIME TO COMPLY WITH AND WAIVER OF THE
REQUIREMENTS OF SECTION 345(b) OF THE BANKRUPTCY CODE

Southern Air Holdings, Inc. ("Holdings") and its affiliated debtors in the above-
referenced chapter 11 cases, as debtors and debtors in possession (collectively, the "Debtors"),
submit this motion (the "Motion") and, in support thereof, respectfully represent as follows:

Jurisdiction

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C.
§§ 157 and 1334, and the Amended Standing Order of Reference from the United States District
Court for the District of Delaware, dated as of February 29, 2012. 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.

1 The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are:
(i) Southern Air Holdings, Inc., 6605; (ii) Cargo 360, Inc., 4233; (iii) Southern Air Inc., 2187; (iv) Air Mobility Inc.,
3824; (v) 21110 LLC, 3761; (vi) 21111 LLC, 8100; (vii) 21221 LLC, 1567; (viii) 21550 LLC, 8103; (ix) 21576
LLC, 6341; (x) 21590 LLC, 8105; (xi) 21787 LLC, 0617; (xii) 21832 LLC, 7893; (xiii) 23138 LLC, 7192;
(xiv) 24067 LLC, 6360; (xv) 46914 LLC, 0322; (xvi) Aircraft 21255, LLC, 5500; (xvii) Aircraft 21380, LLC, 1753;
and (xviii) CF6-50, LLC, 9733. The address for all Debtors is 117 Glover Avenue, Norwalk, Connecticut 06850.



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Background

2. On the date hereof (the “Petition Date”), each of the Debtors commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors continue to operate their businesses 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 creditors (“Creditors’ Committee”) has been appointed in these chapter 11 cases.

3. Contemporaneously herewith, the Debtors have filed a motion requesting joint administration of the chapter 11 cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

The Debtors’ Businesses

4. Southern Air Inc. (“Southern Air”), the Federal Aviation Administration certificated, indirect subsidiary of Holdings, is an experienced provider of long-haul, wide-body air cargo transportation services. Southern Air operates a fleet of eleven aircraft, including four Boeing 777s, four Boeing 747-400s, and three Boeing 747-200s. Southern Air’s staff and flight operations are positioned around the world to facilitate global operations for both governmental and commercial customers. Holdings is the direct or indirect parent company of the other Debtors.

5. As of the Petition Date, the Debtors employed approximately 611 full-time employees. For the year ended July 31, 2012, the Debtors’ unaudited and consolidated financial statements reflected revenues of approximately \$428.2 million and a net loss of \$159.8 million. As of July 31, 2012, the Debtors’ unaudited and consolidated financial statements reflected assets totaling approximately \$206.9 million and liabilities totaling approximately \$486.5 million.

6. Additional information regarding the Debtors' business, capital structure, and the circumstances leading to this chapter 11 filing is contained in the *Declaration of Daniel J. McHugh in Support of the Debtors' Chapter 11 Petitions and First Day Relief*, filed contemporaneously herewith.

The Debtors' Cash Management System

7. Prior to the Petition Date and in the ordinary course of their business, Southern Air and its subsidiaries utilized a centralized cash management system to collect funds generated by its operations and disburse those funds to satisfy the obligations required to operate the businesses (the "Cash Management System"). The Cash Management System is managed, for the most part, by Southern Air. Southern Air maintains control over the administration of all of the Debtors' existing bank accounts (the "Bank Accounts") located at various banks (the "Banks"), including, without limitation, those listed on Exhibit A attached hereto. Southern Air has historically acted as a central banker for its affiliates, aggregating excess cash and advancing money to cover expenses. The Debtors' Cash Management System consists of fourteen (14) domestic Bank Accounts maintained at three (3) different domestic Banks.

8. The Cash Management System enables the Debtors to meet their operating needs, centrally control and monitor corporate funds, ensure cash availability and liquidity, comply with the requirements of their financing agreements, reduce administrative expenses by facilitating the movement of funds, and enhance the development of accurate account balances. In addition to these benefits, the Cash Management System further provides the Debtors with the ability to quickly create status reports on the location and amount of funds, thereby allowing management to track and control such funds. The controls are crucial given that the Debtors' business generates revenue and expenses both within the United States and abroad.

9. Although the Debtors have operations in geographically dispersed locations, the Cash Management System is designed to be efficient and easily managed. For example, all of the Debtors' operating expenses are paid through one main operating account (the "Operating Account") at JPMorgan Chase Bank, N.A. ("Chase").

10. The Cash Management System has been organized around the principal functions of collection and disbursement. These functions and the Debtors' other accounts are explained in greater detail below.

A. Cash Collection

11. The Debtors primarily generate revenue through governmental and commercial air cargo transportation services. All incoming customer funds, including payments under government contracts and any prepayments under commercial contracts, are received by wire or, on occasion, check and deposited into a collection account maintained at Chase and referred to as the "Air Chase Checking Account" (the "Collection Account"). The Collection Account maintains a minimum balance of \$10,000 and all amounts in excess are immediately transferred from the Collection Account to the Operating Account. Southern Air monitors the Collection Account multiple times each day to ensure that necessary amounts are transferred to the Operating Account.

B. Cash Disbursement

12. The Operating Account disburses funds to cover, among other things, the following expenses: aircraft and equipment rental payments, maintenance and repairs, fuel, aircraft insurance, interest and principal payments under the CIBC Credit Agreement (defined below), any reimbursement obligations to non-Debtor affiliates, payroll, and general travel costs.

The Debtors pay the majority of their vendor obligations by wire transfer of immediately available funds or, in limited circumstances, by check.

13. Additionally, on a semimonthly basis, monies from the Operating Account are transferred to a payroll account maintained at Chase (the “Payroll Account”). The Debtors determine the amount to transfer to the Payroll Account by estimating the Debtors’ payroll liability, including an estimate of applicable tax obligations. Once actual taxes are calculated and payroll expenses are paid, any excess amounts (ordinarily a few thousand dollars) remain in the Payroll Account. The Payroll Account handles the disbursements for employee related expenses, including payroll, payroll withholding, and payments related to employee benefits. Most payroll expenses are automatically disbursed from the Payroll Account in accordance with the terms of the employees’ direct deposit arrangements. However, in a few instances, the Debtors’ employees receive conventional payroll checks.

C. Other Accounts

14. The Debtors’ main savings account, referred to as the “751 account” (the “751 Savings Account”), is also maintained at Chase. The 751 Savings Account is funded by excess cash from the Operating Account. In the event that the Operating Account balance exceeds certain thresholds determined in the Debtors’ sole discretion, such excess amounts are allocated to the 751 Savings Account. As of the Petition Date, the 751 Savings Account has a \$15,000 balance. In addition, the Debtors have a money market account maintained at Chase, which has a zero (\$0.00) balance as of the Petition Date, and a savings account established solely to secure legacy office space in Seattle, Washington, held in the name of the Debtor Cargo 360, Inc. (“Cargo 360”) and maintained at Wells Fargo Bank Northwest, N.A. (“Wells Fargo”).

15. As part of the Cash Management System, the Debtors have five (5) legacy accounts maintained at Chase (the “Legacy Accounts”), four (4) of which hold deposits securing the Debtors’ ability to land aircraft at Los Angeles International Airport, Houston Intercontinental Airport, San Francisco International Airport, and Miami International Airport. The Debtors have deposited funds in the remaining Legacy Account as collateral required by SITA, a key provider of communications and information technology in connection with the scheduling and routing of the Debtors’ aircraft.

16. The Debtors have issued approximately 530 active credit cards (collectively, the “Credit Cards”) to crewmembers, loadmasters, technical representatives, and other employees that the Debtors deemed appropriate. The Credit Cards are linked to a single certificate of deposit account maintained at Chase, in which the Debtors advanced \$700,000 to serve as collateral securing their obligations under the Credit Cards (“Credit Card Collateral Account”). In the week leading up to the Petition Date, Chase advised the Debtors that it had reduced their aggregate spending limit from \$1.8 million to \$700,000, matching the amount of collateral the Debtors posted.

17. In addition, the Debtors recently closed six (6) of seven (7) debit card accounts with Merrill Lynch; the last Merrill Lynch account will be closed following payment of a *de minimis* charge on the account. By this motion, the Debtors request authority to continue to honor their obligations under the applicable corporate credit card program as they come due, and to maintain their deposit in the Credit Card Collateral Account as collateral to Chase whether prepetition or postpetition.

D. Letters of Credit

18. The Debtors also maintain letters of credit. On September 6, 2007, Cargo 360 entered into that certain Credit Agreement with Canadian Imperial Bank of Commerce, New York Agency (“CIBC”), as administrative agent (as subsequently amended, the “CIBC Credit Agreement”). Each of the Debtors guaranteed Cargo 360’s obligations under the CIBC Credit Agreement. All funds disbursed pursuant to the CIBC Credit Agreement are automatically deposited into the Operating Account and all repayments under the CIBC Credit Agreement are made from the Operating Account.

19. The CIBC Credit Agreement, among other things, established a facility pursuant to which the Debtors could obtain letters of credit, up to a maximum amount of \$10 million (the “Letter of Credit Facility”). The funds available under the Letter of Credit Facility were intended to assist with refinancing certain outstanding debt held by the Debtors, provide ongoing working capital, and provide for the Debtors’ other general corporate purposes. As of the Petition Date, the Debtors have borrowed \$4 million under the Letter of Credit Facility. The borrowed funds were used to provide two (2) standby letters of credit each in the amount of \$2 million (together, the “Letters of Credit”) to cover security deposit obligations under certain aircraft operating lease agreements.

20. Except as noted herein, the Debtors do not maintain any accounts for investment purposes.

The Debtors’ Intercompany Transactions

21. In the ordinary course of business, Southern Air conducts transactions with Air Mobility, Inc. (“Air Mobility”), a co-Debtor, and with Southern Air GmbH (“SA Germany”), a wholly owned non-Debtor subsidiary of Southern Air (the “Intercompany

Transactions”), resulting in intercompany receivables and payables (the “Intercompany Claims”). The Intercompany Claims are satisfied through either the disbursement of cash or corresponding general ledger entries in the respective entities’ books.

22. Southern Air and Air Mobility entered into certain aircraft lease agreements pursuant to which Air Mobility leases certain Boeing 747-200F aircraft to Southern Air in exchange for periodic non-cash rent payments. To account for the lease transactions between Southern Air and Air Mobility, matching loss and gain entries are recorded in the general ledger for Southern Air and Air Mobility, respectively. Southern Air and Air Mobility have also entered into that certain Management Services Agreement, dated January 1, 2009 (the “Air Mobility Service Agreement”), pursuant to which Southern Air provides certain management services to Air Mobility in exchange for the non-cash payment of fees and costs by Air Mobility. Because Air Mobility has no employees of its own, all management-related operations, including, without limitation, operational management and strategic consulting, accounting, negotiating contracts, structuring corporate transactions, financial reporting, tax compliance, cash management, technical support, and regulatory compliance, are performed by employees of Southern Air. The Air Mobility Service Agreement provides that Air Mobility shall compensate Southern Air for costs incurred in connection with providing these services, including maintaining the Cash Management System on behalf of Air Mobility. To account for the management service transactions between Southern Air and Air Mobility, matching gain and loss entries are recorded in the general ledger for Southern Air and Air Mobility, respectively. The Intercompany Transactions between Air Mobility and Southern Air are critical to both Southern Air and Air Mobility’s operations.

23. With respect to SA Germany, Southern Air and SA Germany entered into that certain Service Agreement, dated April 1, 2012 (the “GmbH Service Agreement”), whereby SA Germany provides various business related services on behalf of Southern Air. The GmbH Service Agreement provides, in pertinent part, that SA Germany will, among other things, introduce Southern Air to the German market, maintain and develop existing business relationships and acquire new business contacts for Southern Air, market the services and products offered by Southern Air and its affiliates, oversee Southern Air’s operations in Germany, and provide such other services as agreed between Southern Air and SA Germany. In exchange, Southern Air (a) fully reimburses SA Germany for costs incurred in providing services and (b) pays SA Germany a service fee equal to 7% of the costs incurred. SA Germany is reimbursed and compensated from funds in the Operating Account. The services provided by SA Germany in accordance with the GmbH Service Agreement are essential to the Debtors’ presence in Germany which develops and preserves the critical customer relationship with DHL Worldwide Express.

24. The Debtors maintain records of all Intercompany Transactions and, therefore, are able to ascertain, trace, and account for the Intercompany Transactions. Discontinuation of the Intercompany Transactions would disrupt the Cash Management System and related administrative controls to the Debtors’ detriment because the Debtors would no longer be able to properly allocate costs and fees among the applicable Debtor entities. The Debtors seek to continue their prepetition business relationships amongst each other and SA Germany, including, without limitation, honoring all monetary and service obligations whether prepetition or postpetition.

Bank Fees

25. In the ordinary course, the Banks charge, and the Debtors pay, honor, or allow the deduction from the appropriate Bank Accounts, certain service charges and other fees, costs and expenses (collectively, the “Bank Fees”). The Bank Fees currently average \$2,000 per month to Chase. To the extent the balance in the Bank Accounts are lower than a threshold amount established by the applicable Bank, the Debtors may incur fees for wire transfers, clearing checks, automated clearing house transfers, and the like. To date, the Debtors have managed to avoid many Bank Fees by maintaining a sufficient balance in the Bank Accounts maintained with Chase.

Relief Requested

26. By this Motion, the Debtors request modification of the *Operating Guidelines and Reporting Requirements for Chapter 11 Debtors and Trustees* (the “U.S. Trustee Guidelines”) maintained by the United States Trustee for the District of Delaware (the “U.S. Trustee”), pursuant to sections 105(a), 345(b), and 363(c) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004, for (i) authority to (a) continue their existing Cash Management System, (b) maintain business forms and existing Bank Accounts located at the Banks, and (c) continue their existing intercompany funding arrangements, and (ii) an extension of time to comply with and waiver of section 345(b) of the Bankruptcy Code. The Debtors also respectfully request that the Court authorize the Banks to (a) continue to charge the Debtors the Bank Fees and (b) charge-back returned items to the Bank Accounts, whether such items are dated before, on, or after the Petition Date. Proposed interim and final orders are attached hereto as Exhibit B and Exhibit C, respectively (the “Proposed Orders”).

27. Absent the requested relief, the Debtors would be unable to effectively and efficiently maintain their financial operations, which would cause significant harm to the Debtors and their estates and creditors. By avoiding the disruption and delay to the Debtors' payroll, disbursement, and collection activities that would result from closing the Bank Accounts and opening new accounts, and preserving business continuity, all parties in interest, including employees, vendors, customers, and creditors, will be best served by the relief requested herein. Granting the relief requested herein would provide the Debtors, their business operations, and all parties in interest, with considerable benefits.

Modifying the U.S. Trustee Guidelines Is Appropriate

28. The U.S. Trustee Guidelines require, unless otherwise ordered by the Court, for a debtor to, among other things: (a) establish one debtor in possession account for all estate monies required for the payment of taxes (including payroll taxes); (b) close all existing bank accounts and open new debtor in possession accounts; (c) maintain a separate debtor in possession account for cash collateral; (d) obtain checks that bear the designation "debtor in possession"; and (e) reference the bankruptcy case number and the type of account on such checks. These requirements are designed to provide a clear line of demarcation between prepetition and postpetition claims and payments and help protect against the inadvertent payment of prepetition claims by preventing banks from honoring checks drawn before the petition date. Strict enforcement of the U.S. Trustee Guidelines in these chapter 11 cases, however, would severely disrupt the ordinary financial operations of the Debtors by reducing efficiencies and creating unnecessary expenses.

29. Complying with certain requirements of the U.S. Trustee Guidelines would be detrimental to the Debtors' businesses. For instance, if the Debtors were required to

open new accounts as debtors in possession and modify the Cash Management System, the Debtors would be forced to reconstruct their Cash Management System. Thus, the Debtors' finance department, including accounting and bookkeeping employees, would need to focus their efforts on immediately opening new bank accounts and working to ensure proper controls are in place for cash to flow properly, thereby diverting daily responsibilities during this critical juncture of the Debtors' chapter 11 cases. Further, the opening of new bank accounts would increase operating costs, and the delays that would result from opening new accounts, revising cash management procedures, and instructing customers to redirect payments would negatively impact the Debtors' ability to operate their businesses while pursuing these arrangements.

30. The UST Guidelines requirement that the Debtors immediately print new checks with the label "Debtor in possession," is also problematic. Rule 2015-2(a) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules") mandates that the Debtors, upon exhausting their existing check stock, order new checks with the "Debtor in Possession" label. The Debtors issue manual checks in certain instances and use a variety of business forms in the ordinary course of business. To minimize expenses to the Debtors' estates and avoid unnecessarily confusing their employees, customers, and suppliers, the Debtors believe it is appropriate to continue to use all correspondence and business forms (including, without limitation, letterhead, purchase orders and invoices) as such forms were in existence prior to the Petition Date. Further, given the expense and delay attendant in ordering entirely new business forms, the Debtors believe it is appropriate to use the existing correspondence and business forms absent any reference to the Debtors' current status as debtors in possession.

31. Additionally, the Debtors would be subject to significant administrative burdens and expenses because they would need to execute new signatory cards and depository agreements and create an entirely new manual system for issuing checks and paying postpetition obligations, all as generally would be required by the U.S. Trustee Guidelines. Courts in this and other Districts often have recognized that strict enforcement of the UST Guidelines does not serve the rehabilitative process of chapter 11. *See, e.g., In re AES E. Energy, L.P.*, Case No. 11-14138 (KJC) (Bankr. D. Del. Jan. 26, 2012) [Docket No. 121]; *In re DS Liquidation L.P.*, Case No. 11-12935 (PJW) (Bankr. D. Del. Sept. 19, 2011) [Docket No. 45]; *In re Filene's Basement, LLC*, Case No. 11-13511 (KJC) (Bankr. D. Del. Nov. 4, 2011) [Docket No. 70]; *In re L.A. Dodgers LLC*, Case No. 11-12010 (KG) (Bankr. D. Del. June 28, 2011) [Docket No. 41].²

**Continuing the Cash Management System Is in the Best
Interests of the Debtors, Their Creditors and All Parties in Interest**

32. The Debtors' businesses could not function if the Cash Management System were disrupted. Accordingly, the Debtors seek authority to continue using the Cash Management System and implement ordinary course changes, as they may determine are beneficial to their estates. The relief sought by the Debtors is contemplated by the Bankruptcy Code.

33. Section 363(c)(1) of the Bankruptcy Code authorizes the debtor in possession to "use property of the estate in the ordinary course of business without notice or a hearing." 11 U.S.C. §363(c)(1). The purpose of section 363(c)(1) of the Bankruptcy Code is to provide a debtor in possession with the flexibility to engage in the ordinary transactions required to operate its business without unneeded oversight by its creditors or the court. *In re Roth Am.*,

² Because of the voluminous nature of the unreported orders cited in this Motion, they are not attached hereto; however, copies of these orders are available upon request of the Debtors' counsel.

Inc., 975 F.2d 949, 952 (3d Cir. 1992) (“Section 363 is designed to strike [a] balance, allowing a business to continue its daily operations without excessive court or creditor oversight and protecting secured creditors and others from dissipation of the estate’s assets.”) (internal quotation omitted); *In re Vision Metals, Inc.*, 325 B.R. 138, 145 (Bankr. D. Del. 2005).

34. Included within the purview of section 363(c) of the Bankruptcy Code is a debtor’s ability to continue “routine transactions” necessitated by a debtor’s cash management system. *In re Nellson Nutraceutical, Inc.*, 369 B.R. 787, 796 (Bankr. D. Del. 2007) (noting “courts have shown a reluctance to interfere, in the making of routine, day-to-day business decisions”) (internal quotation omitted); *see In re Vision Metals, Inc.*, 325 B.R. 138, 142 (Bankr. D. Del. 2005) (“[W]hen a chapter 11 debtor in possession continues to operate its business, as permitted by section 1108, no court authorization is necessary for the debtor to enter transactions that fall within the ordinary course of its business.”).

35. Moreover, the Court may exercise its equitable powers to grant the relief requested herein. Section 105(a) of the Bankruptcy Code empowers the Court to “issue any order, process, or judgment that is necessary to carry out the provisions of this title.” 11 U.S.C. §105(a). Continuing the Debtors’ Cash Management System without interruption is vital to the efficient and economic administration of these chapter 11 cases.

36. Further, the continued postpetition use of the Cash Management System has been approved as a routine matter in other bankruptcy cases in this District. *See, e.g., In re AFA Inv. Inc.*, Case No. 12-11127 (MFW) (Bankr. D. Del. Apr. 3, 2012) [Docket No. 37]; *In re William Lyon Homes*, Case No. 11-14019 (CSS) (Bankr. D. Del. Dec. 20, 2011) [Docket No. 51]; *In re DSI Holdings, Inc.*, Case No. 11-11941 (KJC) (Bankr. D. Del. July 21, 2011) [Docket No. 162]; *In re Harry & David Holdings, Inc.*, Case No. 11-10884 (MFW) (Bankr. D. Del. Mar.

29, 2011) [Docket No. 51]; *In re Appleseed's Intermediate Holdings LLC*, Case No. 11-10160 (KG) (Bankr. D. Del. Jan. 20, 2011) [Docket No. 38]; *In re Aleris Int'l, Inc.*, Case No. 09-10478 (BLS) (Bankr. D. Del. Feb. 13, 2009) [Docket No. 36].

37. Accordingly, the Debtors seek authority pursuant to sections 363(c) and 105(a) of the Bankruptcy Code to continue to operate their Cash Management System consistent with their prepetition practices and operations and in accordance with any postpetition financing orders entered in these chapter 11 cases. The Debtors intend to maintain all records of receipts, disbursements and all transfers within the Cash Management System, including postpetition Intercompany Transactions and any intercompany balances that existed as of the Petition Date. In this way, all transfers and transactions will be properly documented and accurate intercompany balances will be maintained.

38. The Debtors' Cash Management System constitutes an ordinary course and essential business practice providing significant benefits to the Debtors, including, among other things, the ability to: (a) control corporate funds; (b) ensure the maximum availability of funds when and where necessary; and (c) reduce borrowing costs and administrative expenses by facilitating the movement of funds and the development of more timely and accurate account balance information. The use of the Cash Management System has historically reduced the Debtors' expenses by enabling the Debtors to use funds optimally within the system. Any disruption of the Cash Management System could have a severe and adverse impact upon the Debtors' value. Based upon the foregoing, maintenance of the existing Cash Management System is necessary and appropriate, is in the best interests of the Debtors, the Debtors' estates, and all other parties in interest, and should be granted in all respects.

**Continued Performance of
Intercompany Arrangements Is Warranted**

39. Because the Debtors engage in Intercompany Transactions on a routine basis and such transactions are common among enterprises similar to the Debtors, the Debtors believe the Intercompany Transactions are ordinary course transactions within the meaning of section 363(c)(1) of the Bankruptcy Code and, thus, do not require the Court's approval. Nonetheless, out of an abundance of caution, the Debtors are seeking express authority to engage in such transactions on a postpetition basis. The continued performance of the ordinary course Intercompany Transactions is integral to ensuring the Debtors' ability to operate their businesses as debtors in possession.

40. The Debtors respectfully request, pursuant to section 503(b)(1) of the Bankruptcy Code, that all Intercompany Claims against a Debtor by another Debtor or non-Debtor affiliate arising after the Petition Date, as a result of an intercompany transaction, be accorded administrative expense status. If Intercompany Claims are accorded administrative expense status, each entity utilizing funds flowing through a Cash Management System will continue to bear ultimate repayment responsibility for its ordinary course transactions with affiliates.

41. Section 503(b)(1) of the Bankruptcy Code provides, in pertinent part, that after notice and a hearing "there shall be allowed administrative expenses . . . including the actual, necessary costs and expenses of preserving the estate including --- wages, salaries, and commissions for services rendered after the commencement of the case . . ." 11 U.S.C. §503(b)(1). Administrative expense treatment for intercompany transactions has been granted in other comparable chapter 11 cases in this District. *See, e.g., In re AFA Inv. Inc.*, Case No. 12-

11127 (MFW) (Bankr. D. Del. Apr. 20, 2012) [Docket No. 37]; *In re William Lyon Homes*, Case No. 11-14019 (CSS) (Bankr. D. Del. Dec. 20, 2011) [Docket No. 51].

Compliance with Section 345(b) of the Bankruptcy Code

42. Section 345 of the Bankruptcy Code governs a debtor's deposit and investment of cash during a chapter 11 case and authorizes deposits or investments of money as "will yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment." 11 U.S.C. §345(a). For deposits or investments that are not "insured or guaranteed by the United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States," section 345(b) of the Bankruptcy Code requires the estate to obtain from the entity, with which the money is deposited or invested, a bond in favor of the United States that is secured by the undertaking of an adequate corporate surety, unless the Court for cause orders otherwise. *See* 11 U.S.C. §345(b). In the alternative, the estate may require the entity to deposit governmental securities pursuant to 31 U.S.C. § 9303, which provides that when a person is required by law to give a surety bond, that person, in lieu of a surety bond, may provide a governmental obligation.

43. Strict compliance with the requirements of section 345(b) of the Bankruptcy Code would, in a case such as this, be inconsistent with section 345(a) of the Bankruptcy Code, which permits a debtor in possession to make such investments of money of the estate "as will yield the maximum reasonable net return on such money." 11 U.S.C. §345(a). Thus, in 1994, to avoid "needlessly handcuff[ing] larger, more sophisticated debtors," Congress amended section 345(b) of the Bankruptcy Code to provide that its strict investment requirements may be waived or modified if the Court so orders "for cause." 140 Cong. Rec. H. 10,767 (Oct. 4, 1994), 1994 WL 54773.

44. Consistent with section 345(b) of the Bankruptcy Code, Local Rule 2015-2(b) provides that no waiver of section 345 “shall be granted by the Court without notice and an opportunity for hearing in accordance with these Local Rules.” Nevertheless, Local Rule 2015-2(b) further provides that, “if a motion for such a waiver is filed on the first day of a chapter 11 case in which there are more than 200 creditors, the Court may grant an interim waiver until a hearing on the debtors’ motion can be held.” As this Motion has been filed on the first day of the Debtors’ chapter 11 cases and the Debtors collectively have more than 200 creditors, the Debtors request an interim waiver pending determination by the Court whether the Debtors are in compliance with section 345(b) or are entitled to a waiver for cause.

45. The Debtors believe that they are in compliance with the requirements of section 345(b) of the Bankruptcy Code. The Bank Accounts are maintained at banks that have been approved the U.S. Trustee as authorized depositories. Furthermore, such accounts benefit from the temporary unlimited deposit insurance offered by the Federal Deposit Insurance Corporation (“FDIC”) on non-interest-bearing business transaction and savings accounts through December 31, 2012 under the Dodd-Frank Deposit Insurance Provision.³ Accordingly, the Debtors believe that any funds deposited in these accounts are secure and, thus, the Debtors are in compliance with section 345 of the Bankruptcy Code.

46. Although the Debtors submit that they are in compliance with section 345 of the Bankruptcy Code, to the extent the Court finds that the Debtors are not in compliance, the Debtors request that the requirements of section 345 be waived. The Debtors believe that the benefits of the requested interim waiver far outweigh any harm to the estates. *See In re Serv. Merch. Co., Inc.*, 240 B.R. 894 (Bankr. M.D. Tenn. 1999) (listing a number of factors to consider

³ FDIC insurance is backed by the full faith and credit of the United States government.

when determining whether “cause” exists to waive the requirements of section 345(b), including consideration of the benefits to the debtor and any harm to the estate). “Cause” exists under section 345(b) of the Bankruptcy Code because, among other considerations, (a) the Debtors’ Banks are highly rated, federally chartered banks subject to supervision by federal banking regulators, (b) the Debtors retain the right to close accounts with the Banks and establish new bank accounts as needed, (c) the cost associated with satisfying the requirements of section 345 is burdensome, and (d) the process of satisfying those requirements would lead to needless inefficiencies in the management of the Debtors’ businesses. Moreover, a bond secured by the undertaking of a corporate surety would be prohibitively expensive, if such bond were even available at all.

47. Based on the foregoing, the Debtors submit that the relief requested herein is necessary and appropriate, is in the best interests of the Debtors, the Debtors’ estates, and all other parties in interest, and should be granted in all respects.

The Debtors Have Satisfied Bankruptcy Rule 6003

48. Bankruptcy Rule 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 (21) days after the Petition Date. FED. R. BANKR. P. 6003. As described herein, immediate and irreparable harm to the Debtors’ estates would result if the authority sought herein is not promptly implemented. Furthermore, without the relief requested herein, the Debtors may cease to be able to pay their ordinary course business obligations, thereby harming the Debtors, the Debtors’ estates, and creditors alike. Accordingly, the relief requested herein is necessary to avoid immediate and irreparable harm and, therefore, the requirements of Bankruptcy Rule 6003 have been satisfied.

Waiver of Bankruptcy Rules 6004(a) and (h)

49. The Debtors request a waiver of the notice requirements under Bankruptcy Rule 6004(a) and any stay of the effectiveness of the order approving this Motion under Bankruptcy Rule 6004(h). Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” FED. R. BANKR. P. 6004(h). As set forth above, the Debtors’ business operations and the operations of its non-debtor affiliates rely heavily on the Debtors’ Cash Management System. Any disruption in the continuation of these practices would severely disrupt the Debtors’ business operations and cause a severe decline in the value of the Debtors’ estates. Accordingly, the Debtors submit that ample cause exists to justify the waiver of the notice requirements under Bankruptcy Rule 6004(a) and the fourteen-day stay imposed by Bankruptcy Rule 6004(h), to the extent such stay applies.

Notice

50. No trustee, examiner, or Creditors’ Committee has been appointed in these chapter 11 cases. Notice of this Motion has been provided to (a) the Office of the United States Trustee for the District of Delaware; (b) the Debtors’ thirty (30) largest unsecured creditors on a consolidated basis; (c) the Securities and Exchange Commission; (d) the Internal Revenue Service; (e) the United States Attorney’s Office for the District of Delaware; (f) the United States Transportation Command; (g) the Defense Logistics Agency – Energy; (h) CIBC; (i) counsel to CIBC; (j) Oak Hill Capital Management (“Oak Hill”); (k) counsel to Oak Hill; (l) all lessors under aircraft operating leases with Southern Air; and (m) any other party directly affected by this Motion. The Debtors respectfully submit that such notice is sufficient under the circumstances.

No Previous Request

51. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request entry of the Proposed Orders granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: September 28, 2012
Wilmington, Delaware

/s/ M. Blake Cleary
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*Proposed Attorneys for the
Debtors and Debtors in Possession*

Exhibit A

Debtors' Bank Accounts

Exhibit A

Debtors' Bank Accounts

Debtor	Bank Name & Address	Account Number	Description of Account	
Southern Air Inc.				
	JP Morgan Chase, N.A. 2 Corporate Drive Shelton, CT 06484 Attn: Brian Anderson Tel: 914-993-7926 E-mail: Brian.J.Anderson@chase.com	██████████0365	Collection Account	
			██████████2865	751 Savings Account
			██████████3575	Credit Card Collateral Account
			██████████3793	Legacy Account: Houston Intercontinental Airport Deposit
			██████████8619	Legacy Account: Los Angeles International Airport Deposit
			██████████3378	Legacy Account: Miami International Airport Deposit
			██████████3535	Legacy Account: San Francisco International Airport Deposit
			██████████6519	SITA (AC communication) deposit.
			██████████8583	Operating Account
			██████████4065	Money Market Savings Account
			██████████2659	Payroll Account
	Merill Lynch 360 Hamilton Ave., 8th Floor White Plains, NY 10601 Attn: Arthur Pasternak Tel: 914-682-5530 E-mail: Arthur.Pasternak@ml.com	██████████7501	Active Debit Card	
Cargo 360, Inc.				
	Wells Fargo Bank Northwest, N.A. P.O. Box 6995 Portland, OR 97228 Tel: 1-800-25-5935	██████████7629	Cargo 306, Inc. real estate lease savings deposit	
	JP Morgan Chase, N.A. 2 Corporate Drive Shelton, CT 06484 Attn: Brian Anderson Tel: 914-993-7926 E-mail: Brian.J.Anderson@chase.com	██████████8552	Money market account (excess cash).	

Exhibit B

Proposed Interim Order

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

	X	
	:	
<i>In re</i>	:	Chapter 11
	:	
SOUTHERN AIR	:	Case No. 12-12690 ()
HOLDINGS, INC., et al.,	:	
	:	Jointly Administered
Debtors. ¹	:	
	:	Re: Docket No. ____
	X	

**INTERIM ORDER (I) AUTHORIZING DEBTORS TO
(A) CONTINUE EXISTING CASH MANAGEMENT SYSTEM, (B) MAINTAIN
EXISTING BANK ACCOUNTS AND BUSINESS FORMS, AND (C) CONTINUE
INTERCOMPANY ARRANGEMENTS, AND (II) EXTENDING TIME TO COMPLY
WITH THE REQUIREMENTS OF SECTION 345(b) OF THE BANKRUPTCY CODE**

Upon the motion, dated September 28, 2012 (the “Motion”),² of Southern Air Holdings, Inc. and its affiliated debtors, as debtors and debtors in possession (collectively, the “Debtors”), for (i) authority to (a) continue their existing cash management system (the “Cash Management System”), (b) maintain existing bank accounts (the “Bank Accounts”) and business forms (the “Business Forms”), and (c) continue existing intercompany funding arrangements, and (ii) an extension of the time to comply with and waiver of the requirements of section 345(b) of the Bankruptcy Code pursuant to sections 105(a), 345(b), and 363(c) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004, as more fully set forth in the Motion; and upon consideration of the *Declaration of Daniel J. McHugh in Support of the Debtors’ Chapter 11*

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: (i) Southern Air Holdings, Inc., 6605; (ii) Cargo 360, Inc., 4233; (iii) Southern Air Inc., 2187; (iv) Air Mobility Inc., 3824; (v) 21110 LLC, 3761; (vi) 21111 LLC, 8100; (vii) 21221 LLC, 1567; (viii) 21550 LLC, 8103; (ix) 21576 LLC, 6341; (x) 21590 LLC, 8105; (xi) 21787 LLC, 0617; (xii) 21832 LLC, 7893; (xiii) 23138 LLC, 7192; (xiv) 24067 LLC, 6360; (xv) 46914 LLC, 0322; (xvi) Aircraft 21255, LLC, 5500; (xvii) Aircraft 21380, LLC, 1753; and (xviii) CF6-50, LLC, 9733. The address for all Debtors is 117 Glover Avenue, Norwalk, Connecticut 06850.

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

Petitions and First Day Relief; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated as of February 29, 2012; and consideration of the Motion and the requested relief 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 proper notice of the Motion having been provided to the parties listed therein, and it appearing that no other or further notice need be provided; and the Court having reviewed the Motion and determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and their estates and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis, as set forth herein.
2. The Debtors are authorized, but not directed, to the extent consistent with the terms and conditions of the DIP Credit Agreement,³ pursuant to sections 105(a), 345(b), and 363(c)(1) of the Bankruptcy Code, to continue to manage their cash pursuant to their existing Cash Management System, as modified herein, and to collect and disburse cash in accordance with such Cash Management System. The Debtors shall maintain accurate records of all transfers within the Cash Management System so that all postpetition transfers and transactions

³ DIP Credit Agreement shall mean that certain Senior Secured Super-Priority Debtor-in-Possession Credit Agreement, by and among Cargo 360, CIBC, and various financial institutions and other persons from time to time parties thereto, dated as of September 28, 2012.

shall be adequately and promptly documented in, and readily ascertainable from, their books and records, to the same extent as done by the Debtors before the Petition Date.

3. The Debtors are authorized, but not directed, to (a) designate, maintain, and continue to use any or all of the Bank Accounts, including, without limitation, those bank accounts listed on Exhibit 1 attached hereto, in the names and with the account numbers existing immediately prior to the Petition Date, (b) deposit funds into and withdraw funds from such accounts by all usual means, including, without limitation, checks, wire transfers, automated transfers, and other debits, and (c) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts.

4. The Debtors are authorized, to the extent consistent with the terms and conditions of the DIP Credit Agreement, to continue to use their Cash Management System and to fund Debtor and non-Debtor affiliates as they did prior to the Petition Date. The Debtors shall maintain accurate records of all Intercompany Transactions such that all postpetition transfers and transactions shall be adequately and promptly documented in, and readily ascertainable from, their books and records.

5. The Debtors are authorized, to the extent consistent with the terms and conditions of the DIP Credit Agreement, to (a) continue paying all intercompany payables, if any, (b) extend intercompany credit, and (c) continue performing all obligations, commitments and transactions between and among the Debtors and between and among the Debtors and/or their non-Debtor affiliate SA Germany. The Debtors shall continue to maintain records related to all Intercompany Transactions, so that transactions can be ascertained, traced, and accounted for on applicable intercompany accounts.

6. The Debtors are authorized, to the extent consistent with the terms and conditions of the DIP Credit Agreement, to continue to honor and make payments for prepetition and postpetition intercompany obligations to subsidiaries and affiliates (Debtor and non-Debtor) in accordance with their prepetition practices; *provided, however*, that cash payments on account of prepetition intercompany obligations shall not exceed \$50,000.

7. All intercompany obligations owed by a Debtor to another Debtor or a non-Debtor affiliate shall be accorded administrative priority status of the kind specified in section 503(b) of the Bankruptcy Code to the extent such obligations arise after the Petition Date.

8. All Banks with which the Debtors maintained Bank Accounts as of the Petition Date are authorized and directed, as of the Petition Date, to treat, service, and administer the Bank Accounts as accounts of the respective Debtor as a debtor in possession without interruption and in the usual and ordinary course, and to receive, process, honor and pay any and all checks, drafts, wires, or other transfers by the holders or makers thereof, as the case may be; *provided, however*, that nothing contained herein shall authorize any such Bank to honor any check, draft, wire, or other transfer issued or dated prior to the Petition Date, except as otherwise provided by further order of this Court; *provided, further*, that any such Bank may rely on the representations of the Debtors with respect to whether any check, draft, wire, or other transfer drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to an Order of this Court, and such Bank shall not have any liability to any party for relying on such representations by the Debtors as provided for herein.

9. For all Banks at which the Debtors hold Bank Accounts that are party to a Uniform Depository agreement with the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee"), within fifteen (15) days of the date of entry of this Order, the

Debtors shall (a) contact such Bank, (b) provide the Bank with each of the Debtors' employer identification numbers, and (c) identify each of their Bank Accounts held at such Banks as being held by a debtor in possession in a bankruptcy case.

10. Nothing contained herein shall prevent the Debtors from closing any Bank Accounts or opening any additional bank accounts, as they may deem necessary and appropriate, to the extent consistent with the terms of the DIP Credit Agreement and any order(s) of this Court relating thereto, and any relevant bank is authorized to honor the Debtors' requests to close or open such bank accounts or additional bank accounts, as the case may be.

11. The Debtors shall provide notice to the U.S. Trustee, CIBC, and any statutorily appointed committee to the extent any Bank Accounts are closed or any additional bank accounts are opened.

12. The Debtors are authorized to use their existing Business Forms and are not required to (i) obtain new stock reflecting their status as debtors in possession, including listing the chapter 11 case numbers under which these cases are being jointly administered or (ii) print "Debtor in Possession" on any of their Business Forms or in wire transfer instructions; *provided, however,* that following the depletion of the Debtors' existing check stock and/or Business Forms stock, the Debtors will obtain new check stock and/or Business Forms stock reflecting their status as debtors in possession.

13. The Debtors' time to comply with section 345(b) of the Bankruptcy Code is hereby extended pursuant to Local Rule 2015-2(b).

14. Within three (3) business days after the date of this Order, the Debtors shall serve a copy of this Order on the Banks.

15. The requirements of Rule 6003(b) of the Bankruptcy Rules have been satisfied.
16. The requirements of Bankruptcy Rule 6004(a) are waived.
17. Notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.
18. The Debtors are authorized to take all steps necessary to carry out this Order.
19. A final hearing to consider the relief requested in the Motion (the "Final Hearing") shall be held on _____, at _____ (Eastern Time) and any objections or responses to the Motion shall be filed on or before seven (7) days before the final hearing date set forth herein and served on the parties as required by Local Rule 9006-1(c)(ii).
20. This Order is effective only from the date of entry through this Court's disposition of the Motion on a final basis at the Final Hearing; *provided, however*, that the Court's ultimate disposition of the Motion on a final basis shall not impair or otherwise affect any action taken pursuant to this Order.
21. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Order

Dated: _____, 2012
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Debtors' Bank Accounts

Exhibit 1

Debtors' Bank Accounts

Debtor	Bank Name & Address	Account Number	Description of Account
Southern Air Inc.			
	JP Morgan Chase, N.A. 2 Corporate Drive Shelton, CT 06484 Attn: Brian Anderson Tel: 914-993-7926 E-mail: Brian.J.Anderson@chase.com	[REDACTED]0365	Collection Account
		[REDACTED]2865	751 Savings Account
		[REDACTED]3575	Credit Card Collateral Account
		[REDACTED]3793	Legacy Account: Houston Intercontinental Airport Deposit
		[REDACTED]8619	Legacy Account: Los Angeles International Airport Deposit
		[REDACTED]3378	Legacy Account: Miami International Airport Deposit
		[REDACTED]3535	Legacy Account: San Francisco International Airport Deposit
		[REDACTED]6519	SITA (AC communication) deposit.
		[REDACTED]8583	Operating Account
		[REDACTED]4065	Money Market Savings Account
		[REDACTED]2659	Payroll Account
		Merill Lynch 360 Hamilton Ave., 8th Floor White Plains, NY 10601 Attn: Arthur Pasternak Tel: 914-682-5530 E-mail: Arthur.Pasternak@ml.com	[REDACTED]7501
Cargo 360, Inc.			
	Wells Fargo Bank Northwest, N.A. P.O. Box 6995 Portland, OR 97228 Tel: 1-800-25-5935	[REDACTED]7629	Cargo 306, Inc. real estate lease savings deposit
	JP Morgan Chase, N.A. 2 Corporate Drive Shelton, CT 06484 Attn: Brian Anderson Tel: 914-993-7926 E-mail: Brian.J.Anderson@chase.com	[REDACTED]8552	Money market account (excess cash).

Exhibit C

Proposed Final Order

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

	X		
	:		
<i>In re</i>	:		Chapter 11
	:		
SOUTHERN AIR	:		Case No. 12-12690 ()
HOLDINGS, INC., et al.,	:		
	:		Jointly Administered
Debtors. ¹	:		Re: Docket Nos. ____
	:		
	X		

**FINAL ORDER (I) AUTHORIZING DEBTORS TO
CONTINUE EXISTING CASH MANAGEMENT SYSTEM, (B) MAINTAIN
EXISTING BANK ACCOUNTS AND BUSINESS FORMS, AND
(C) CONTINUE INTERCOMPANY ARRANGEMENTS, AND (II) WAIVING
THE REQUIREMENTS OF SECTION 345(b) OF THE BANKRUPTCY CODE**

Upon the motion, dated September 28, 2012 (the “Motion”),² of Southern Air Holdings, Inc. and its affiliated debtors, as debtors and debtors in possession (collectively, the “Debtors”), for (i) authority to (a) continue their existing cash management system (the “Cash Management System”), (b) maintain existing bank accounts (the “Bank Accounts”) and business forms (the “Business Forms”), and (c) continue existing intercompany funding arrangements, and (ii) an extension of the time to comply with and waiver of the requirements of section 345(b) of the Bankruptcy Code pursuant to sections 105(a), 345(b), and 363(c) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004, as more fully set forth in the Motion; and upon consideration of the *Declaration of Daniel J. McHugh in Support of the Debtors’ Chapter 11*

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: (i) Southern Air Holdings, Inc., 6605; (ii) Cargo 360, Inc., 4233; (iii) Southern Air Inc., 2187; (iv) Air Mobility Inc., 3824; (v) 21110 LLC, 3761; (vi) 21111 LLC, 8100; (vii) 21221 LLC, 1567; (viii) 21550 LLC, 8103; (ix) 21576 LLC, 6341; (x) 21590 LLC, 8105; (xi) 21787 LLC, 0617; (xii) 21832 LLC, 7893; (xiii) 23138 LLC, 7192; (xiv) 24067 LLC, 6360; (xv) 46914 LLC, 0322; (xvi) Aircraft 21255, LLC, 5500; (xvii) Aircraft 21380, LLC, 1753; and (xviii) CF6-50, LLC, 9733. The address for all Debtors is 117 Glover Avenue, Norwalk, Connecticut 06850.

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

Petitions and First Day Relief; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated as of February 29, 2012; and consideration of the Motion and the requested relief 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 proper notice of the Motion having been provided to the parties listed therein, and it appearing that no other or further notice need be provided; and the Court having reviewed the Motion; and the Court having entered an interim order granting the relief requested in the Motion on September [___], 2012 (the “Interim Cash Management Order”); and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and their respective estates and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. The Debtors are authorized, but not directed, to the extent consistent with the terms and conditions of the DIP Credit Agreement,³ pursuant to sections 105(a), 345(b), and 363(c)(1) of the Bankruptcy Code, to continue to manage their cash pursuant to their existing Cash Management System, as modified herein, and to collect and disburse cash in accordance with such Cash Management System. The Debtors shall maintain accurate records of all

³ DIP Credit Agreement shall mean that certain Senior Secured Super-Priority Debtor-in-Possession Credit Agreement, by and among Cargo 360, CIBC, and various financial institutions and other persons from time to time parties thereto, dated as of September 28, 2012.

transfers within the Cash Management System so that all postpetition transfers and transactions shall be adequately and promptly documented in, and readily ascertainable from, their books and records, to the same extent as done by the Debtors before the Petition Date.

3. The Debtors are authorized, but not directed, to (a) designate, maintain, and continue to use any or all of the Bank Accounts, including, without limitation, those bank accounts listed on Exhibit 1 attached hereto, in the names and with the account numbers existing immediately prior to the Petition Date, (b) deposit funds into and withdraw funds from such accounts by all usual means, including, without limitation, checks, wire transfers, automated transfers, and other debits, and (c) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts.

4. The Debtors are authorized, to the extent consistent with the terms and conditions of the DIP Credit Agreement, to continue to use their Cash Management System and to fund Debtor and non-Debtor affiliates as they did prior to the Petition Date. The Debtors shall maintain accurate records of all Intercompany Transactions such that all postpetition transfers and transactions shall be adequately and promptly documented in, and readily ascertainable from, their books and records.

5. The Debtors are authorized, to the extent consistent with the terms and conditions of the DIP Credit Agreement, to (a) continue paying all intercompany payables, if any, (b) extend intercompany credit, and (c) continue performing all obligations, commitments and transactions between and among the Debtors and between and among the Debtors and/or their non-Debtor affiliate SA Germany. The Debtors shall continue to maintain records related to all Intercompany Transactions, so that transactions can be ascertained, traced, and accounted for on applicable intercompany accounts.

6. The Debtors are authorized, to the extent consistent with the terms and conditions of the DIP Credit Agreement, to continue to honor and make payments for prepetition and postpetition intercompany obligations to subsidiaries and affiliates (Debtor and non-Debtor) in accordance with their prepetition practices; *provided, however*, that cash payments on account of prepetition intercompany obligations shall not exceed \$50,000 (including amounts paid pursuant to the Interim Cash Management Order).

7. All intercompany obligations owed by a Debtor to another Debtor or a non-Debtor affiliate shall be accorded administrative priority status of the kind specified in section 503(b) of the Bankruptcy Code to the extent such obligations arise after the Petition Date.

8. All Banks with which the Debtors maintained Bank Accounts as of the Petition Date are authorized and directed, as of the Petition Date, to treat, service, and administer the Bank Accounts as accounts of the respective Debtor as a debtor in possession without interruption and in the usual and ordinary course, and to receive, process, honor and pay any and all checks, drafts, wires, or other transfers by the holders or makers thereof, as the case may be; *provided, however*, that nothing contained herein shall authorize any such Bank to honor any check, draft, wire, or other transfer issued or dated prior to the Petition Date, except as otherwise provided by further order of this Court; *provided, further*, that any such Bank may rely on the representations of the Debtors with respect to whether any check, draft, wire, or other transfer drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to an Order of this Court, and such Bank shall not have any liability to any party for relying on such representations by the Debtors as provided for herein.

9. For all Banks at which the Debtors hold Bank Accounts that are not party to a Uniform Depository agreement with the Office of the United States Trustee for the District

of Delaware (the “U.S.Trustee”), if any, the Debtors shall use their good-faith efforts to cause the banks to execute a Uniform Depository agreement in a form prescribed by the Office of the United States Trustee within forty-five (45) days of the date of the entry of the Interim Cash Management Order. The U.S. Trustee’s rights to seek further relief from this Court on notice in the event that the aforementioned banks are unwilling to execute a Uniform Depository agreement in a form prescribed by the U.S. Trustee are fully reserved.

10. Nothing contained herein shall prevent the Debtors from closing any Bank Accounts or opening any additional bank accounts, as they may deem necessary and appropriate, to the extent consistent with the terms of the DIP Credit Agreement and any order(s) of this Court relating thereto, and any relevant bank is authorized to honor the Debtors’ requests to close or open such bank accounts or additional bank accounts, as the case may be.

11. The Debtors shall provide notice to the U.S. Trustee, CIBC, and any statutorily appointed committee to the extent any Bank Accounts are closed or any additional bank accounts are opened.

12. The Debtors are authorized to use their existing Business Forms and are not required to (i) obtain new stock reflecting their status as debtors in possession, including listing the chapter 11 case numbers under which these cases are being jointly administered or (ii) print “Debtor in Possession” on any of their Business Forms or in wire transfer instructions; *provided, however*, that following the depletion of the Debtors’ existing check stock and/or Business Forms stock, the Debtors will obtain new check stock and/or Business Forms stock reflecting their status as debtors in possession.

13. The Debtors are in compliance with the requirements of section 345(b) of the Bankruptcy Code are waived for cause.

14. Within three (3) business days after the date of this Order, the Debtors shall serve a copy of this Order on the Banks.

15. The requirements of Rule 6003(b) of the Bankruptcy Rules have been satisfied.

16. The requirements of Bankruptcy Rule 6004(a) are waived.

17. Notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

18. The Debtors are authorized to take all steps necessary to carry out this Order.

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

Dated: _____, 2012
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Debtors' Bank Accounts

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Debtors' Bank Accounts

Debtor	Bank Name & Address	Account Number	Description of Account
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			Merill Lynch 360 Hamilton Ave., 8th Floor White Plains, NY 10601 Attn: Arthur Pasternak Tel: 914-682-5530 E-mail: Arthur.Pasternak@ml.com
Cargo 360, Inc.			
	Wells Fargo Bank Northwest, N.A. P.O. Box 6995 Portland, OR 97228 Tel: 1-800-25-5935	██████████7629	Cargo 306, Inc. real estate lease savings deposit
	JP Morgan Chase, N.A. 2 Corporate Drive Shelton, CT 06484 Attn: Brian Anderson Tel: 914-993-7926 E-mail: Brian.J.Anderson@chase.com	██████████8552	Money market account (excess cash).