

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

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

EMERGENCY BRIDGE ORDER PURSUANT TO SECTIONS 105, 361, 362 AND 363 OF THE BANKRUPTCY CODE (A) AUTHORIZING THE USE OF CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION, (B) SCHEDULING A HEARING ON THE MOTION OF THE DEBTORS FOR AN INTERIM ORDER (I) AUTHORIZING POSTPETITION FINANCING, (II) GRANTING LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE PRIORITY, (III) AUTHORIZING THE USE OF CASH COLLATERAL AND APPROVING ADEQUATE PROTECTION, AND (IV) MODIFYING THE AUTOMATIC STAY PURSUANT TO SECTIONS 105, 361, 362, 363, AND 364 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 4001, AND (C) GRANTING RELATED RELIEF

Upon consideration of the motion (the “Motion”),² dated September 28, 2012, of Cargo 360, Inc. (the “Borrower” or “Cargo”) and the other above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) in the above-captioned chapter 11 cases (the “Chapter 11 Cases”) pursuant to sections 105, 361, 362, and 363 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the “Bankruptcy Code”), and Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Rules for the Bankruptcy Court for the District of Delaware (the “Local Bankruptcy Rules”), and

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.

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



the Court having reviewed the Motion; and an emergency hearing on the use of cash collateral under the Motion having been held on September 28, 2012 (the "Emergency Hearing"); and based upon all of the pleadings and declarations filed with the Court and the evidence presented at the Emergency Hearing; and it appearing that the relief provided for in this Order is in the best interests of the Debtors and the Debtors' estates and creditors; and the Debtors having provided notice of the Motion as set forth in the Motion and it appearing that no further or other notice of the Motion need be given; and after due deliberation and consideration, and sufficient cause appearing therefor:

BASED ON THE RECORD ESTABLISHED AT THE EMERGENCY HEARING BY THE DEBTORS, THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:³

A. Petition Date. On September 28, 2012 (the "Petition Date"), the Debtors commenced the Chapter 11 Cases by filing voluntary petitions for relief under the Bankruptcy Code. The Debtors are operating their businesses and managing their affairs as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in any of these Chapter 11 Cases.

B. Jurisdiction; Venue. The Court has jurisdiction over the Chapter 11 Cases, the parties, and the Debtors' property pursuant to 28 U.S.C. §1334. This is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(D). Venue of the Chapter 11 Cases and the Motion is proper under 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 105, 361, 362, and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001, 6004, and 9014 and the Local Bankruptcy Rules.

³ Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as finding of fact, pursuant to Bankruptcy Rule 7052.

C. Prepetition Credit Agreement/Debt Arrangements. The Debtors represent that the Debtors are each Borrowers or Guarantors under that certain Credit Agreement dated as of September 6, 2007, among the Borrower and CIBC, as administrative agent and collateral agent (in such capacity the “Prepetition Agent”) for the lenders (in such capacity the “Prepetition Lenders”) (as amended or otherwise modified prior to the date hereof by the First Amendment to Credit Agreement, dated as of October 24, 2007, the Second Amendment and Waiver to Credit Agreement and First Amendment to Second Forbearance Agreement to Credit Agreement, dated as of August 12, 2009, the Third Amendment and Waiver to Credit Agreement and Second Amendment to Second Forbearance Agreement to Credit Agreement, dated as of October 15, 2009, the Fourth Amendment and Waiver to Credit Agreement, dated as of December 10, 2009, the Fifth Amendment to Credit Agreement, dated as of February 25, 2010 and the Sixth Amendment to Credit Agreement, dated as of September 30, 2011 (and as further amended, supplemented and otherwise modified from time to time, and related definitive documentation, in each case as further amended, supplemented or otherwise modified prior to the date hereof, and including all exhibits and other ancillary documentation in respect thereof, the “Prepetition Credit Agreement” and such facilities, the “Prepetition Senior Credit Facilities”). Pursuant to the Prepetition Credit Agreement, the Prepetition Lenders provided the Debtors with loans in the aggregate principal amount of approximately \$287,683,250.99 (including capitalized “PIK” interest and issued but undrawn letters of credit, but excluding accrued interest (including accrued but uncapitalized PIK interest), fees, and expenses incurred in connection therewith). For purposes of this Emergency Order, the term “Prepetition Indebtedness” shall mean all amounts owed, as of the Petition Date, to the Prepetition Agent and the Prepetition Lenders

under the Prepetition Credit Agreement, including, without limitation, all Obligations (as defined in the Prepetition Credit Agreement) of any Debtor thereunder.

D. Cash Collateral. For purposes of this Emergency Order, the term “Cash Collateral” shall mean and include all “cash collateral,” as defined in section 363 of the Bankruptcy Code, in which the Prepetition Agent has, for the benefit of itself and the Prepetition Lenders, a lien, security interest or other interest (including, without limitation, any adequate protection liens or security interests) whether existing on the Petition Date, arising pursuant to this Emergency Order, or otherwise. The Debtors require the use of Cash Collateral on an emergency basis pending the Interim Hearing (as defined herein) on the Motion to operate their businesses. Without the use of Cash Collateral, the Debtors will not be able to meet their cash requirements for working capital needs which would result in an immediate shutdown of the Debtors’ businesses. The Prepetition Agent and the Prepetition Lenders do not consent to the use of Cash Collateral except on the terms and for the purposes specified herein.

E. Adequate Protection. Pending interim consideration of the Motion, the Adequate Protection Obligations (as defined below) are necessary to protect the interest of the Prepetition Agent and the Prepetition Lenders.

F. Good Cause. Based upon the record presented to the Court by the Debtors, it appears that the use of Cash Collateral is vital to the Debtors’ estates and creditors. The Debtors assert that the cash to be provided through the use of the Cash Collateral will enable the Debtors to continue to operate their businesses in the ordinary course and preserve the value of their businesses pending the Interim Hearing. The Debtors’ estates will be immediately and irreparably harmed if this Emergency Order is not entered. Good cause has, therefore, been shown for the relief sought in the Motion.

G. Terms of Cash Collateral Usage. The terms of the Cash Collateral arrangement are fair and reasonable, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration

H. Immediate Entry of Emergency Order. The Debtors have requested immediate entry of this Emergency Order pursuant to Bankruptcy Rule 4001(b)(2) and (c)(2). The permission granted herein to use Cash Collateral is necessary to avoid immediate and irreparable harm to the Debtors. This Court concludes that entry of this Emergency Order is in the best interests of the Debtors and the Debtors' respective estates and creditors as its implementation will, among other things, allow for the continued flow of supplies and services to the Debtors necessary to sustain the operation of the Debtors' existing businesses and further enhance the Debtors' prospects for a successful restructuring. Based upon the foregoing findings, acknowledgments, and conclusions, and upon the record made before this Court at the Emergency Hearing, and good and sufficient cause appearing therefor:

IT IS HEREBY ORDERED:

1. The Motion is granted on an emergency basis and on the terms set forth herein.
2. Subject in all respects to the terms and conditions set forth herein, the Debtors are authorized to use Cash Collateral up through and including October 3, 2012 at 5:00 p.m. (prevailing Eastern Time) on the terms, for the purposes, and in the amounts set forth in the projected use of Cash Collateral attached hereto as Exhibit A.
3. This Emergency Order shall constitute findings of fact and conclusions of law and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately

upon entry hereof. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062, or 9024 or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Emergency Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Emergency Order.

4. The Debtors are authorized to maintain their cash management system in a manner consistent with the Prepetition Senior Credit Agreement and the order of this Court approving the maintenance of the Debtors' cash management system; provided, however, that such order is on terms and conditions acceptable to the Prepetition Agent.

5. As adequate protection for the diminution in the value (each such diminution, a "Diminution in Value"), if any, of the prepetition security interests of such party resulting from the automatic stay, or the use, sale, lease or grant by the Debtors of the collateral securing the Prepetition Indebtedness (including, without limitation, Cash Collateral), and the stay of enforcement of any prepetition security interest arising from section 362 of the Bankruptcy Code, or otherwise the following, and in accordance with sections 361 and 363(e) of the Bankruptcy Code, and solely to the extent of any such Diminution in Value, the Prepetition Agent is hereby granted (effective and perfected upon the date of this Emergency Order and without the necessity of execution by the Debtors of mortgages, security agreements, pledge agreements, financing statements, or other agreements), for the benefit of the Prepetition Agent, the Prepetition Lenders and any other parties referred to in the prepetition collateral documents (the "Prepetition Secured Parties"), valid, perfected, postpetition security interests in and liens (the "Adequate Protection Liens") on all property, whether now owned or hereafter acquired or existing and wherever located, of each Debtor and each Debtor's "estate" (as created pursuant to Section 541(a) of the Bankruptcy Code), property of any kind or nature whatsoever, real or

personal, tangible or intangible, and now existing or hereafter acquired or created, including, without limitation, all accounts, inventory, goods, contract rights, instruments, documents, chattel paper, patents, trademarks, copyrights, and licenses therefor, accounts receivable, receivables and receivables records, general intangibles, payment intangibles, tax or other refunds, insurance proceeds, letters of credit, contracts, chattel paper, owned real estate, real property leaseholds, fixtures, deposit accounts, commercial tort claims, securities accounts, instruments, investment property, letter-of-credit rights, supporting obligations, machinery and equipment, real property, leases (and proceeds from the disposition thereof), all of the issued and outstanding capital stock of each Debtor, money, investment property, and causes of action (including any and all actions arising under the Bankruptcy Code), Cash Collateral (as that term is defined herein), and all cash and non-cash proceeds, rents, products, substitutions, accessions, and profits of any of the collateral described above, documents, vehicles, intellectual property, securities, partnership or membership interests in limited liability companies and capital stock, including, without limitation, the products, proceeds and supporting obligations thereof, and subject to entry of the Final Order, any causes of action under sections 502(d), 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code (collectively, the “Collateral”), to secure an amount equal to the Diminution in Value of the respective interests, if any, of the Prepetition Secured Parties in the collateral as described in the security agreements entered into in connection with the Prepetition Credit Agreement (the “Prepetition Collateral”); provided, however, that, notwithstanding anything to the contrary, the Adequate Protection Liens shall, pending entry of the Interim Order, only be and remain subject and subordinate to the permitted liens set forth in Section 7.2.3 of the Prepetition Credit Agreement.

6. To the extent entitled thereto under section 507(b) of the Bankruptcy Code, the Prepetition Agent under the Prepetition Senior Credit Facility, on behalf of itself and the Prepetition Secured Parties, shall be granted a superpriority administrative expense claim.

7. Anything in this Order to the contrary notwithstanding, and without limiting the generality of the provisions of Paragraph 2 herein, the Debtors shall be prohibited from using Cash Collateral absent further order of this Court upon the Prepetition Agent having first notified the Debtors, the United States Trustee, and any statutory committee in writing that an event of default has occurred and is continuing. An event of default shall occur if (a) the Debtors fail to perform any of their obligations in accordance with the terms of this Order, including, without limitation, the Debtors' failure to use Cash Collateral in compliance with Exhibit A, (b) the appointment of a Chapter 11 trustee or examiner with duties in addition to those set forth in sections 1106(a)(3) and (a)(4) of the Bankruptcy Code, (c) the Chapter 11 Cases are converted to cases under chapter 7, or (d) without the prior written consent of the Prepetition Agent, the Debtors shall file a motion (other than the Motion) seeking to grant a third party a security interest or lien upon all or part of any property of the Debtors that has a priority which is senior to, or equal with, the liens securing the Prepetition Senior Credit Facilities or Adequate Protection Liens of the Prepetition Agent or the Prepetition Lenders in all or any of a portion of such property. Upon termination of the Debtors' right to use Cash Collateral pursuant to the terms of this Order, nothing in this Order shall be deemed to waive the right of the Debtors or any successor thereto, to bring a motion requesting that this Court authorize the use of Cash Collateral over the objection of the Prepetition Agent or the Prepetition Lenders or any parties' rights to contest any such motion.

8. The Debtors are authorized to perform all acts that are deemed reasonably necessary by the Prepetition Agent or the Prepetition Lenders to effectuate the terms and conditions of this Order.

9. Any stay, modification, reversal or vacation of this Order shall not affect the validity of any obligation of the Debtors to the Prepetition Agent or the Prepetition Lenders incurred pursuant to this Order. Notwithstanding any such stay, modification, reversal or vacation, all use of Cash Collateral and all obligations incurred by the Debtors pursuant hereto prior to the effective date of such stay, modification, reversal or vacation, shall be governed in all respects by the original provisions hereof and the Prepetition Agent and the Prepetition Lenders shall be entitled to all the rights, privileges and benefits, including without limitation, the Adequate Protection Lien and Superpriority Claims granted herein.

10. The provisions of this Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (a) confirming any plan of reorganization in any of the Chapter 11 Cases, (b) converting any of the Chapter 11 Cases to a Chapter 7 case, or (c) dismissing any of the Chapter 11 Cases, and the terms and provisions of this Order as well as the Superpriority Claims and Adequate Protection Lien granted pursuant to this Order shall continue in full force and effect notwithstanding the entry of such order, and such Superpriority Claims and Adequate Protection Lien shall maintain their priority as provided by this Order.

11. This Emergency Order shall not be construed in any way as a waiver or relinquishment of any rights that the Prepetition Agent, the Prepetition Lenders, the Debtors, the other Prepetition Secured Parties, or any other party in interest may have to bring or be heard on any matter brought before this Court.

12. The notice given by the Debtors of the Emergency Hearing was given in accordance with Bankruptcy Rules 2002 and 4001(c)(2), and the Local Bankruptcy Rules, and was adequate and sufficient. Under the circumstances, no further notice of the request for the relief granted at the Emergency Hearing is required.

13. This Court has and will retain jurisdiction to enforce this Emergency Order according to its terms.

14. An interim hearing to consider the interim relief requested in the Motion (the "Interim Hearing") shall be conducted on October 1, 2012 at 2:00 p.m. Any relief granted at the Interim Hearing with respect to the Motion shall encompass and be applicable to the use of Cash Collateral authorized pursuant to this Emergency Order.

Dated: 9/28, 2012
Wilmington, Delaware



THE HONORABLE CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

Southern Air		
Use of Cash Collateral		
Cash balance at 9/28/12		\$ 3,180
Estimated required payments through 10/2/12:		
COD Fuel		\$ 1,000
Exergency Maintenance		500
Navigation & Landing		
ANC Airport		30
LAX Airport		170
SFO Airport		28
Bahrain Airport		50
FSJE - State ATM corporation		28
Fly Service Turkey		40
United Aviation Svcs		50
AIRINC		25
Hawaii		50
HKCS / HK Airport		125
Other		100
		696
Employee travel		200
Total required payments:		\$ 2,396
Anticipated receipts through 10/2/12:		
DHL	10/1/2012	\$ 3,183