

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

RAVN AIR GROUP, INC. et al.,

Debtors.

Chapter 11

Case No. 20-10755 (BLS)

(Jointly Administered)

Related to Docket No. 197

**STATEMENT OF THE WEXFORD / ALASKA
SEAPLANES BIDDERS REGARDING BID POSITION**

Wexford Capital LP (“Wexford”) and Kalinin Holdings, Inc. d/b/a Alaska Seaplanes (“Alaska Seaplanes” and collectively with Wexford, the “Wexford / Alaska Seaplanes bidders”) file this statement regarding their bid position for the purchase of certain “going concern” estate assets.

1. Wexford is an SEC registered investment advisor that has a long and successful record of investing in the aviation industry. Its largest and most significant investment was 100% ownership of Republic Airways, a major US regional airline with over 200+ regional jet aircraft, which Wexford took public and held a stake in for approximately 10 years. During this period, Republic grew its annual revenues from under \$100 million revenue to over \$1.3 billion. Alaska Seaplanes is the premier commuter airline of Southeast Alaska. Based in Juneau, Alaska, Alaska Seaplanes is owned by the Stedman and Craford families and has distinguished itself as one of the fastest growing commuter airlines in the state over the last decade. The company operates passenger, cargo and charter service throughout Southeast Alaska.

2. Wexford has a long history with the Debtors’ assets. One of Ravn’s operating businesses includes an airline called Peninsula Airways (“PenAir”). In 2018, PenAir filed a chapter 11 petition. Wexford was the DIP lender in PenAir’s chapter 11 and the stalking horse bidder in a Section 363 auction of substantially all of PenAir’s assets. In that auction sale Wexford

was outbid by the Debtors, which purchased the PenAir assets and incorporated them into their business.

3. Shortly after the Debtors filed these chapter 11 cases, Wexford contacted the Debtors and proposed to purchase the PenAir assets. When it became clear that the Debtors were not interested in such a piecemeal sale of the PenAir assets, Wexford and Alaska Seaplanes proposed an acquisition of substantially all of the Debtors' assets. Ultimately, the Debtors announced their plan to proceed with a series of Section 363 auction sales of various assets and the Wexford / Alaska Seaplanes bidders decided to participate in those auction sales.

4. The Debtors' first auction sale took place on Tuesday, July 7, 2020, and covered a series of smaller aircraft, real estate assets and ground support equipment located at those locations. This sale proceeded in the customary manner of a Section 363 auction sale. The Debtors provided notices, solicited interest in various assets from prospective bidders, and distributed a list of asset lots, which included the stalking horse bidder for each lot, a list of the specific assets being offered, the stalking horse/reserve price and the required overbid amount. Before the auction sale, the Debtors reached out to prospective bidders, including the Wexford / Alaska Seaplanes bidders and encouraged them to make a best and final offer. And finally, through a Zoom conference call with dozens of parties participating, the Debtors auctioned each set of assets, accepted bids and ultimately took a high bid for each lot of assets. This was done in a fair, open and transparent manner as is customary of Section 363 auction sales.

5. The Debtors' second auction sale was scheduled for Wednesday, July 8, 2020, and covered the Debtors' "going concern" assets. From the start, this auction sale was confused because there were a number of bidders – Wexford was told five – and each bidder was apparently proposing to purchase a different group of assets. In each case, the assets proposed to be purchased included the Debtors' Part 121 airline operating certificates – the certificates that are required to

operate scheduled passenger service with aircraft that include more than 9 passengers. However, the other assets – real estate, aircraft, spare parts, intellectual property, etc. – covered by each bid were different. The Wexford / Alaska Seaplanes bidders submitted two separate binding bids, provided the Debtors with an at-risk cash deposit and submitted draft Asset Purchase Agreements for the assets they sought to purchase. The July 8 auction, like the auction sale the previous day, continued by Zoom conference call, however, there was no stalking horse bid, no description of the assets to be bid upon, no starting price and no overbid amount. Instead of selecting a subset of assets that were bid on to comprise a “going concern” bid, the Debtors appeared to aggregate all of the “remaining assets,” listed these assets as a “going concern” lot and requested bids on a bigger pool of assets, subject to a minimum reserve price. After the Zoom call was commenced, it was immediately adjourned and after several more adjournments, the call reconvened and the Debtors announced that there were no acceptable bids and that the auction sale of the going concern assets was cancelled.

6. A Court hearing was scheduled for the following day to authorize the auction sales that had been conducted. Before the hearing commenced, the Debtors contacted Wexford – and likely the other going concern bidders – and sought to improve the bid(s). The Wexford / Alaska Seaplanes bidders’ most recent bid had been for \$10.9 million, and Wexford / Alaska Seaplanes believed, initially, that the financial terms of this bid were acceptable. The Wexford / Alaska Seaplanes bidders were told that the Debtors’ concern with their bid, and the reason it had been rejected as unacceptable the day before, was that the bid included as a closing condition regulatory approval for the transfer of the Debtors’ Part 121 operating certificates. They were told that such a condition made its bid unduly conditional and uncertain and the Debtors asked them to remove that closing condition. After internal discussions and consultation with regulatory counsel, Wexford / Alaska Seaplanes agreed to remove this condition and expected that the bid would be

acceptable and would serve as the stalking horse bid. In further conversations, however, the Debtors sought to have Wexford / Alaska Seaplanes increase the amount of their bid – stating that if it were increased it to \$12 million it would be acceptable. Although Wexford / Alaska Seaplanes were prepared to increase the amount of their bid, they were concerned that the Debtors were attempting to get Wexford / Alaska Seaplanes to “bid against themselves” and decided not to increase the bid at that time, but rather to wait for the auction sale when they could determine what (if any) other bids existed. Wexford / Alaska Seaplanes believed that there would be a fair, open and transparent auction sale of the going concern assets as there had previously been with the real estate assets. Wexford / Alaska Seaplanes planned to participate in that auction and to submit an overbid after seeing the stalking horse bid, if the stalking horse bid was higher Wexford / Alaska Seaplanes’ previous bid.

7. Later that day, the Debtors informed Wexford that there was a bid for \$8 million that they were inclined to accept and encouraged Wexford / Alaska Seaplanes to top that bid. Wexford did not understand this because their bid was for substantially more money, but was told that the \$8 million bid was for a different set of assets. Wexford was unable to determine exactly which assets were covered by the \$8 million bid –it was told that it included “6 Dash 8 aircraft” with no detail regarding the *specific* aircraft (aircraft values can vary widely depending on the age, usage, maintenance status, etc. of the specific aircraft) and was given no other information about other assets in the asset pool. Thereafter, the Wexford / Alaska Seaplanes bidders were told that the Debtors accepted the \$8 million bid and that as a condition of that bid there would be no auction sale, no competitive bidding and no opportunity to top that bid, and again no specificity on the assets to be sold. Only after the Debtors publicly filed a notice (immediately before the hearing) did Wexford / Alaska Seaplanes learn of the list of specific assets included and covered by the \$8 million bid as well as the name of the bidder, a start-up virtual air

taxi service called Float Aviation. Without the Debtors disclosing the details of the Float Aviation bid, Wexford / Alaska Seaplanes were unable to assess the asset pool and make a topping bid. Despite the Wexford / Alaska Seaplanes bidders' attempts to further participate in the sale process, the Debtors commenced the Court hearing to authorize the asset sales from the preceding several days.

8. Following the July 9 Court hearing, Wexford again questioned the Debtors' regarding the sale process for the going concern assets. Wexford explained that Wexford and Alaska Seaplanes were willing to bid more than the \$8 million Float Aviation offer that had been accepted and that the sale process had not been conducted in a fair, open and transparent manner. Wexford / Alaska Seaplanes submitted an overbid and offered to purchase the same assets that were covered by the Float Aviation bid (minus one airplane which would be left behind as additional value to the estate) for \$8.5 million and to close on a tighter timetable than Float Aviation proposed. This offer was dismissed.

9. At a third Section 363 auction conducted last week, the Debtors auctioned a number of additional assets. As with the first auction, these assets were described in writing, and both a stalking horse / reserve price and an overbid amount were disclosed. Following the dissemination of this information, some of these assets were auctioned in a fair, open and transparent auction, but others were withdrawn from the auction and were sold to Float Aviation without competitive bids being solicited. Curiously, and similar to the bizarre "going concern" sale to Float Aviation, these additional asset sales to Float Aviation deviated from the fair, open and transparent auction process evident in most of the other asset sales in this case, as well as 363 Section processes more generally. Among the assets auctioned was the right to be the backup bidder for the going concern assets. Wexford / Alaska Seaplanes submitted an \$8 million backup bid and were selected as the backup bidder.

10. While Wexford / Alaska Seaplanes will serve as the backup bidder (as designated), they remain willing and committed to serve as the lead / bidder and further increase their prior \$8.5 million unconditional offer to \$9 million in order to serve in that role. Wexford / Alaska Seaplanes' \$9 million bid is unquestionably superior to the \$8 million Float Aviation bid. In addition to the additional \$1 million of cash value, the Wexford / Alaska Seaplanes bid would leave the estate with an additional aircraft that could be sold by the estate. Further, Wexford / Alaska Seaplanes would close more quickly and eliminate Float Aviation's ambiguous closing conditions:

- a. Corvus CARES funds/rights transfer.
- b. Transfer or issuance of Two Part 121 Certificates.

Such provisions appear to be disguised conditions for obtaining regulatory approval for the transfer of Ravn's 121 operating certificates and government approval of the transfer of CARES Act rights. Wexford / Alaska Seaplanes reaffirm that their higher and better \$9 million bid is not subject to such regulatory or governmental approvals.

11. There are also important public interest concerns that favor the Wexford / Alaska Seaplanes bid over the Float bid. Through its ownership and control of Republic Airways, a major US Part 121 regional airline, Wexford has a stellar record for safe and reliable air carrier operations. Alaska Seaplanes also has a strong record of safe, reliable operations, and in addition, the experience of successfully operating in the challenging environment that Alaska presents for airlines. By contrast, Float Aviation is a virtual airline that contracts out air service to another carrier. And other airlines that Float Aviation co-founder and Chief Operating Officer, Rob McKinney, has been affiliated with are all Part 135 carriers that operate aircraft with up to nine seats – they have not operated the larger aircraft that both Ravn and Wexford (through Republic) operated. Not surprisingly, Alaskans are seriously concerned about Float's plan to restart air

service in the State. (See “Who is FLOAT, the new owner of Ravn Air’s assets? It’s complicated.” July 24, 2020, Anchorage Daily News).

12. In summary, Wexford / Alaska Seaplanes understand the difficulty in running an auction process with multiple asset packages, lender required reserves and varying interests from numerous bidders. While they appreciate the Debtors’ efforts, Wexford / Alaska Seaplanes firmly believe that value of the going concern assets has not been maximized and would like the opportunity to either be designated as the prevailing bidder at \$9 million or the “stalking horse” bidder in a future auction.

Dated: August 3, 2020

Respectfully submitted,

/s/Mark Minuti

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CERTIFICATE OF SERVICE

I, Mark Minuti, hereby certify that on August 3, 2020, I caused a copy of the foregoing *Statement of the Wexford / Alaska Seaplanes Bidders Regarding Bid Position* to be served electronically with the Court and served through the Court's CM/ECF system upon all registered electronic filers appearing in this case and on the parties on the attached service list via Electronic Mail.

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By: /s/ Mark Minuti

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Dated: August 3, 2020

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