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Of Attorneys for Debtor-in-Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON

In re) Case No. 16-30406-rld11
)
SeaPort Airlines, Inc.,) RESPONSE TO OBJECTIONS TO
) DISCLOSURE STATEMENT AND STATUS
) REPORT
Debtor-in-Possession.)

Debtor-in-Possession, SeaPort Airlines, Inc. ("Debtor"), by and through its attorneys, Vanden Bos and Chapman, LLP, submits the following response to the filed objections to the Debtor's Disclosure Statement and submits the following status report in connection with the hearing scheduled for September 20, 2016 at 1:30 p.m. on the Disclosure Statement. In light of a significant change in the Debtor's circumstances, the Debtor does not intend to seek approval of its Disclosure Statement and will be seeking to convert this case to one under Chapter 7 of the Bankruptcy Code. This Status Report is intended to alert the Court of the nature of the change in circumstances and the steps the Debtor proposes to take to prepare for a Chapter 7 conversion.

Debtor's proposed Reorganization Plan was premised on certain fundamentals.

One of those fundamental points was the retention of its existing routes under the Essential Air Services ("EAS") program. After the Reorganization Plan was filed, the Debtor learned that the City of Pendleton intended to engage a competitor to service the Portland-to-Pendleton EAS route beginning January 1, 2017. In reviewing this decision, the Debtor believed that the loss of income from that EAS contract could be overcome as the expenses associated with the presence at Portland International Airport were quite high. The Debtor, in conjunction with its professional, Embark Aviation Corp., revised its projections based on the termination of the Portland-to-Pendleton EAS contract and determined that a reorganization of the Debtor was still feasible.

The Debtor's determination of feasibility was reliant upon the other fundamentals underlying the Reorganization Plan. In particular, the Plan relied on complete funding of the Debtor's post-petition line of credit from Fountain Village Development ("FVD") and a capital investment in the Reorganized Debtor of not less than \$1,000,000 post-confirmation. In proposing the Plan, the Debtor had assurances that FVD would fund the remainder of the line of credit and would make the necessary capital investment to fund the Plan. However, within the last week, FVD has informed the Debtor that it would not fund the remainder of the line of credit and would not make any capital investment in the Reorganized Debtor. The Debtor has attempted to secure another line of post-petition financing and investment in order to fund the Plan. However, those efforts have not produced an alternative funding source, and a reorganization of the Debtor is not otherwise possible.

The Debtor has paid its payroll through September 15, 2016 in the ordinary course of business on September 20, 2016. The Debtor has cash on hand to fund its payroll and other expenses through the end of business today, September 20, 2016. At the conclusion

of today's business, each of the Debtor's leased aircraft will be at its home base (3 aircraft in Memphis, TN and 2 aircraft in Portland, OR). In order to facilitate an orderly conversion of the case, Debtor proposes that it be permitted to complete operations today, issue paychecks to its employees for the period of September 16th through the 20th, and then have the case converted to Chapter 7. This course of action will lead to the least amount of logistical coordination after the case is converted and minimize the expense to the bankruptcy estate for the same.

Representatives for the Debtor and its counsel will attend the hearing scheduled for September 20, 2016 at 1:30 p.m. to discuss this report and the next steps in this case. Pursuant to LBR 9004-1(b), the undersigned intends to contact Judge's Chambers to notify as to the filing of this Response and Status Report.

Respectfully submitted;

VANDEN BOS & CHAPMAN, LLP

By: /s/Douglas R. Ricks

Robert J Vanden Bos, OSB #781002

Douglas R. Ricks, OSB #044026

Of Attorneys for Debtor

CERTIFICATE - TRUE COPY

DATE: September 20, 2016

DOCUMENT: RESPONSE TO OBJECTIONS TO DISCLOSURE STATEMENT
AND STATUS REPORT

I hereby certify that I prepared the foregoing copy of the foregoing named document and have carefully compared the same with the original thereof and it is a correct copy therefrom and of the whole thereof.

CERTIFICATE OF SERVICE

I hereby certify that I served a copy of the foregoing on:

SeaPort Airlines, Inc.
Attn: Timothy Sieber
816 SW First Avenue, Ste. 200
Portland, Oregon 97204

Michael J. Edelman
VEDDER PRICE
1633 Broadway, 47th Floor
New York, New York 10019

Mark J. Wolfson
100 N Tampa St #2700
Tampa, FL 33602

Tulare County Tax Collector
Attn Jorge Garcia
Deputy Tax Collector
221 S Mooney Blvd Rm 104-E
Visalia, CA 93291-4593

Franklin C. Adams
POB 1028
Riverside, CA 92502-1028

Dan McAllister
Treasurer-Tax Collector
Attention: Bankruptcy Desk
1600 Pacific Highway, Room 162
San Diego, California 92101

by mailing a copy of the above-named document to each of them in a sealed envelope, addressed to each of them at his or her last known address. Said envelopes were deposited in the Post Office at Portland, Oregon, on the below date, postage prepaid.

I hereby certify that the foregoing was served on all CM/ECF participants through the Court's Case Management/Electronic Case File system on the date set forth below.

Dated: September 20, 2016

VANDEN BOS & CHAPMAN, LLP

By: /s/Douglas R. Ricks
Robert J Vanden Bos, OSB #78100
Douglas R. Ricks, OSB #044026
Christopher N. Coyle, OSB #07350
Of Attorneys for Debtor-in-Possession