

- a. Upon rejection, the prepetition general unsecured claim against Mesa Airlines, Inc. (as set forth on Exhibit A), arising from the rejection of the CRAFT Leases shall be the sum of the following (such methodology for calculating the rejection claims, the “Rejection Damage Claim Methodology”): (i)(A) the amount under the applicable aircraft related agreement as the “Stipulated Loss Value”<sup>5</sup> as of the Petition Date, less (B) any postpetition payments made by the Debtors under the terms of the applicable section 1110(b) stipulations, plus (ii) any unpaid prepetition rent or installment payments, plus (iii) a fixed cost of \$75,000 per aircraft relating to technical inspection fees, attorneys’ fees, and other reimbursement and indemnification requirements under the CRAFT Leases.

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<sup>4</sup> The Settlement Procedures proposed herein are modeled after and substantially similar to the methodology used to liquidate the general unsecured rejection claims relating to thirty-six (36) aircraft agreements that was previously approved by the Court. *See Order Authorizing Debtors to Approve the Determination, Settlement, and Allowance of Certain Claims Arising from the Rejection of Aircraft Related Leases and Related Procedures.* [Docket No. 732]

<sup>5</sup> The Stipulated Loss Value is essentially a liquidated damage formula that is often calculated by multiplying the purchase price of the aircraft by percentage of the purchase price that decreases as the lease or security agreement approaches its term. Attached hereto as Exhibit A is a list of the Stipulated Loss Value as of the Petition Date for each of the aircraft and the other components of the CRAFT Settled Rejection Damage Claim.



- b. Upon abandonment, the prepetition general unsecured claim against Mesa Airlines, Inc. (as set forth on Exhibit A), arising from the abandonment of the Owned Aircraft shall be the sum of the following (such methodology for calculating the abandonment claims, the “Abandonment Damage Claim Methodology” and together with Rejection Damage Claim Methodology, the “Damage Claim Methodology”): (i)(A) the amount outstanding under the applicable security agreement and promissory note as of the Petition Date, less (B) any postpetition payments made by the Debtors under the terms of the applicable section 1110(b) stipulation, (ii) plus a fixed cost of \$75,000 per aircraft relating to technical inspection fees, attorneys’ fees, and other reimbursement and indemnification requirements under the security agreement and promissory note, less (iii) the fair market value of the Owned Aircraft.
- c. The CRAFT Settled Mesa Air Group Guarantee Claims will equal the amount of each CRAFT Settled Rejection Damage Claim and CRAFT Settled Abandonment Claim as set forth on Exhibit B, but such claim will be allowed against Mesa Air Group, Inc. but only to the extent CRAFT’s recovery against the CRAFT Settled Rejection Damage Claims and CRAFT Settled Abandonment Claims is less than 100%.
- d. Further, with respect to each CRAFT Lease and Owned Aircraft, to the extent that CRAFT holds any security deposit or maintenance reserves or other cash deposits from the Debtor counterparty to the CRAFT Lease or the Owned Aircraft, CRAFT (either itself or through its trustee(s)) may apply such amounts without need for any further order of this Court, which amounts shall be applied on account of the prepetition claims owed by the Debtor to the trustee for the benefit of CRAFT (in effect, such offset amounts shall be treated as fully paid secured claims and correspondingly reduce the amount of the remaining allowed, prepetition general unsecured claim held by such creditor) and will reduce the allowed amount of the applicable CRAFT Claim.
- e. All proofs of claims previously filed by CRAFT (or any indenture trustee or loan trustee on behalf of CRAFT) relating to the CRAFT Leases or Owned Aircraft will be amended in accordance with the Damage Claim Methodology to reflect the agreed to amount for each CRAFT Claim and filed with the Court on the earlier of (i) fourteen (14) days after the Court’s entry of an order approving this Motion or (ii) fourteen (14) days after the Court resolves any objection to the Motion. In addition to filing such claims with this Court, CRAFT shall send (via overnight courier, mail or electronic transmission) a courtesy copy of any such claim to (1) Debtors’ counsel, Pachulski Stang Ziehl & Jones LLP, 150 California Street, 15<sup>th</sup> Floor, San Francisco, California 94111, Attention: Debra I. Grassgreen, (415) 263-7000, E-Mail: [dgrassgreen@pszjlaw.com](mailto:dgrassgreen@pszjlaw.com) and John W. Lucas. Fax. No.: (415) 263-7000, E-Mail: [jlucas@pszjlaw.com](mailto:jlucas@pszjlaw.com), and (2) counsel to the Creditors’ Committee, Morrison & Foerster LLP, 1290 Avenue of the Americas, New York, New York 10104 Attn: Lorenzo Marinuzzi, Esq., Fax. No.: (212) 468-7900, E-Mail: [LMarinuzzi@MoFo.com](mailto:LMarinuzzi@MoFo.com).

f. Notwithstanding anything else provided herein, the Damage Claim Methodology only applies to the prepetition, general unsecured claims arising from the rejection of the CRAFT Leases and abandonment of Owned Aircraft and the Order shall not have any preclusive effect upon the claims of or against other parties that do not relate to the rejection of the CRAFT Leases or abandonment of Owned Aircraft; *provided, however*, that, subject to the non-preclusive effect of the foregoing, all parties' rights are reserved regarding the issue whether claims including, but not limited to, tax indemnity claims or general indemnity claims are included within or excluded as a result of the damages arising from the rejection of the CRAFT Leases or abandonment of Owned Aircraft and related documents for each aircraft, provided that such reservation of rights shall not affect in any way the allowance or the amount of the allowed prepetition, general unsecured claims held by CRAFT pursuant to the Damage Claim Methodology; *provided, further*, that nothing herein shall affect (a) any claim against any other person or entity other than Mesa Airlines, Inc. in its capacity as lessee as set forth on Exhibit A, (b) any general unsecured claims not arising from the rejection of an aircraft related lease or abandonment (c) any administrative expense claims, and (d) the Debtors' and the Committee's rights to challenge such claims on any grounds.

g. The settlement of any other claims not authorized pursuant to the Damage Claim Methodology will be authorized only upon the order of this Court upon a motion of the Debtors served upon those parties entitled to receive notice in these chapter 11 cases.

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**EXHIBIT A**

**(CRAFT Settled Rejection Damage Claims & CRAFT Settled Abandonment Claims)**

**N17175**

Stipulated Loss Value:	\$9,169,324.76
Post-Petition Payments:	(\$355,345)
Attorneys'/Tech Fees:	\$75,000
CRAFT Settled Rejection Damage Claim:	\$8,888,979.76

**N27191**

Stipulated Loss Value:	\$9,172,179.02
Post-Petition Payments:	(\$239,938)
Attorneys'/Tech Fees:	\$75,000
CRAFT Settled Rejection Damage Claim:	\$9,007,241.02

**N77195**

Stipulated Loss Value:	\$9,202,825.39
Post-Petition Payments:	(\$195,973)
Attorneys'/Tech Fees:	\$75,000
CRAFT Settled Rejection Damage Claim:	\$9,081,852.39

**N37218**

Stipulated Loss Value:	\$12,159,907.17
Post-Petition Payments:	(\$408,052)
Attorneys'/Tech Fees:	\$75,000
CRAFT Settled Rejection Damage Claim:	\$11,826,855.17

**N37228**

Stipulated Loss Value:	\$12,094,537.13
Post-Petition Payments:	(\$107,029)
Attorneys'/Tech Fees:	\$75,000
CRAFT Settled Rejection Damage Claim:	\$12,062,508.13

**N47239**

Stipulated Loss Value:	\$12,044,619.03
Post-Petition Payments:	(\$105,778)
Attorneys'/Tech Fees:	\$75,000
CRAFT Settled Rejection Damage Claim:	\$12,013,841.03

**N47202**

Stipulated Loss Value:	\$9,214,542.65
Post-Petition Payments:	(\$187,580)
<u>Attorneys’/Tech Fees:</u>	<u>\$75,000</u>
CRAFT Settled Rejection Damage Claim:	\$9,101,962.65

**N37208**

Stipulated Loss Value:	\$9,203,726.80
Post-Petition Payments:	(\$157,824)
<u>Attorneys’/Tech Fees:</u>	<u>\$75,000</u>
CRAFT Settled Rejection Damage Claim:	\$9,120,902.80

**N17217**

Stipulated Loss Value:	\$12,159,907.17
Post-Petition Payments:	(\$3,667)
Security Deposit:	(\$734,000)
<u>Attorneys’/Tech Fees:</u>	<u>\$75,000</u>
CRAFT Settled Rejection Damage Claim:	\$11,497,240.17

**N570ML**

Debt Outstanding:	\$7,429,533.75
Breakage Costs:	\$1,682,405.95
Post-Petition Payments:	(\$434,193)
Fair Market Value:	(\$3,825,000)
<u>Attorneys’/Tech Fees:</u>	<u>\$75,000</u>
CRAFT Settled Abandonment Claim:	\$4,927,746.70

**N571ML**

Debt Outstanding:	\$7,450,556.67
Breakage Costs:	\$2,388,371.88
Post-Petition Payments:	(\$405,992)
Fair Market Value:	(\$3,825,000)
<u>Attorneys’/Tech Fees:</u>	<u>\$75,000</u>
CRAFT Settled Abandonment Claim:	\$5,682,936.55

**EXHIBIT B**

**(CRAFT Settled Mesa Air Group Guarantee Claims)**

**N17175**

Stipulated Loss Value:	\$9,169,324.76
Post-Petition Payments:	(\$355,345)
<u>Attorneys'/Tech Fees:</u>	<u>\$75,000</u>
CRAFT Settled Mesa Air Group Guarantee Claim:	\$8,888,979.76

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