

Seaborne Faces Possible Shutdown as Carrier Bleeds Millions and Shows No Recovery Path; Trustee Calls For Dismissal of Chapter 11 Proceedings

The U.S. Trustee has filed a motion to dismiss Seaborne's Chapter 11 case, citing \$32 million in post-petition losses, failure to secure financing, and unrealistic projections—factors that, according to the filing, show no path to financial recovery.

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The U.S. Trustee for Region 21 has filed a motion in the Southern District of Florida Bankruptcy Court seeking dismissal of the Chapter 11 cases jointly filed by Silver Airways, LLC and Seaborne Virgin Islands, Inc., citing substantial and continuing losses to the estate and an absence of a reasonable likelihood of rehabilitation.

In the motion, U.S. Trustee Mary Ida Townson argues that the case meets the criteria for dismissal under Section 1112(b)(4)(A) of the U.S. Bankruptcy Code. The provision allows for dismissal when a debtor's financial trajectory shows persistent losses and little chance of recovery.

Silver Airways and its affiliate, Seaborne Virgin Islands, Inc., [filed for Chapter 11 protection](#) on December 30, 2024. Since that filing, the companies have continued operating as debtors-in-possession, with no trustee appointed and no requests made for their removal.

At the time of filing, the companies disclosed ownership of 16 aircraft, including 14 ATR-600 series planes and two DeHavilland Twin Otter Seaplanes. However, all of their assets, valued at approximately \$89.9 million, were fully encumbered by \$400 million in secured debt held by Brigade Capital Management, Argent Funding, LLC, and Volant SVI Funding, LLC.

In addition to their secured debt, the companies owed approximately \$8 million to various taxing authorities and \$27.7 million to general unsecured creditors.

From the date of filing through March 14, 2025, Silver Airways and Seaborne reported \$22.57 million in total receipts and \$22.33 million in disbursements. While this represents a slight positive net of \$238,000, the financials tell a more troubling story.

In February 2025, the companies posted a net loss of \$467,000, followed by a loss of \$1.22 million in just the first two weeks of March. Projections for the second half of March anticipated additional net losses of \$1.24 million.

According to operating reports, the total losses since the bankruptcy filing amount to \$32.04 million, with no indication of profitability during the reorganization period.

Despite multiple attempts, the companies have not been able to secure debtor-in-possession (DIP) financing, which the Trustee argues is a critical indicator of their inability to rehabilitate. While motions were filed to maintain leasing arrangements for seven aircraft, no progress has been made on securing long-term financial backing, according to the motion.

In their most recent budget, the companies project \$2.3 million in receipts for the week of April 14–18, 2025. However, the Trustee described these projections as "fanciful", noting they fail to reflect the recent 50% reduction in the fleet, which would likely diminish revenue-generating capacity.

The motion also highlights inconsistencies in budget revisions. The most recent projections for mid-April are nearly \$900,000 higher than earlier estimates for the same period. The Trustee noted that such inflated figures appear aimed at avoiding negative weekly balances rather than reflecting actual expected revenue.

Adding to the concern are substantial administrative expenses. Claims filed include \$639,600 from World Fuel Services, Inc. and \$83,758 from Monroe County. The Trustee argues these expenses, combined with anticipated professional compensation, render the estate potentially administratively insolvent.

As of the motion filing, no applications for compensation had yet been submitted, meaning further costs are imminent.

The motion invokes Section 1112(b)(1) of the Bankruptcy Code, which mandates conversion or dismissal of a case when "cause" is established. The Trustee argues that both elements of "cause"

under Section 1112(b)(4)(A)—continuing losses and lack of rehabilitation potential—are met.

The Trustee points to binding case law affirming that post-petition negative cash flow, coupled with the absence of viable financing or realistic projections, justifies dismissal.

Further, the Trustee concludes that dismissal is in the best interest of creditors. With all assets encumbered and unsecured claims heavily outweighed by secured creditor deficiencies, converting the case to Chapter 7 would primarily serve administrative claimants, rather than general creditors.

The motion now awaits a response from the debtors and a ruling from the U.S. Bankruptcy Court. If granted, the dismissal would end Silver Airways and Seaborne's Chapter 11 proceedings without a confirmed restructuring plan, forcing the companies to either reorganize outside of court or face liquidation.