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## Judge Clears Silver Airways for Bankruptcy Asset Auction; \$5.8M Bid Sets Floor as Creditors Face Major Losses

**As Silver Airways prepares for a May 28 asset auction under Section 363 of the Bankruptcy Code, a \$5.775 million stalking-horse bid sets the floor while creditors face significant losses on more than \$500 million in debt the buyer will not assume.**

Travel / **Published On May 19, 2025 07:13 AM /**

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**Silver Airways aircraft at the Henry E. Rohlsen Airport, St. Croix USVI on May 15, 2025.  
By. V.I. CONSORTIUM.**

A federal bankruptcy judge has approved procedures for the sale of Silver Airways' business and assets, with an online auction scheduled for May 28 at 10 a.m. and a sale hearing to follow on

June 4. The ruling, issued by Judge Peter Russin of the U.S. Bankruptcy Court for the Southern District of Florida, represents a key step in the airline's attempt to restructure through the Section 363 sale process under the U.S. Bankruptcy Code.

Silver Airways, which filed for Chapter 11 bankruptcy protection in December 2024, has made clear in court filings that it intends to "sell its business and assets through a Sale Transaction pursuant to section 363 of the Bankruptcy Code." This provision allows for the sale of assets "free and clear" of the company's debts, enabling a buyer to acquire operational assets without assuming legacy liabilities.

The judge's May 16 order officially authorizes the company to solicit bids and conduct the auction consistent with §363 guidelines. Importantly, the sale will not include assets belonging to Seaborne Airlines, Silver's subsidiary, which will be sold through a separate process.

At the center of the auction is a "stalking horse" bid from KIA II LLC, Silver's debtor-in-possession (DIP) lender, which has submitted a \$5.775 million credit bid. This means KIA II is offering to cancel that amount of Silver's post-petition DIP debt in exchange for acquiring the airline's assets. The credit bid establishes the minimum price for the auction, and any competing offer must exceed that amount, plus a break-up fee and a minimum bidding increment.

The asset purchase agreement between Silver and KIA II specifically provides that the buyer will acquire substantially all of Silver Airways' assets without taking on the company's debts. Instead, all liens, claims, and encumbrances will transfer to the sale proceeds and be addressed separately through the bankruptcy estate, a standard feature of a Section 363 sale.

All of Silver's prior obligations – such as its substantial prepetition debts to aircraft lessors, airports, tax authorities, etc., are reported to total over \$500 million, according to [The Street](#). Under the terms of the proposed sale, these obligations will not be assumed by the buyer, and many are unlikely to be paid in full from the sale proceeds. During a May 7 court hearing, Judge Russin reportedly expressed concern that a \$5.8 million bid for a company with such massive debts could "leave multiple creditors hanging."

Nonetheless, this outcome is typical of Chapter 11 asset sales, which prioritize preserving the going concern value of the business while shedding unaffordable obligations.

Meanwhile, the City of Pensacola, Florida, was granted a request to compel payment of just under \$40,000 in overdue administrative expenses by May 31, with additional attorney's fees also to be accounted for. Other motions from creditors—seeking the return of records and equipment—are scheduled to be heard in early June.

Looking further ahead, Judge Russin has scheduled a key evidentiary hearing for June 24 to consider a motion from the U.S. Trustee to dismiss the bankruptcy case entirely. That motion, if granted, could significantly impact how remaining creditor claims are handled. However, due to the subsequent acquisition of financing for Silver's continued operations, and an auction scheduled for next week, that argument could very well become moot in the near future.

For now, Silver Airways is continuing to operate using the proceeds from a recently secured \$5.5 million DIP loan, which is intended to sustain operations and preserve asset value until the auction takes place.

The outcome of the May 28 auction will determine not only the future of the airline but also the fate of hundreds of millions in unpaid obligations—many of which may go unresolved as the

bankruptcy case moves forward.

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