

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
Case No. 11-15463 (SHL)

- - - - -x

In the Matter of:

AMR CORPORATION, et al.,

Debtors.

- - - - -x

United States Bankruptcy Court  
One Bowling Green  
New York, New York

November 29, 2011  
4:08 PM

B E F O R E:  
HON. SEAN H. LANE  
U.S. BANKRUPTCY JUDGE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

HEARING re Doc. #3 Motion for Joint Administration - Motion of Debtors for Entry of Order Pursuant to Fed. R. Bankr. P. 1015(B) Directing Joint Administration of Chapter 11 Cases

HEARING re Doc. #27 Motion to Authorize - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. §§ 363, 364 and 365 Authorizing Debtors to (a) Continue and Renew Their Letter of Credit and Surety Bond Programs, (b) Continue Corporate Credit Card Program, and (c) Assume a Certain Executory Contract

HEARING re Doc. #5 Motion to Approve - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Sections 105(a), 342, and 521(a)(1), Fed. R. Bankr. P. 1007(a) and 2002(a), (f), and (l) and Local Bankruptcy Rule 1007(1) (i) Waiving Requirement to File Lists of Creditors and (ii) Granting Debtors Authority to Establish Procedures for Notifying Creditors of Commencement of Debtors' Chapter 11 Cases

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

HEARING re Doc. #6 Motion to Extend Time - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Sections 105(A) and 521, Fed. R. Bankr. P. 1007(C), 2002(D), 2015.3, and 9006, and Local Bankruptcy Rule 1007-1 (I) Extending Time to File Schedules of Assets and Liabilities, Schedules of Executory Contracts and Unexpired Leases, Statements of Financial Affairs, and Reports of Financial Information; and (II) Waiving Requirement to File List of Equity Security Holders and Provide Notice to Equity Security Holders

HEARING re Doc. #7 Motion to Approve - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Sections 363(c)(1) and 503(b)(1)(A) Granting Administrative Expense Status to Undisputed Obligations to Vendors Arising from Post-Petition Delivery of Goods and Services Ordered Prepetition and Authorizing Debtors to Pay Such Obligations in Ordinary Course of Business

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

HEARING re Doc. #8 Motion to Authorize - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Sections 105(a), 345(b), 363(b), 363(c), and 364(a) and Fed. R. Bankr. P. 6003 and 6004 (A) Authorizing Debtors to (i) Continue Using Existing Cash Management System, (ii) Honor Certain Prepetition Obligations Related to the Use Thereof, and (iii) Maintain Existing Bank Accounts and Business Forms; (B) Extending Time to Comply with 11 U.S.C. Section 345(b); and (C) Scheduling a Final Hearing

HEARING re Doc. #9 Motion to Authorize - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Sections 105(a) and 363(b) Authorizing (I) Payment of Prepetition Wages, Salaries, and Other Compensation and Benefits, (II) Maintenance of Employee Benefits Programs and Payment of Related Administrative Obligations, and (III) Applicable Banks and Other Financial Institutions to Receive, Process, Honor, and Pay All Checks Presented for Payment and to Honor All Fund Transfer Requests

HEARING re Doc. #10 Motion to Authorize - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Sections 105(a) and 363(b) (i) Authorizing, But Not Directing, Debtors to Pay Prepetition Obligations of Critical Vendors, (ii) Authorizing and Directing Financial Institutions to Honor and Process Related Checks and Transfers, and (iii) Scheduling Final Hearing

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

HEARING re Doc. #11 Motion to Authorize - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. Sections 363(b) and 105(a)  
(I) Authorizing Debtors to Pay Prepetition Obligations Owed to  
Foreign Creditors, (II) Authorizing and Directing Financial  
Institutions to Honor and Process Related Checks and Transfers,  
and (III) Scheduling Final Hearing

HEARING re Doc. #12 Motion to Authorize - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. §§ 105(a) and 363(c) (I)  
Authorizing the Debtors To Pay and Honor Prepetition  
Obligations to Customers and to Otherwise Continue Customer  
Programs and Practices in the Ordinary Course of Business, and  
(II) Authorizing and Directing the Disbursement Banks to Honor  
and Process Related Checks and Transfers

HEARING re Doc. #13 Motion to Approve - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. Sections 105 and 546(c)  
Establishing and Implementing Exclusive and Global Procedures  
for Treatment of Reclamation Claims

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Hearing re Doc. #14 Motion to Allow - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. §§ 105(a) and 503(b) (9)  
Establishing Procedures for the Assertion, Resolution, and  
Satisfaction of Claims Asserted Pursuant to 11 U.S.C. §  
503(b) (9)

Hearing re Doc. #15 Motion to Allow - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. § 105(a) for Establishment  
of Procedures for Treatment of Claims Pursuant to Perishable  
Agricultural Commodities Act

Hearing re Doc. #16 Motion to Authorize - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. §§ 105 and 363(b)  
Authorizing Payment of Prepetition (i) Claims of Independent  
Contractors and (ii) Claims Related to Improvement Projects

Hearing re Doc. #17 Motion to Authorize - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. §§ 105 and 363(b)  
Authorizing Payment of Certain Prepetition (i) Shipping and  
Delivery Charges

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Hearing re Doc. #18 Motion to Authorize - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. §§ 105(a), 362(d), 363(b), and 503(b) (i) Authorizing, But Not Directing, Debtors to (A) Continue Their Insurance Programs, and (B) Pay All Insurance Obligations, (ii) Modifying the Automatic Stay with Respect to Workers Compensation Claims, and (iii) Authorizing and Directing Financial Institutions to Honor and Process Related Checks and Transfers

Hearing re Doc. #19 Motion to Authorize - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. §§ 105(a), 363(b), 507(a)(8), and 541 (i) Authorizing, But Not Directing, Debtors to Pay Prepetition Taxes and Assessments, and (ii) Authorizing and Directing Financial Institutions to Honor and Process Related Checks and Transfers

Hearing re Doc. #20 Motion to Approve - Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a) and 362 for Entry of Order (i) Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Claims Against and Interests in the Debtors Estates, and (ii) Scheduling Final Hearing

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Hearing re Doc. #21 Motion to Approve - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. §§ 105(a) and 366 (i)  
Approving Debtors Proposed Form of Adequate Assurance of  
Payment to Utilities, (ii) Establishing Procedures for  
Resolving Objections by Utility Companies, and (iii)  
Prohibiting Utilities from Altering, Refusing, or Discontinuing  
Service

Hearing re Doc. #22 Motion to Authorize - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. § 107(b) and Rule 9018 of  
the Federal Rules of Bankruptcy Procedure Authorizing Filing of  
Certain Executory Credit Card and Payment Agreements Under Seal

Hearing re Doc. #23 Motion to Approve - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. § 365(a) and Fed. R.  
Bankr. P. 6006 Approving Assumption of Certain Executory Credit  
Card and Payment Agreements

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Hearing re Doc. #24 Motion to Authorize - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. §§ 105(a), 362, 363, and  
553 (i) Authorizing, But Not Directing, Fuel Supply Parties to  
Apply Prepetition Prepayments and Credits to Pre-petition and  
Post-petition Obligations Under Fuel Supply Arrangements, (ii)  
Authorizing, But Not Directing, Debtors to Pay Prepetition  
Amounts Owed to Fuel Supply Parties, (iii) Authorizing, But Not  
Directing, Debtors to Honor, Perform, and Exercise Their Rights  
and Obligations Under Fuel Supply Arrangements, and (iv)  
Authorizing and Directing Financial Institutions to Honor and  
Process Related Checks and Transfers

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Hearing re Doc. #25 Motion to Approve - Motion of Debtors for  
Entry of Order (i) Pursuant to 11 U.S.C. §§ 105(a) and 365(a)  
Approving Assumption of Interline Agreements, Clearinghouse  
Agreements, Arc Agreements, Billing and Settlement Plan  
Contracts, Cargo Agreements, Oneworld Agreements, and Alliance  
Agreements, (ii) Pursuant to 11 U.S.C. §§ 105(A) and 363(B)  
Authorizing Debtors to Honor Prepetition Obligations Related to  
Carrier Services Agreements, Connection Carrier Agreement, GDS  
Participation Carrier Agreements, Travel Agency Agreements,  
Booking and Online Fulfillment Agreements, Cargo Agency  
Agreements, ATPCO Agreement, Deeds of Undertaking and Related  
Agreements, and (iii) Pursuant to 11 U.S.C. § 362 Modifying the  
Automatic Stay to the Extent Necessary to Effectuate the  
Requested Relief

Hearing re Doc. #26 Motion to Authorize - Motion of Debtors for  
Entry of Order Pursuant to 11 U.S.C. §§ 105(a), 363, and 364(c)  
(i) Authorizing, But Not Directing, Debtors to Enter Into,  
Modify, Continue Performance Under, and Provide Credit Support  
Under Derivative Contracts, and (ii) Scheduling Final Hearing

Transcribed by: Lisa Bar-Leib

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**A P P E A R A N C E S :**

**WEIL, GOTSHAL & MANGES LLP**

**Proposed Counsel for Debtors and Debtors-in-Possession**

**767 Fifth Avenue**

**New York, NY 10153**

**BY: HARVEY R. MILLER, ESQ.**

**STEPHEN KAROTKIN, ESQ.**

**WEIL, GOTSHAL & MANGES LLP**

**Proposed Counsel for Debtors and Debtors-in-Possession**

**700 Louisiana**

**Suite 1600**

**Houston, TX 77002-2755**

**BY: ALFREDO R. PEREZ, ESQ.**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**WEIL, GOTSHAL & MANGES LLP**

**Proposed Counsel for Debtors and Debtors-in-Possession**

**200 Crescent Court**

**Suite 300**

**Dallas, TX 75201**

**BY: MANESH SHAH, ESQ. (TELEPHONICALLY)**

**(TELEPHONICALLY)**

**U.S. DEPARTMENT OF JUSTICE**

**Office of the United States Trustee**

**Southern District of New York**

**33 Whitehall Street**

**21st Floor**

**New York, NY 10004**

**BY: TRACY HOPE DAVIS, UST**

**BRIAN MASUMOTO, TRIAL ATTORNEY**

**ELISABETTA G. GASPARINI, TRIAL ATTORNEY**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CLEARY GOTTLIEB STEEN & HAMILTON LLP

Attorneys for Barclays Bankruptcy Code  
One Liberty Plaza  
New York, NY 10006

BY: JOEL S. MOSS, ESQ.

COHEN, WEISS AND SIMON

Attorneys for Airline Pilots Association  
330 West 42nd Street  
25th Floor  
New York, NY 10036

BY: RICHARD SELTZER, ESQ.

DAVIS POLK & WARDWELL LLP

Attorneys for Citibank  
450 Lexington Avenue  
New York, NY 10017

BY: BRIAN J. ROODER, ESQ.

MARSHALL S. HUEBNER, ESQ.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

GREENBERG TRAUERIG, LLP

Attorneys for City of Chicago

MetLife Building

200 Park Avenue

New York, NY 10166

BY: DENISE J. PENN, ESQ.

GUERRIERI, CLAYMAN, BARTOS & PARCELLI PC

Attorneys for Association of Professional Flight

Attendants

1625 Massachusetts Avenue, NW

Suite 700

Washington, DC 20036

BY: JEFFREY A. BARTOS, ESQ.

LOWENSTEIN SANDLER PC

Attorneys for TWU

65 Livingston Avenue

Roseland, NJ 07068

BY: S. JASON TEELE, ESQ.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

PILLSBURY WINTHROP SHAW PITTMAN LLP

Attorneys for Bank of New York Mellon Trust Company,  
N.A., as Trustee  
1540 Broadway  
New York, NY 10036

BY: LEO T. CROWLEY, ESQ.

SHEPPARD MULLIN RICHTER & HAMPTON LLP

Attorneys for Goodrich Corporation  
30 Rockefeller Plaza  
New York, NY 10112

BY: MALANI J. CADEMARTORI, ESQ.

STEPTOE & JOHNSON LLP

Attorneys for Allied Pilots Association  
750 Seventh Avenue  
19th Floor  
New York, NY 10019

BY: EVAN GLASSMAN, ESQ.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STEPTOE & JOHNSON LLP

Attorneys for Allied Pilots Association

1330 Connecticut Avenue, NW

Washington, DC 20036

BY: FILIBERTO AGUSTI, ESQ.

(TELEPHONICALLY)

VINSON & ELKINS LLP

Attorneys for Dallas/Ft. Worth International Airport

Board

666 Fifth Avenue

26th Floor

New York, NY 10103

BY: DOV KLEINER, ESQ.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

VINSON & ELKINS LLP

Attorneys for Dallas/Ft. Worth International Airport  
Board

Trammell Crow Center

2001 Ross Avenue

Suite 3700

Dallas, TX 75201

BY: TONYA M. RAMSEY, ESQ.

(TELEPHONICALLY)

BRACEWELL & GIULIANI

Attorneys for Interested Party, Andrew J. Schouder

1251 Avenue of the Americas

49th Floor

New York, NY 10020

BY: ANDREW J. SHOULDER, ESQ.

(TELEPHONICALLY)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CHADBOURNE & PARKE, LLP

Attorneys for Interested Party, Chadbourne & Parke LLP

30 Rockefeller Plaza

New York, NY 10112

BY: N. THEODORE ZINK, JR., ESQ.

MEGHAN S. TOWERS, ESQ.

(TELEPHONICALLY)

DLA PIPER US, LLP

Attorneys for DLA Piper (US) LLP

919 North Market Street

Suite 1500

Wilmington, DE 19801

BY: SELINDA A. MELNIK, ESQ.

(TELEPHONICALLY)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

FULBRIGHT & JAWORSKI LLP

Attorneys for International Air Transport Association

2200 Ross Avenue

Suite 2800

Dallas, TX 75201-2784

BY: TOBY L. GERBER, ESQ.

(TELEPHONICALLY)

KIRKLAND & ELLIS LLP

Attorneys for Interested Party, Chad J. Husnick

300 North LaSalle

Chicago, IL 60654

BY: CHAD J. HUSNICK, ESQ.

(TELEPHONICALLY)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

PEPPER HAMILTON LLP

Attorneys for Exxon/Mobil Aviation Inc.

Suite 1800

4000 Town Center

Southfield, MI 48075-1505

BY: DEBORAH KOVSKY-APAP, ESQ.

(TELEPHONICALLY)

SULLIVAN & HOLSTON

Attorneys for DFW International Airport Board

4131 North Central Expressway

Suite 980

Dallas, TX 75204

BY: ROSA R. ORENSTEIN, ESQ.

(TELEPHONICALLY)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

P R O C E E D I N G S

THE CLERK: All rise.

THE COURT: Good afternoon. Please be seated. We are here today for American Airlines first day hearing. I apologize that there's not adequate seating but please make yourselves as comfortable as possible. And with that, let me get appearances.

MR. MILLER: Good afternoon, Your Honor.

THE COURT: Good afternoon.

MR. MILLER: Harvey Miller, Stephen Karotkin, Alfredo Perez from Weil Gotshal & Manges on behalf of the debtors.

MR. MASUMOTO: Good afternoon, Your Honor. Brian Masumoto for the Office of the United States Trustee. And with me is the United States trustee, Tracy Hope Davis, and my colleague, Elisabetta Gasparini.

MR. KAROTKIN: Good afternoon.

THE COURT: Afternoon. Anyone else in the courtroom want to make their appearance?

MR. HUEBNER: Good afternoon, Your Honor. I'm Marshall Huebner of Davis Polk & Wardwell here on behalf of Citibank which is, I think you'll hear a little bit today, has various relationships with American.

THE COURT: All right. Anyone else in the courtroom?

MR. KLEINER: Good afternoon, Your Honor. Dov Kleiner from Vinson & Elkins on behalf of Dallas/Fort Worth

1 International Airport Board.

2 MS. PENN: Good afternoon, Your Honor. Denise Penn of  
3 Greenberg Traurig here on behalf of the city of Chicago.

4 THE COURT: Folks can also use one of those  
5 microphones right there as long as you're picked up, you are  
6 heard and count.

7 MR. SELTZER: Good afternoon, Your Honor. Richard  
8 Seltzer of Cohen Weiss and Simon LLP for the Airline Pilots  
9 Association which is the union representing pilots of American  
10 Eagle which is one of the debtors.

11 MR. CROWLEY: Your Honor, good afternoon. Leo  
12 Crowley, Pillsbury Winthrop Shaw & Pittman, for the Bank of New  
13 York Mellon as trustee.

14 THE COURT: Anyone else in the courtroom? I know we  
15 have two live appearances on the telephone. I don't want  
16 appearances from folks who are just listening in. But to the  
17 extent that you are listed as live, if you would enter your  
18 appearance.

19 MR. GERBER (TELEPHONICALLY): Your Honor, Toby Gerber,  
20 of Fulbright & Jaworski on behalf of the International Air  
21 Transport Association.

22 MR. AGUSTI (TELEPHONICALLY): Your Honor, Fil Agusti  
23 from Steptoe & Johnson on behalf of the Allied Pilots  
24 Association, the pilots of American Airlines.

25 MS. KOVSKY-APAP (TELEPHONICALLY): Your Honor, Deborah

1 Kovsky-Apap, Pepper Hamilton, on behalf of Exxon Mobil Aviation  
2 Inc.

3 THE COURT: Mr. Miller?

4 MR. MILLER: Thank you, Your Honor. First, Your  
5 Honor, we would like, on behalf of the debtors to express our  
6 appreciation for Your Honor taking his time on such short  
7 notice to arrange for this hearing which is extremely important  
8 to the debtors.

9 THE COURT: My pleasure.

10 MR. MILLER: I would also like to introduce to Your  
11 Honor Isabella Goren who is the chief financial officer of the  
12 debtors. Ms. Goren is right here.

13 THE COURT: Good afternoon.

14 MS. GOREN: Good afternoon.

15 MR. MILLER: Gary F. Kennedy, the general counsel and  
16 senior vice president of American --

17 THE COURT: Good afternoon.

18 MR. MILLER: -- and Kathryn Kooreny, associate  
19 general counsel, Your Honor.

20 MS. KOORENNY: Good afternoon.

21 THE COURT: Good afternoon.

22 MR. MILLER: Today, Your Honor, is a day of mixed  
23 emotions. Sad, because of the event; but also a new dedication  
24 and spirit to meet the challenges ahead. For the purpose of  
25 this hearing, Your Honor, I refer to the twenty debtors simply

1 as American.

2 For the past several years, American has fought  
3 ferociously to avoid this day and not follow the other airlines  
4 that have used Chapter 11 to assist in their restructurings.  
5 However, a combination of persistent major competitive  
6 disadvantages and a distressed global economic condition have  
7 caused American to go from the largest and premier American  
8 flagship airline to the third largest network carrier. These  
9 conditions have compelled today action to protect the inherent  
10 value of the enterprise and its approximately 88,000 employees  
11 and to continue to serve and provide its customers with the  
12 best possible service.

13 As of September 30, 2011, on a consolidated basis,  
14 Your Honor, American had approximately 24.7 billion dollars in  
15 assets and liabilities of 29.5 billion dollars.

16 As Your Honor knows, Chapter 11 was adopted in 1978  
17 with the purpose to provide a means for the preservation of  
18 going concern values for the benefit of all parties in  
19 interest. The statute recognizes that reorganization is a  
20 desirable objective in the interest of the United States and  
21 the economic stakeholders of the particular debtor. The prime  
22 objective of a Chapter 11 reorganization is to preserve value  
23 and assist in the restoration of economic viability so that a  
24 debtor may emerge as a business unit that is able to compete  
25 effectively in its marketplace.

1 As a remedial statute, it has worked well since its  
2 effective date in 1979 to preserve and allow many businesses to  
3 emerge as economically viable units. One of the underlying  
4 principles of Chapter 11, Your Honor, is don't wait too long.  
5 Don't wait until the cost is irreversible. And that is what  
6 American is doing today.

7 American is a global business. American provides an  
8 average of 3300 daily departures to eighty cities in the United  
9 States and international destinations throughout the world.  
10 Domestically, it focuses on the most important business  
11 markets: New York, Los Angeles, Chicago, Dallas/Fort Worth and  
12 Miami. And incidentally, Your Honor, in connection with Miami,  
13 it accounts for eighty percent of the departures in that  
14 airport.

15 It is a member of the global oneworld network that  
16 increases the scope and breadth of its net worth. Its goal in  
17 these cases, Your Honor, is to build a successful profitable  
18 global airline with positive long term benefits for its  
19 customers, employees, the public and the communities that it  
20 serves.

21 Over the last few years, American has been successful  
22 in putting in place building blocks that will serve as the  
23 foundation for growth and profitability as American overcomes  
24 the competitive disadvantage which has precipitated these  
25 proceedings. American has suffered from a non-competitive cost

1 structure that has negatively affected its ability to produce  
2 profits. American will address those issues as these cases  
3 proceed. These issues have to be addressed to capitalize on  
4 the building blocks that have been put in place and that will  
5 enable American to build the youngest, most fuel-efficient  
6 fleet over the next five years together with other cost  
7 improvements that will secure the future and provide long term  
8 employee stability and reliable attractive service for its  
9 customers.

10 The substantial cost disadvantage that American has  
11 compared to its peers, almost all of whom did restructure their  
12 cost and liabilities through Chapter 11, and the low cost  
13 carriers and the subsequent merges that occurred have  
14 materially accentuated the non-competitive cost structure that  
15 has become increasingly untenable in the fact of the  
16 accelerating impact of a global economy that is in decline.

17 That uncertainty has resulted in revenue instability,  
18 volatile and extremely unpredictable fuel prices that present  
19 enormous implications on the economic results of the business.  
20 The inability to achieve competitive costs, particularly as to  
21 labor, that includes wages, work rules, productivity, pension  
22 and retiree benefits combined with the negative effects of a  
23 recent credit downgrade and huge speculation in the media as to  
24 American's ability and need for Chapter 11 remediation,  
25 intensify the necessity for action at this time.

1           Fortunately for American, it has the tools to  
2           effectuate its reorganization so that it may return to its  
3           premier position in the global airline industry. The  
4           commencement of these cases will stop the creeping erosion of  
5           American's enterprise value. American's cash position of  
6           approximately 4.1 billion dollars will enable it to pursue the  
7           objective of Chapter 11 in an efficient and expeditious manner  
8           for the benefit of all parties in interest.

9           Today, Your Honor, we are requesting the Court to  
10          consider a number of motions and applications that are  
11          essential to the preservation of that value. American's need  
12          for a virtually seamless transition into Chapter 11 is  
13          critical. Any major disruption in customer service and  
14          programs, vendor and supply relationships and the like might  
15          give rise to irreversible consequences to the prejudice and  
16          detriment not only to American but to all parties in interest  
17          including the customers, employees and the communities that  
18          American serves.

19          We understand the time constraints and we ask the  
20          Court's indulgence in considering these motions. And we would  
21          like to take these motions in order of almost priority, Your  
22          Honor.

23                 THE COURT: All right. Proceed.

24                 MR. MILLER: The first motion that we would ask Your  
25          Honor to consider is the motion for authority to pay critical

1 vendors. That's number 28, Your Honor, in the binder.

2 This -- American, Your Honor, has about 600 million  
3 dollars of trade debt. We are asking Your Honor for authority  
4 to pay critical vendors as determined by the company in an  
5 amount up to fifty million dollars for the next twenty-one  
6 days. And this is on the basis, Your Honor, of culling through  
7 the payables and to only select those vendors and suppliers  
8 that are absolutely critical to the operation. The authority  
9 that's requested, Your Honor, we are asking to be granted to  
10 the debtors to use their discretion in expending that fifty  
11 million dollars.

12 All told, Your Honor, we are requesting authority to  
13 pay eighty-five million dollars in toto for critical vendors.  
14 This motion, Your Honor, is in the nature of a request for  
15 interim relief for the next twenty-one days and to come back to  
16 the Court, report on the program and request, at least at this  
17 time, an additional thirty-five million dollars for critical  
18 vendors.

19 These are vendors, Your Honor, who, in many cases, are  
20 single store suppliers that can't be replaced that are  
21 essential to the operation. And this will be subject, Your  
22 Honor, to a condition that each payee enters into an agreement  
23 with the debtors under which the payee will agree to extend  
24 credit to the debtors on customary terms for a period of two  
25 years. So there is a quid pro quo for the payment. And it

1 enables the operation to proceed in a smooth transition into  
2 this process. These critical vendor motions, Your Honor,  
3 particularly in the airline cases, have been -- I don't want to  
4 call them routine; they're necessary. They're critical to the  
5 operation.

6 So we would ask Your Honor, on an interim basis, to  
7 authorize the use of fifty million dollars to pay critical  
8 vendors subject to the terms and conditions which are specified  
9 in the motion and that Your Honor set another hearing twenty-  
10 one plus days from today for a report on the program and, if  
11 necessary, for a request for the additional thirty-five million  
12 dollars.

13 I should add, Your Honor, that we have had the  
14 opportunity, I would say a very rushed opportunity, to prevail  
15 upon the Office of the United States Trustee which has extended  
16 itself in providing Mr. Masumoto and others including the U.S.  
17 trustee in this very short period of time to review the  
18 pleadings as we have furnished them to the Court. So that has  
19 occurred. And wherever possible, we have spoken with those  
20 people that might be affected by it.

21 THE COURT: All right.

22 MR. MILLER: Again, Your Honor, I just want to repeat  
23 that this is really an essential critical motion to launch  
24 these cases on a basis that we will be able to pursue this  
25 reorganization. The problem with an airline company, Your

1 Honor, is any disruption becomes almost irreparable trying to  
2 get back into the place where you should be. Our competitors,  
3 Your Honor, will be there and they'll be right -- trying to get  
4 market share away from us. It's important that we start this  
5 process as strong as possible. And the critical vendor  
6 motion -- and I would add, Your Honor, while we're talking  
7 about it, the fuel motion and the motion for authority to pay  
8 foreign creditors, which all have the same basis -- we cannot  
9 operate the airline without fuel. And essentially, Your Honor,  
10 fuel is paid for either in advance or on delivery. So there  
11 really isn't much credit in the fuel situation. But you cannot  
12 get fuel, jet fuel, without either paying it in advance or  
13 putting up a deposit of some kind.

14 Actually, as to fuel, Your Honor, there isn't an  
15 outstanding liability at the moment. It's just to preserve the  
16 ability to operate. In fact, we almost had an incident today  
17 of one location of a supplier not agreeing to provide fuel,  
18 even prepaid fuel. So having this authority is essential to  
19 the continued operation.

20 So I would ask Your Honor to consider the motion to  
21 pay critical vendors and the motion to pay foreign creditors --  
22 that's number 29 -- and the fuel supply motion. And in  
23 connection with the fuel supply motion -- that's number 42 --  
24 there is also a companion motion, Your Honor, to authorize the  
25 debtors to engage in a derivatives program so that they can

1 hedge fuel supply. There is a fuel -- there is a hedging  
2 program that's in place now, Your Honor. We believe at this  
3 point in time American is in the money. It doesn't owe  
4 anything under the program. But the ability to hedge is  
5 extremely important to lower the cost of fuel.

6 So those four motions, Your Honor, are based upon the  
7 proposition that they are of the highest critical nature in the  
8 operation of the airline. And I should say, Your Honor, in  
9 connection with the foreign creditors, the biggest portion of  
10 that relief that we're asking for relates to taxes that are  
11 collected on airline tickets. Those taxes are not paid until  
12 the ticket is actually used. So the liability for those taxes  
13 mounts up as the operation goes along. And the most  
14 significant part of that motion, Your Honor, is tax of that may  
15 be payable to the United Kingdom and to Mexico. And when Your  
16 Honor -- I'm sure Your Honor has looked at the motion. It's a  
17 large amount of money but it doesn't get paid until the ticket  
18 is actually used. And I think, if I remember correctly, Your  
19 Honor, there's like a thirty-one day period. If the ticket is  
20 not used then the money is not -- doesn't go to the UK or to  
21 Mexico.

22 These motions together, Your Honor, are extremely  
23 important to the operation of the airline. I would ask Your  
24 Honor, do you want us to run through the motions --

25 THE COURT: Well, let's take them in chunks as I think

1 you're suggesting, related ones together. So right now, we're  
2 talking about the motions found at tab 28, critical vendors;  
3 29, foreign creditors; 42, the motion regarding fuel supply  
4 contracts; and 44, derivative contracts.

5 MR. MILLER: Correct, Your Honor.

6 THE COURT: So we'll take those as a bundle. So is  
7 there any party that wants to be heard on those four motions?

8 MR. MASUMOTO: Thank you, Your Honor. Brian Masumoto  
9 for the Office of the United States Trustee. Your Honor, if I  
10 may -- I'm sorry I neglected to discuss with debtors' counsel.  
11 But I would request that even prior to getting into those  
12 substantive motions if Your Honor will address the motion for  
13 joint administration. Let me just explain the reason.

14 Our office has prepared, and in conjunction with  
15 debtors' counsel, has secured a location for the organizational  
16 meeting which is currently scheduled for Monday, this coming  
17 Monday -- next Monday, December 5th at 10:00. The location  
18 will be the Sheraton New York Hotel and Towers. And we have  
19 the notices prepared to go out to the top fifty largest  
20 creditors. But it was formatted as a jointly administered  
21 case --

22 THE COURT: Right.

23 MR. MASUMOTO: -- because it wouldn't make sense to  
24 put all twenty creditors --

25 THE COURT: Fair enough. We'll put the --

1 MR. MILLER: Surely, Your Honor --

2 THE COURT: -- cart before the horse.

3 MR. MILLER: Well, we were talking about the urgent  
4 motions. We certainly have no objection to the joint  
5 administration.

6 THE COURT: All right. I once did have an objection  
7 to joint administration. So I'll ask this question with some  
8 trepidation. Anyone have a -- want to be heard on joint  
9 administration?

10 MR. MASUMOTO: Your Honor, in regards to that, in our  
11 discussions -- brief discussions, as counsel did indicate, we  
12 had requested certain change -- a minor change to the order  
13 which would specify specifically that the debtors would -- that  
14 they're entitled to file consolidated motions but would have to  
15 break out the disbursement amounts by the separate entities.

16 THE COURT: All right. I wouldn't expect that that  
17 would be an issue. So hearing no objections to joint  
18 administration, the motion for joint administration is granted.  
19 And I'm sure you'll work out the terms of the order which you  
20 can submit to chambers. So now you're in a position to get  
21 those notices out to creditors.

22 MR. MASUMOTO: Thank you very much, Your Honor.  
23 Appreciate it.

24 THE COURT: Certainly. So returning back for a moment  
25 to those four substantive motions --

1 MR. MASUMOTO: Yes, Your Honor, if I may. With  
2 respect to the critical vendor motion, part of the concerns  
3 that were articulated to counsel prior to the hearing was the  
4 issue of exactly how much would be paid.

5 Just as an overarching comment that we had with  
6 respect to all the pleadings, we kept wanting to know exactly  
7 how much would be paid, certainly within the first twenty-one  
8 days but also, as we just indicated, we attempted to expedite  
9 the formation of a creditors' committee which would then be  
10 able to participate. And knowing the amounts that would be  
11 expended prior to the formation I believe is critical. Once --  
12 hopefully after Monday, the committee will be in a position to  
13 weigh in on a lot of these motions.

14 So, accordingly, at this point, we have not yet had an  
15 opportunity to identify the specific critical vendors who will  
16 be paid as well as to determine exactly how much would be  
17 needed between now and Monday. And that was one of our  
18 concerns.

19 And as Your Honor knows, when the Rule 6003 was  
20 enacted, in part it was enacted to prevent or to try to avoid  
21 the masses of first day motions, substantive motions that would  
22 occur before interested parties had an opportunity to weigh in.  
23 And, in fact, the hope was -- I believe, the underlying hope  
24 was that a lot of these substantive motions that would result  
25 in money going out the door or assumption of contract would be

1 deferred in that twenty-one day period.

2           What seems to have occurred is that notwithstanding  
3 that posture, debtors have been coming in and essentially  
4 following the old procedure, asking on the first day amounts to  
5 be paid out and leases or contracts to be assumed on the first  
6 day of the hearing. Unfortunately, the rules don't define  
7 what's immediate and irreparable harm which is the standard  
8 under 6003. And one of the attempts that we've tried to make  
9 from the U.S. trustee's office is to try to at least narrow  
10 down the exact amount that's due within the short period of  
11 time until, at the very least, a creditors' committee is  
12 formed. This will provide certainly transparency to the entire  
13 process and, I think, maximize the input of interested parties.

14           So, accordingly, I believe the comment I've just  
15 indicated applies to many of the motions including the four  
16 that are articulated that are being discussed in terms there  
17 was a lack of specificity on the exact amounts that are due.  
18 And hopefully, in an attempt to minimize that amount until the  
19 interested parties, particularly the committee, is in place, we  
20 would ask that, at the very least, that the debtors identify  
21 the specific amounts that are needed certainly at least until  
22 the committee is formed.

23           I would note that, as counsel mentioned, as indicated  
24 in the form for the critical vendors, there is a process by  
25 which these critical vendors are paid on commission that they

1 agree to certain arrangements. I don't know how long that  
2 arrangement will take. I assume that it's not necessarily  
3 instantaneous. And that should give some additional time  
4 before actual amounts have to be expended. So I don't think it  
5 would necessarily be an undue burden upon the debtor to  
6 certainly provide a maximum opportunity for the creditors'  
7 committee to provide input.

8 THE COURT: All right.

9 MR. MILLER: Your Honor, may I respond to that?

10 THE COURT: Certainly.

11 MR. MILLER: Your Honor, with all due deference to Mr.  
12 Masumoto, we are talking about keeping a business alive. And  
13 part of this is psychological. What comes out of this hearing  
14 will affect how this airline survives. Now we have specified  
15 in the motion, Your Honor, there's over 600 million dollars of  
16 trade and supplier debt. We're only talking about eighty-five  
17 million dollars over a period of the case. Management has  
18 culled through the accounts receivable and selected that over  
19 the next twenty-one days, they may need to do fifty million  
20 dollars.

21 This is a very large business, Your Honor. It's a  
22 global business. It's a large domestic business. We cannot  
23 operate this business with Mr. Masumoto or the creditors'  
24 committee checking every invoice. It's not going to work that  
25 way. I understand the rule, Your Honor. But we are talking

1 here about an emergency and the survival of this company. And  
2 I got the wrong impression. I was under the impression that  
3 the U.S. trustee did not have a major objection to the critical  
4 vendors' motion.

5 And we don't have a problem, Your Honor, after the  
6 creditors' committee is formed, we will sit down with the  
7 creditors' committee. But we're talking about a process. They  
8 have to engage professionals. Then those professionals have to  
9 get oriented. And before you know it, Your Honor, the twenty-  
10 one days is over. It may be thirty days before they're really  
11 oriented and can start the process of discharging their duties.  
12 We can't be in suspense during that period of time. We have to  
13 operate this airline and ensure customers that when they book  
14 on American, that flight is going to be there and that flight  
15 is going to depart on time. We are now moving, Your Honor,  
16 into the holiday season. That's a big season for this airline.  
17 If we get book-aways because they're nervous that they can't --  
18 we don't know if the plane's going to be there when we're  
19 leaving or coming back. It's irreparable. We can't take that  
20 risk, Your Honor. I understand what Mr. Masumoto is talking  
21 about but it's not that kind of a business.

22 THE COURT: All right. I understand. Anything else,  
23 Mr. Masumoto?

24 MR. MASUMOTO: Your Honor, we're not asking that new  
25 amounts be paid. We're asking that the amounts that need -- I

1 don't believe counsel --

2 THE COURT: Let me see if I can help here. I  
3 understand what you're saying is that you would like to know as  
4 much as you can about the amounts that are paid in the  
5 immediate future so that a creditors' committee can have some  
6 sense of how much money has gone out the door by the time they  
7 come in. And I would imagine that you'll get as much  
8 information as you possibly can. And certainly, I don't think  
9 anybody will quarrel with the benefit of being able to get that  
10 kind of information to you and the creditors' committee.

11 MR. MASUMOTO: Thank you, Your Honor.

12 THE COURT: Certainly. Anyone else want to be heard  
13 on these four motions?

14 MR. HUEBNER: Your --

15 MS. KOVSKY-APAP (TELEPHONICALLY): Your Honor, this is  
16 Deborah Kovsky --

17 THE COURT: Hold on one second on the phone. We have  
18 somebody live and then we will get to you shortly.

19 MS. KOVSKY-APAP: Sorry about that.

20 THE COURT: Not at all.

21 MR. HUEBNER: I'm alive. For the record, Your Honor,  
22 Marshall Huebner of Davis Polk on behalf of Citibank. Your  
23 Honor, just very briefly, on the last of the four which is the  
24 derivatives motion, Citibank is a counterparty with American on  
25 something like seventy open derivatives trades, mostly fuel

1 hedging. And we've already had very productive conversations  
2 with Mr. Perez.

3 I just want to be clear. The motion does not purport  
4 to ask counterparties to waive nor seek a ruling from this  
5 Court that they have waived their rights to terminate. In  
6 fact, it's a rather street friendly motion that encourages them  
7 to come and have dialogue which we will be doing. But just to  
8 be clear, since Mr. Miller is the steward of an amazing number  
9 of the country's largest bankruptcies, there have been other  
10 cases in which rulings have been handed down about the passage  
11 of time waiving counterparties' rights to exercise safe harbor  
12 rights on the derivatives.

13 THE COURT: I didn't see anything in the motion or the  
14 proposed order that went in that vain.

15 MR. HUEBNER: Exactly.

16 THE COURT: So I think --

17 MR. HUEBNER: So to be clear --

18 THE COURT: -- I think that's not an issue.

19 MR. HUEBNER: -- we will be moving very quickly.

20 We're literally already in dialogue. And I think we will have  
21 our issues sorted out hopefully, almost very assuredly  
22 consensually, long before any of that is necessary. But I just  
23 want it to be sort of clear for the record since there could be  
24 an implicit argument that by letting the motion go through,  
25 people are subjecting themselves --

1 THE COURT: Understood.

2 MR. HUEBNER: -- to new risks. Thank you.

3 THE COURT: Thank you. All right.

4 MR. MILLER: And we don't have any problems, Your  
5 Honor, in many fewer words that Mr. Huebner used. No problem.

6 THE COURT: Fair enough.

7 MR. MASUMOTO: I'm sorry, Your Honor. There was one  
8 more comment that I did want to make with respect to the other  
9 orders. I believe all -- three of the form orders are in the  
10 form of an interim order. I believe the fuel order, at least  
11 according to the pleadings that we have, is not as an interim.

12 THE COURT: Yeah. I think that may just have been an  
13 oversight. I noticed that as well. And I would imagine that  
14 the fuel order would also be interim consistent with the  
15 orders.

16 MR. MILLER: It can be interim, Your Honor. We don't  
17 have any objection to that. But I would say by the time we're  
18 back here in twenty-one of the thirty days, the fuel will be an  
19 academic issue because at the rate we go and we pay every  
20 day --

21 THE COURT: Fair enough.

22 MR. MILLER: -- we'll be --

23 THE COURT: But I think it's still a --

24 MR. MILLER: That's fine.

25 THE COURT: -- benefit to whatever committee is

1 formed.

2 MR. MILLER: We don't have a problem with that, Your  
3 Honor.

4 THE COURT: All right. Anyone else here live in the  
5 courtroom that wants to be heard on these four motions?

6 MR. MOSS: Good afternoon, Your Honor. Joel Moss  
7 representing Barclays Bank PLC and its affiliates. I just want  
8 to echo Mr. Huebner's comments. But go beyond just the mere  
9 fact that this motion -- the order would be entered, we, like  
10 Citi, are negotiating and engaged in discussions regarding our  
11 derivative contracts with American and its affiliates. We just  
12 want clarification and to make sure that not only the mere fact  
13 that the motion is granted but the mere fact that we're in  
14 negotiations and discussions and we haven't exercised our right  
15 to terminate would not in any way modify or impair --

16 THE COURT: Well, let me cut you off. We have a very  
17 extensive dance card today. So if an issue's been raised by a  
18 party and has been addressed, and I think that issue's been  
19 addressed, I don't think it waives anyone's rights. I didn't  
20 see anything in the motion or the order that would waive  
21 anyone's rights. And certainly, I didn't know who's in  
22 negotiations with who based on the papers that I saw. So I  
23 don't think that negotiation would have waived anyone's rights  
24 'cause I didn't know actually what was going on. So I think  
25 you're well protected.

1 MR. MOSS: Okay.

2 THE COURT: But just for future reference, if an  
3 issue's been raised and applies to you and we've put it to bed,  
4 I think we don't need to revisit the same grounds or we may be  
5 here until sometime two or three days from now.

6 MR. MOSS: Yeah. I just wanted to go beyond just the  
7 mere fact that the motion is going to be granted but also the  
8 accompanying discussions as well 'cause that will entail  
9 sometime --

10 THE COURT: That's fine.

11 MR. MOSS: -- working them out.

12 THE COURT: Understood.

13 MR. MOSS: Thank you.

14 THE COURT: All right. Anyone else live in the  
15 courtroom who wants to be heard? All right. Then I know there  
16 was someone on the phone who wanted to speak up. So if you'd  
17 identify who you are and who you represent first and then you  
18 can give me your comments.

19 MS. KOVSKY-APAP: Thanks, Your Honor. This is Deb  
20 Kovsky-Apap, Pepper Hamilton, on behalf of Exxon/Mobil  
21 Aviation. Just a quick comment with respect to the fuel  
22 motion. First, we have no objection to the fuel motion at all.

23 THE COURT: Are you talking about the motion to seal  
24 certain documents?

25 MS. KOVSKY-APAP: I'm sorry?

1 MR. MILLER: The fuel --

2 THE COURT: Fuel -- I'm sorry. It --

3 MS. KOVSKY-APAP: I apologize.

4 THE COURT: There's a little bit of an echo in the  
5 courtroom so I heard fuel as seal. So that's my bad. So carry  
6 on.

7 MS. KOVSKY-APAP: Okay. So regarding the fuel  
8 supplier motion, just a point of clarification. My  
9 understanding is that this motion covers not only parties to  
10 contract but also parties that supply on open purchase orders.  
11 And I just want a clarification. Looking at the proposed  
12 order, it provides that nothing in the motion shall constitute  
13 an assumption or rejection of any executory contract or  
14 agreement. And we would like clarification that acceptance of  
15 prepayment also is not creating any type of executory contract  
16 or ongoing obligation for those suppliers that supply an open  
17 account.

18 THE COURT: I think your understanding is correct but  
19 I'll let Mr. Miller say --

20 MR. MILLER: It is correct, Your Honor. We have no  
21 objection to that.

22 THE COURT: All right. Anyone else who wants to be  
23 heard on these four motions? All right. Let me just make a  
24 couple of preliminary points. One is, I think other than the  
25 wage motion, I think all these should be interim for the

1 reasons that we discussed. Obviously, if there's a need for  
2 relief, you're here today for first days because of the  
3 importance of getting immediate relief. But obviously, we have  
4 to counterbalance that with parties who are not present here  
5 and particularly the committee who is yet to be formed. So  
6 other than the wage motion, I would think that all of them  
7 should be interim.

8 My second just global point is I saw there was a first  
9 day declaration that explains the background of the company,  
10 its business, how it ends up in Chapter 11. It didn't have a  
11 section explaining the need for relief requested in the first  
12 day motions which is what I've typically seen. And I'm  
13 essentially treating the explanations of the need for relief  
14 and the individual motions as essentially debtors' proffer of  
15 why the motions are necessary. So just so I explain the  
16 evidentiary basis for my granting the relief. I'm assuming  
17 that if a competent witness -- that debtors have a competent  
18 witness to testify to all the representations made in the  
19 motions as to the factual background as the need for relief in  
20 the business. So those apply to all the motions so I wanted to  
21 get that squared away, first off.

22 So I will approve the critical vendor motion. I  
23 consider this -- the request to relate primarily to the safety  
24 of American doing business, a need to keep up its planes and  
25 related operations such as maintenance. And I looked very

1 carefully at the eight categories described in the motion which  
2 included safety and security providers, airline parts suppliers  
3 and maintenance service providers, flight training providers,  
4 customer and cargo handling, flight navigation systems  
5 providers, crew and employee-related providers, essentially  
6 things that the debtor needs to maintain its business. I  
7 certainly understand and appreciate the comments of the U.S.  
8 trustee that as much information as can be provided as soon as  
9 it can be provided to the U.S. trustee and to any committee  
10 about the amount of money being spent at any given time. But I  
11 don't think that to keep the airline flying that we have the  
12 luxury of waiting because even once we get a committee, I think  
13 it's correct it'll take a certain amount of time for that  
14 committee to get up to speed. But I certainly appreciate those  
15 comments and think that transparency in the process is very,  
16 very important.

17 I did have one comment on the proposed order just so  
18 we can go one-stop shopping. On page 6, at the bottom, there  
19 is a paragraph that deals with the order being effective from  
20 the date of entry provided, however -- and it had some  
21 language. I would just take that out because the first ordered  
22 paragraph says the motion's granted on an interim basis. And  
23 sometimes less said is more. So I think we can get rid of that  
24 paragraph.

25 So I will grant that motion.

1 MR. PEREZ: Excuse me, Your Honor.

2 THE COURT: Yes?

3 MR. PEREZ: Did you say get rid of the whole  
4 paragraph --

5 THE COURT: Yes.

6 MR. PEREZ: -- or after the proviso?

7 THE COURT: No. I think the whole paragraph. It  
8 essentially, I think, tries to provide some explanation about  
9 what interim means. And I think sometimes the less said the  
10 better.

11 Moving on to tab 29, which is foreign creditors, I  
12 understand that to pertain largely to taxes that come into  
13 existence after a ticket is used. I believe that's an  
14 appropriate payment and necessary for the debtors to continue  
15 their ongoing operations which is obviously the focus of  
16 today's first day hearing.

17 As for -- so I will grant that motion as well to pay  
18 foreign creditors in tab 29.

19 Tab 45 is a motion regarding fuel supply contracts.  
20 As I said before, I think this should be interim. It may be  
21 that by the time the committee gets on board and gets -- and  
22 understands the information provided that there's not a whole  
23 lot that it will be able to do in connection with fuel supply  
24 contracts. But we'll let that play out as appropriate.

25 My one question about fuel supply contracts order is I

1 did notice that in the critical vendors motion, there is a  
2 provision about essentially what you're asking the vendors to  
3 give you. And I didn't know if there was an analogous  
4 provision that folks wanted to add to the order that would fit  
5 as to the fuel supply contracts. I'm not an expert on fuel  
6 supply contracts so that may or may not fit. If there's  
7 something that is appropriate, I'm sure you'll add it. If it's  
8 not appropriate then I --

9 MR. MILLER: Essentially, Your Honor, there is no  
10 credit on fuel.

11 THE COURT: All right. Well, I thought that might be  
12 the answer but I figured I would ask.

13 Moving on to the derivative contracts motion, I  
14 understand that it seeks authority to perform under those  
15 contracts. It says that approval really isn't necessary  
16 because it's an ordinary course of business transaction but  
17 that in order for parties to enter into these with the  
18 requisite peace of mind that an order is appropriate, I think  
19 that that's correct.

20 I also understand that you can't -- debtors'  
21 explanation that you can't cherry these contracts, that you  
22 either have honor them or not. And so you can't pick the ones  
23 where you have no, essentially, bill to pay.

24 So what I'd like to do, again, is -- I understand it  
25 addresses new contracts as well. And what I'd like to do, in

1 deference to a committee that will be formed, is just to have  
2 the order address existing contracts. And we can deal with any  
3 new contracts in the final order that'll be the subject of  
4 discussion among the committee and any other constituencies.

5 MR. MILLER: May I just have a moment?

6 THE COURT: Certainly.

7 (Pause)

8 MR. MILLER: Your Honor, the problem is fuel is so  
9 volatile that without an effective hedging program, the  
10 escalation costs could be very, very substantial.

11 THE COURT: Well, let me ask how frequently these kind  
12 of contracts are entered into by the debtor.

13 (Pause)

14 MR. MILLER: Essentially, Your Honor, it's almost  
15 every day.

16 THE COURT: So the need for a provision that says  
17 you're allowed to enter into new contracts is of importance  
18 because you may be entering into another one tomorrow.

19 MR. MILLER: That's correct, Your Honor. And as I  
20 pointed out, Your Honor, right now, we're in the money on these  
21 derivatives, the existing ones. The company has been fairly  
22 successful on it. The problem is the volatility curve on  
23 fuel -- if something happens in Europe, Your Honor, and a penny  
24 in change in the cost of fuel ripples through the whole system.  
25 And unfortunately we are unable to hedge a hundred percent. So

1 isn't that significant?

2 THE COURT: All right. Well, I think you persuaded me  
3 that for purposes of this interim order that we'll leave in the  
4 term "new contracts" as well. And obviously, that'll be a  
5 subject of discussion with the constituencies including the  
6 creditors' committee as it's formed.

7 MR. MILLER: Your Honor, as soon as the creditors'  
8 committee is organized, we will immediately actively interact  
9 with the committee.

10 THE COURT: Well, again, I couldn't get an  
11 appreciation from the information I had as to how frequent  
12 these contracts are. So if you're telling me there's a need as  
13 a matter of exercising best business judgment to be able to do  
14 them on a daily basis then it's important that that ability is  
15 preserved.

16 MR. MILLER: That's exactly the case, Your Honor.

17 THE COURT: All right.

18 MR. MILLER: Thank you.

19 THE COURT: I did have one question relating to  
20 something that was said earlier. Obviously, counterparties do  
21 have a right to terminate derivative contracts. And is there  
22 any concern about essentially throwing good money after bad,  
23 that is, making a payment only to find out that a counterparty  
24 will terminate the contract? And is there any way to address  
25 that problem such that you would get any assurances so that you

1 don't -- debtors don't find themselves in that situation?

2 MR. MILLER: I don't -- Your Honor, with all due  
3 respect, I don't believe that there is any way -- a hundred  
4 percent protection of that. The company is in discussions with  
5 almost all the counterparties, as Mr. Huebner noted. The  
6 effort is out there. We don't believe it's in the interest  
7 really of the counterparties to terminate. First place, we're  
8 in the money. I don't think they want to pay money to us. It  
9 may change if fuel prices change. But this is -- this endeavor  
10 in connection with fuel, Your Honor, is like a twenty-four hour  
11 endeavor with the company. This is one of the largest costs  
12 the company has. So it gets a lot of attention. If there is a  
13 counterparty that's talking about termination, I assure Your  
14 Honor, there are people who will immediately go to that  
15 counterparty and try to negotiate something as they're trying  
16 to negotiate with Mr. Huebner who is not the easiest person --

17 THE COURT: All right.

18 MR. MILLER: -- in the world to negotiate with.

19 THE COURT: Fair enough.

20 MR. HUEBNER: Your Honor, just for the record, I  
21 object.

22 THE COURT: All right. Well, I think the only other  
23 way to do this would be essentially to make it so that you'd  
24 come back in the event of an emergency. But I suspect then I  
25 would see you tomorrow and the next day and the next day. So

1 what I will do is this will be an interim order. And it will  
2 provide the ability, as the existing proposed order does, to  
3 enter into new derivative contracts in the ordinary course of  
4 business as the debtors are doing currently.

5 MR. MILLER: Thank you, Your Honor.

6 THE COURT: Thank you.

7 MR. MILLER: The next group of motions, Your Honor,  
8 Mr. Karotkin will address.

9 MR. KAROTKIN: Good afternoon, Your Honor. Stephen  
10 Karotkin, Weil Gotshal & Manges, for the debtors. Your Honor,  
11 I'd like to take -- I think we can take them together -- would  
12 be the interline agreement motion, which is number 43, and the  
13 customer program motion which is number 30.

14 THE COURT: All right.

15 MR. KAROTKIN: With respect to the interline agreement  
16 motion, Your Honor, what the debtors are seeking authority to  
17 do are two different things. One is to assume a portion of the  
18 contracts that are the subject of that motion. And with  
19 respect to the balance of the contract, not to assume but to  
20 get authority to honor all obligations under those contracts  
21 whether they arise pre or post-petition.

22 The agreements are similar in many ways and may  
23 encompass arrangements with respect to the coordination among  
24 airlines and airline services which are essential to the  
25 debtors to serve the global market. Essentially, those

1 agreements provide for underlying infrastructure, for the  
2 global airline industry, to assure seamless integration of  
3 services among the airlines. And in order to effectively  
4 compete and continue to serve on a global basis, the debtors  
5 need to continue to participate in those arrangements without  
6 interruption. They facilitate reservations, transferring  
7 baggage among carriers, transferring people among different  
8 carriers as well as freight. In addition, Your Honor, there  
9 are a number of clearing house functions that occur on a weekly  
10 basis pursuant to which the various obligations owing among the  
11 various airlines that participate in the clearing house system  
12 are reconciled and paid on a net basis, again, mostly on a  
13 weekly basis.

14 The agreement also covers -- I'm sorry. The motion  
15 also covers, Your Honor, the oneworld agreement that Mr. Miller  
16 alluded to earlier which is Americans' global alliance and  
17 governs its arrangements with its global airline partners.  
18 Again, another critical element of American's platform, its  
19 operations and its revenue generating capacity.

20 I will point out, Your Honor, as described in the  
21 motion, for the ten month period ending in October, the  
22 oneworld member airlines carried over 300 million passengers  
23 through five and a half billion miles and generated ninety-two  
24 billion dollars in revenues. And again, it's critical, again,  
25 as Mr. Miller noted, to the ongoing operation of the airline

1 and how the public perceives American on an ongoing basis that  
2 this alliance continue.

3 With respect to this motion, as to the assumption of  
4 agreements, we've bifurcated it in order to comply with the  
5 rules in giving appropriate notice to the parties. So with  
6 respect to the agreements that we are seeking approval to  
7 assume, the motion and the proposed order provides that we will  
8 give them notice of a hearing to be set sometime twenty days in  
9 the future, again, subject to Your Honor's calendar, where  
10 parties would have an opportunity to be heard, an opportunity  
11 to object to the requested assumption of those agreements. If  
12 no objections are filed by the objection deadline, we would  
13 then submit an order to Your Honor approving the assumption on  
14 a final basis with respect to those executory contracts, and  
15 with respect to any objections, they would be heard at the  
16 hearing, and parties would have the right to present whatever  
17 arguments they had in opposition to the assumption. We think  
18 that appropriately satisfies due process under the rules, and  
19 as the procedures note, we would get out notice within the next  
20 three days of the hearing that would take place in a couple of  
21 weeks.

22 During the interim period between entry of a proposed  
23 order and the hearing on any objection, we've requested  
24 authority to honor those agreements, similar to the way we've  
25 requested authority to honor the agreements we do not propose

1 to assume at this time. So during that, what I will call the  
2 gap period, we'd ask Your Honor to approve continuing to honor  
3 both the contracts we propose to assume as well as the other  
4 contracts which are the subject of the motion.

5 Your Honor, the motion itself provides in quite a lot  
6 of detail the various programs that are the subject of the  
7 motion. We've gone through this with the U.S. Trustee. We  
8 think it's very self-explanatory. And again, all of these  
9 items are absolutely critical to the continued operation of  
10 this enterprise and instilling the necessary confidence in the  
11 public, particularly at this time of year. And the same could  
12 be said, Your Honor, for the customer programs. Again, I think  
13 Mr. Miller noted that the customers are the lifeblood of this  
14 business. If the debtors can't continue the programs like the  
15 AAdvantage Program, honoring customer refunds, ticket credits,  
16 leisure travel, charter arrangements, then this reorganization  
17 effort simply will not be successful. These are critical,  
18 again, to ongoing operations. All the other airlines in the  
19 system have similar type programs in order to compete. Your  
20 Honor, we need to continue those programs as they are in  
21 existence today.

22 Again, Your Honor, the motion describes each of the  
23 programs in quite a lot of detail. I'm happy to address any  
24 questions you have, and we would request that both motions be  
25 approved as requested.

1 THE COURT: All right. Anyone want to be heard on the  
2 assumption of contracts motion, tab 43, and the customer  
3 program motion at tab 30? I realize I may be the only one  
4 using these tabs, other than the debtors, so if there's any  
5 questions about what I'm referring to, let me know. Mr.  
6 Masumoto?

7 MR. MASUMOTO: Thank you, Your Honor. Brian Masumoto  
8 for the Office of the United States Trustee. Your Honor, with  
9 respect to tab 43, the interline motion, we do, again, also  
10 request the same information that we requested for critical  
11 vendor, exactly how much is due on an ongoing basis, at least  
12 until the creditors' committee's formed and then they can make  
13 their own determination. As Your Honor indicated, since both  
14 orders are now interim orders, that would be, again, preserved  
15 for the committee to evaluate. We have no objections to the  
16 customer program.

17 THE COURT: All right. And I'm sure that debtors'  
18 counsel and debtors will get you as much information as they  
19 can about how much money is being spent in these contracts.

20 Anyone else in the courtroom want to be heard on these  
21 two motions? Anyone on the phone want to be heard as to the  
22 two motions?

23 MR. GERBER: Yes, Your Honor. Toby Gerber for the  
24 International Air Transport Association regarding, I believe,  
25 what you're referring to as tab 43, the interline agreement.

1 THE COURT: Yes.

2 MR. GERBER: Your Honor, the International Air  
3 Transport Association, it's commonly known as IATA, is an  
4 association of about 240 of the world's airlines, including  
5 American. And we administer, as Mr. Karotkin indicated,  
6 interline agreements between the airlines and large amounts of  
7 ticket and cargo sales throughout the world.

8 We're very supportive of American and its decision to  
9 assume these contracts. However, the order that's been  
10 presented in -- although on an interim basis, contains a  
11 finding that we're troubled by at page 5 of that order.

12 THE COURT: All right, just give me --

13 MR. GERBER: There -- I'm sorry, page --

14 THE COURT: Give me one minute to get there.

15 MR. GERBER: Sure -- page 3 of the order, Your Honor.

16 THE COURT: Okay. All right. So you're talking about  
17 the proposed interim order, page 5?

18 MR. GERBER: I'm sorry. Page 3.

19 THE COURT: Page 3. All right. Where in the order?

20 MR. GERBER: The last full paragraph, "Ordered that  
21 the debtors have provided adequate assurance of future  
22 performance under the assumed contracts".

23 THE COURT: I actually had a question mark next to  
24 that paragraph.

25 MR. GERBER: Your Honor, we don't believe the debtors

1 have provided adequate assurance, and we're concerned not about  
2 the interim order being entered as a whole, but about that  
3 particular finding --

4 THE COURT: Particular finding, all right.

5 MR. GERBER: -- because it would be a condition to  
6 assumption.

7 THE COURT: All right. Well, let me find out what  
8 debtors' view is on that.

9 MR. GERBER: Certainly.

10 MR. KAROTKIN: Your Honor, with respect to the interim  
11 order we have no objection to excluding that paragraph.

12 THE COURT: All right. I think your problem has been  
13 solved.

14 MR. GERBER: Yes. Okay, Your Honor. Just as long as  
15 we don't have the burden of having to show otherwise if we do  
16 have an objection come the final hearing.

17 MR. KAROTKIN: With respect to whoever has the burden,  
18 Your Honor, we think people ought to reserve their rights for  
19 the final hearing on that issue.

20 THE COURT: I think the burden is where the Code puts  
21 it, and we'll cross that bridge if we get to it.

22 MR. KAROTKIN: Thank you, sir.

23 MR. GERBER: Thank you, Your Honor.

24 THE COURT: All right. Thank you. Anyone else on the  
25 phone want to be heard on these two motions? All right. As to

1 the motion for an order approving assumption of interline  
2 agreements, clearinghouse agreements and other agreements I  
3 think the debtors have made an appropriate showing that these  
4 agreements are fundamental to how they do business and that  
5 approval of them in this fashion, which is a bit unusual in  
6 this gap period, but it's, essentially, the same as requesting  
7 authorization to make the payments as a practical matter, is in  
8 the best interests of the estate and appropriate, so I will  
9 grant the motion. The paragraph that was referenced on page 3  
10 will be stricken, and that resolves the one potential  
11 objection, so that motion is resolved.

12 As to customer programs I will also grant that motion.  
13 I will, however, ask one question, much as I did with the  
14 derivative contracts. I see it asks for approval to implement  
15 new customer programs. I can't imagine that it's similar to  
16 the derivative contracts in that I don't think you have new  
17 customer programs every day, so the question is whether we can  
18 have the order limit to existing programs and then leave new  
19 programs for the final order.

20 MR. KAROTKIN: Could we just have a moment on that,  
21 Your Honor?

22 THE COURT: Certainly. And let me rephrase that. I  
23 don't know that it needs to wait till the final order. What I  
24 mean by that is a chance for a committee to come in and,  
25 essentially, speak on behalf of its constituents, and it may be

1 that you could deal with new programs almost immediately after  
2 that, but it just is a way of preserving rights that they would  
3 like to speak up and can't here on the first day.

4 MR. KAROTKIN: If I could just address that issue  
5 briefly, Your Honor? In view of the competition in this  
6 business the debtors have to have the flexibility to implement  
7 customer programs, certainly in the event that one of their  
8 competitors does so. So, for example, if one of their  
9 competitors were to implement a new program tomorrow they would  
10 need the flexibility to respond accordingly, and although we  
11 understand your concern we would indulge Your Honor to give  
12 us --

13 THE COURT: Well --

14 MR. KAROTKIN: -- that type of flexibility. Certainly  
15 once the committee is formed we will consult with them, but in  
16 the interim we think we need to be able to respond quickly.

17 THE COURT: Well, again, nothing prevents you from  
18 coming in with a motion on that, but I think it's different  
19 than, again, I understood the factual predicate in the other  
20 circumstance to be that you enter into these derivative  
21 contracts every day, and that's fair enough, and if that's the  
22 case and you do that in the ordinary course of business, but  
23 looking at the programs that we're talking about here that  
24 doesn't seem to be the case, and, so, I don't really think that  
25 you're giving up a whole lot here. And if you need the relief

1 I'm sure you can find your way to the courthouse in short order  
2 and I'll hear you immediately.

3 MR. MILLER: As long as we have access to Your Honor  
4 it's okay.

5 THE COURT: Fair enough. That's what this case will,  
6 you know, that's why I'm here. So if you need immediate relief  
7 you'll let me know and we'll get you in here.

8 MR. KAROTKIN: Thank you, sir.

9 THE COURT: All right. So I will approve the motion  
10 relating to customer programs pursuant to 363(c) of the  
11 Bankruptcy Code, which includes everything from pre-petition  
12 tickets to AAirpass Program, ticket refunds, other promotional  
13 programs, travel awards and things of that sort, which are part  
14 and parcel of doing business as an ongoing enterprise as an  
15 airline.

16 All right. What motions do you want to address next?

17 MR. KAROTKIN: If Your Honor please, the motion to  
18 seal.

19 THE COURT: All right.

20 MR. KAROTKIN: I believe that's number 40, which  
21 relates to the substantive motion, which is number 41. Your  
22 Honor, this simply is a motion to file under seal the credit  
23 card and processing arrangements that the debtors have with  
24 their different credit card processors as well as e-payment  
25 companies and also to file under seal the documents and

1 agreements related to the cobranded credit card agreement with  
2 Citibank. These agreements are highly confidential. There are  
3 confidential pricing terms, competitive information, and in  
4 view of those circumstances we think that it's appropriate  
5 under both the statute and the rules that we be allowed to file  
6 those under seal. We will certainly make them available to  
7 Your Honor. We'll make them available to counsel to the  
8 creditors' committee, the United States Trustee, subject to  
9 creditors' committee counsel keeping it confidential to  
10 themselves and not sharing it with the committee members, and  
11 to the extent that we can agree on an appropriate NDA with  
12 third parties as well as the counterparties to the agreements  
13 agreeing to an appropriate NDA we would furnish it as well.

14 THE COURT: All right. Anyone want to be heard on  
15 these two motions?

16 MR. HUEBNER: Your Honor, for the record, Marsh  
17 Huebner. I think right now only one of them has yet been  
18 spoken to, which is the seal motion, so let me address that  
19 one.

20 Your Honor, there are two concerns. One is Mr.  
21 Karotkin included the counsel for the creditors' committee in  
22 his oral recitation. That's actually not what the motion and  
23 the order provide. Rather, the motion and the order, I think,  
24 appropriately, are limited to the U.S. Trustee and the Court,  
25 and then there's the third category of appropriate NDAs.

1           And let me just explain for a minute. In this  
2 capacity, as Your Honor will hear about in a few minutes in the  
3 next motion, the debtors cobranded an affinity relationship  
4 with Citibank. It is one of its absolutely largest, most  
5 profitable, most important contracts. There are literally tens  
6 of millions of people, possibly even the majority of the people  
7 in this courtroom today, who carry their American Airlines  
8 Citibank credit card and accrue lots of miles and show a lot of  
9 loyalty to American, which is wonderful. That contract is  
10 beyond top secret to Citibank, so much so that despite the fact  
11 that Davis Polk has been doing some of their biggest  
12 transactions for decades it was actually days or weeks of  
13 negotiation before even I was allowed to see it to work on it.

14           And so I want to be clear about two things. We are  
15 going to be very, very fierce about allowing any economic  
16 party-in-interest, even including the creditors' committee, to  
17 see our contract. The U.S. Trustee is the government. The  
18 Court is the Court. The problem is that the motion contains  
19 language, which is why I rise -- ordinarily I would not speak  
20 on a seal motion -- that says the Court, the U.S. Trustee and  
21 any other party that has done an NDA acceptable to the debtors  
22 and the counterparty. That sort of sounds like all we need to  
23 do is work out a reasonable form of NDA, and if we're not being  
24 reasonable then we're not really in the spirit of the motion  
25 and order, and so I want to be clear. We don't intend to take

1 that view. Maybe with the creditors' committee we will end up  
2 agreeing to some sort of highly limited, these two people can  
3 come over, for professional eyes only. But I just wanted to be  
4 clear that since there is a bit of a negative implication in  
5 here, and since Mr. Karotkin's oral remarks inadvertently  
6 varied slightly from the motion and order, what the order  
7 actually says and why we can live with it as drafted.

8 THE COURT: All right. I understand, essentially,  
9 that you're almost treating it as classified information. It's  
10 not just that we need adequate protections to disclose it, but  
11 you may view it as a need to know and to actually see the  
12 agreement in terms of the order and what's appropriate for  
13 reviewing the agreement.

14 I don't think we need to get into that today. If the  
15 form of order is appropriate that is agreed upon for the  
16 parties whose information it is what I tend to do with these  
17 sort of seal motions is just add language to say any party  
18 wishes to make an application because they need to use the  
19 information in court or for some other appropriate purpose can  
20 do that. It's really -- doesn't need to be said, because it's  
21 implicit, but I think sometimes it helps to clarify that  
22 that's, maybe, the appropriate way if folks are, say, well, you  
23 won't let me see it and I want to see it. Well, then, we'll --

24 MR. HUEBNER: Make a motion.

25 THE COURT: Yes. So --

1 MR. HUEBNER: I quite agree, Your Honor. That's all  
2 we had on that one.

3 THE COURT: All right. That's fair enough.

4 MR. HUEBNER: And thank you for the accommodation.

5 THE COURT: Mr. Masumoto?

6 MR. MASUMOTO: Good afternoon, Your Honor. Your  
7 Honor, I did want to mention to the Court that if the debtor  
8 meets its burden to establish the need for a seal the U.S.  
9 Trustee does not need to be provided with the contents of the  
10 motion under seal. We are subject to FOIA, so if there is  
11 highly confidential information we'd be happy to be stricken  
12 from the order in terms of --

13 THE COURT: All right.

14 MR. MASUMOTO: -- being needed to provide that.

15 THE COURT: Thank you. It's actually a very wise  
16 practice point for purposes of providing information to your  
17 office.

18 Anyone else want to be heard on the motion to seal?  
19 I'd also understood that you had segued into the credit card  
20 motion as well.

21 MR. KAROTKIN: Not quite.

22 THE COURT: Not quite. All right. So on the motion  
23 to seal anyone else? On the phone? All right. I will grant  
24 the motion to seal. It's obvious that this is confidential  
25 business information. I do think it is appropriate to add some

1 language that says any party that wishes to, you know, in the  
2 future gain access to the information can file an appropriate  
3 motion if they need to use it either in court or for some other  
4 litigation purposes, and we'll litigate it at that time.

5 MR. KAROTKIN: Thank you, sir. As to the substantive  
6 motion, Your Honor, we seek to assume sixteen executory  
7 contracts. Fifteen are payment agreements of the type I  
8 described earlier, traditional credit card agreements and e-  
9 payment agreements. The larger ones are with American Express  
10 and U.S. Bank, which handles MasterCard and Visa, and as I also  
11 indicated the other agreement we seek to assume is the  
12 agreement with Citibank as to the cobranded credit card  
13 agreement.

14 Again, we've set up the same type of procedures that I  
15 described earlier with respect to the assumption of agreements  
16 under the interline motion, that we would give notice and  
17 opportunity to object, and to the extent there were no  
18 objections the order would be entered on a final basis. If  
19 there were objections then it would be heard at a hearing  
20 before Your Honor, presumably sometime next month. I would  
21 point out that these credit card processing agreements account  
22 for a substantial portion of the way in which the debtors  
23 collect their revenues. I think they account for seventeen  
24 billion of approximately twenty-one billion in revenues  
25 generated by the debtors. Obviously, the importance of

1 maintaining these in place is critical to ongoing operations.  
2 Again, what we've provided in the proposed order, Your Honor,  
3 is, with respect to the gap period from the date the order was  
4 entered setting up the procedures until the time they were  
5 either entered on a final basis or objections were resolved the  
6 debtors would be permitted to perform under the agreements.

7 I would point out, Your Honor, that in terms of  
8 ongoing performance the debtors get, in most cases receive  
9 money under these agreements rather than pay money under these  
10 agreements, so they're obviously a huge net benefit to the  
11 estates, and we would ask that the motion be granted.

12 THE COURT: All right. Does anyone want to be heard  
13 on the motion relating to credit card payments?

14 MR. HUEBNER: Your Honor, this, I think, should  
15 hopefully be my last cameo. So, Your Honor, just two --

16 UNIDENTIFIED SPEAKER: Can we count them, two?

17 MR. HUEBNER: Playing the role of abused Weil, Gotshal  
18 child today --

19 Your Honor, there are two points on that one. Number  
20 one, just to elaborate a little bit on the record, there were  
21 originally sixteen contracts on the schedule, as Mr. Karotkin  
22 alluded to at the beginning of his oral presentation. During  
23 the course of the day today, and we had no prior notice of the  
24 filing, which is fine, we all scrambled and identified an  
25 additional ten contracts that the debtors have agreed to add to

1 the schedule, so I think that the correct and complete number  
2 is actually now twenty-six, because the Citibank relationship,  
3 which is described in the motion and you don't need me to  
4 elaborate on, actually contemplates and also requires the  
5 assumption of the agreements that are related to this massive  
6 Citibank cobranded relationship.

7           However, because both sides should have a little bit  
8 of time to ensure that those ten contracts are all true and  
9 correct and are the complete list they're going to add those  
10 ten to the schedule for a total of twenty-six and then just add  
11 a little dagger and a footnote that says, essentially, the  
12 debtors are still diligencing these, reserve the right on  
13 notice to Citibank to delete them prior to entry of the final  
14 order, and were they to do that Citibank reserves all of its  
15 rights, both under the participation and related contracts, as  
16 well as to seek further relief from the Court. So I think  
17 that's, sort of, change number one, which, you know, we spent a  
18 good chunk of today very constructively discussing and  
19 resolving.

20           The second, so let me just pause for a minute and make  
21 sure that I've not misdescribed it.

22           MR. KAROTKIN: No. In fact, in the proposed order we  
23 have revised it as Mr. Huebner described.

24           THE COURT: All right.

25           MR. KAROTKIN: Your Honor, that's the first thing.

1 The second thing, and, hopefully, the last for me today, is  
2 there is a finding at the bottom of the order which says as  
3 follows, and is the --

4 THE COURT: What page?

5 MR. HUEBNER: Well, it is on page 4 of the proposed  
6 order. It's at the bottom of the page. It's the penultimate  
7 finding of the order, which reads as follows: "Order that any  
8 ipso facto clauses contained in any assumed agreement are  
9 unenforceable pursuant to 365(e) of the Bankruptcy Code".

10 So, hypothetically, Your Honor, this is a bit of a  
11 concern in that you haven't seen the agreements. Nobody's  
12 discussed them. Most of the counterparties are not here. Mr.  
13 Karotkin and I had a little bit of a colloquy before the  
14 hearing began. To the extent that it is, sort of, a  
15 tautological legal truism, which is that which is unenforceable  
16 is unenforceable and is just a statement of law, I guess it's  
17 fine. I mean, it is what it is. I just want it to be very  
18 clear from our perspective, although we hope and trust we will  
19 never need to discuss any of these issues because we are slated  
20 for assumption and, sort of, well within the friends and family  
21 plan, that Your Honor is not finding that any specific  
22 provision of any of the contracts --

23 THE COURT: Well, is that paragraph necessary to what  
24 we're trying to accomplish today?

25 MR. KAROTKIN: I think it's necessary, Your Honor, to

1 the extent that all of the other contracts, what we would  
2 consider ipso facto clauses, just so people are aware of the  
3 position, and this is, really, a statement of law. Ipso facto  
4 clauses are unenforceable, and if Mr. Huebner or anyone else  
5 wants to come in and argue that whatever they're doing is not  
6 an ipso facto clause, well, they can come in and do that.

7 We're not seeking to prejudice those rights. But we think --

8 THE COURT: Well, what -- I see what you're saying.  
9 But if it is, in fact, what the Code and the law provides I  
10 don't know that you're in any better position sticking it in  
11 this order today, but I suppose it doesn't really advance the  
12 ball or take away from it, so, again, I'm not sure that it gets  
13 you anything, but --

14 MR. KAROTKIN: If you would indulge me I would  
15 appreciate it.

16 MR. HUEBNER: Your Honor, to be clear. For the  
17 record, we're not asking that it be stricken. As a statement  
18 of the law it's basically what the Code says. As long as it's  
19 understood --

20 THE COURT: No, I'm just wondering whether it's  
21 necessary.

22 MR. KAROTKIN: Right.

23 THE COURT: And short orders are better, and bells and  
24 whistles tend to lead to more bells and whistles and orders  
25 that quickly become very difficult for parties and Courts to

1 parse through.

2 MR. HUEBNER: My only point is as long as it's clear  
3 that we're not -- nothing is being found as against us or our  
4 rights in particular we're finished, and the rest is between  
5 Your Honor and debtors' counsel.

6 THE COURT: All right. What I'd like to do with that  
7 paragraph is just say any ipso facto clauses, and rather than  
8 use the term assumed agreements, which is a defined term which  
9 makes it sound like we're talking about particular paragraphs,  
10 just use a more generic term that makes it clear we're talking  
11 about the Code, and that way I think it accomplishes your  
12 ends --

13 MR. HUEBNER: That's fine.

14 THE COURT: -- without making it a finding, so to  
15 speak.

16 MR. HUEBNER: Thank you.

17 THE COURT: Anyone else want to be heard on this  
18 motion in the courtroom? Anyone on the phone? All right. I  
19 will grant the motion to approve assumption of certain interim  
20 credit card and payment agreements consistent with the interim  
21 order. The debtors have explained that they derive the most  
22 substantial portion of their revenue from a variety of credit  
23 cards, charge cards, purchase cards, electronic payments, money  
24 transfers and other type of noncash forms of payment and that  
25 this requested relief today is in the best interests of the

1 estate and an appropriate form of relief under the Code.

2 MR. KAROTKIN: Thank you, Your Honor. If I may  
3 proceed?

4 THE COURT: Certainly.

5 MR. KAROTKIN: Your Honor, it's 35 and 34. Those  
6 motions are very similar. Number 35 deals with the payment of  
7 pre-petition obligation to common carrier shippers and  
8 warehousemen. In most instances, as we described in the  
9 motion, Your Honor, these creditors have possessory liens with  
10 respect to the property, and we're merely seeking to pay them  
11 in order to get the property released. Effectively, they are  
12 secured creditors.

13 We've estimated in the motion that the aggregate  
14 amount with respect to shippers and warehousemen is  
15 approximately eighteen and a half million, with ten and a half  
16 million necessary in the first twenty-one days.

17 With respect to customs duties, the debtors are  
18 required to pay these amounts in order to get their goods  
19 through customs. The amount is relatively modest, 500,000  
20 dollars. And I would point out, Your Honor, that under the  
21 Bankruptcy Code, we believe that that amount would be a  
22 priority claim in any event.

23 With respect to the motion regarding independent  
24 contractors and the improvement projects, again, the  
25 independent contractors, Your Honor, as described in the

1 motion, provide a number of services at various locations  
2 around the country with respect to repair and maintenance of  
3 facilities, repair of aircraft engines. And they are also  
4 involved in a number of what we've defined as improvement  
5 projects around the country.

6 The primary improvement projects, Your Honor, being at  
7 La Guardia Airport, John F. Kennedy Airport, O'Hare and LAX.  
8 These, of course, as was indicated earlier, are the debtors'  
9 largest hubs. In many instances, Your Honor, the independent  
10 contractors, again, like the warehousemen, have the ability to  
11 assert mechanics' liens or materialmen's liens. There are  
12 certain other creditors rendering services that are critical to  
13 the ongoing construction of those projects and getting them  
14 done on a timely basis, which the debtors have determined,  
15 either that they're rendering services that are not easily  
16 replaceable, or in order to find someone to do those services,  
17 it would significantly delay the completion of those projects,  
18 which again, are important to ongoing operations.

19 The amounts in that motion, Your Honor, with respect  
20 to the independent contractors who would have liens is twelve  
21 and a half million dollars; and with respect to other people  
22 involved in the improvement projects, is approximately two and  
23 a half million dollars.

24 And we have provided, I believe, in each of these  
25 motions that as a condition to receiving payment, the various

1 recipients would have to agree to similar type terms as were  
2 described in the critical vendor motion, that is, to continue  
3 to provide credit and not terminate their agreements, as well  
4 as release any liens they would have.

5 I know Mr. Masumoto is going to get up and say this  
6 order ought to be on an interim basis. And we are -- we, in  
7 fact, have modified orders with us to do that.

8 THE COURT: All right. I'm sure that makes his life a  
9 little easier. But he may have something else to say. Mr.  
10 Masumoto?

11 MR. MASUMOTO: The only -- the same request for  
12 available information. But the interim order is satisfactory.

13 THE COURT: All right. I'm sure that that's -- that  
14 you'll get that information.

15 Anyone else want to be heard on the motions relating  
16 to common carriers and to payment to independent contractors  
17 who are on improvement contracts, here in the courtroom? All  
18 right. Anyone on the phone? All right. I will grant the  
19 motion as to common carriers. I agree that there are  
20 possessory liens, the goods are held until there's payment  
21 made. Customs, indeed, has a priority under the Code for what  
22 you're talking about, and so I'll grant that motion as  
23 appropriate under the Bankruptcy Code.

24 For payments to independent contractors, I agree that  
25 it should be an interim order. I do agree that payment to the

1 independent contractors is appropriate. In fact the  
2 description is that they do many of the same services that  
3 employees do to keep the airline and other debtors running, and  
4 therefore are essential to the business of the debtors.

5 I did notice in looking at the order in Northwest  
6 Airlines Corporation on the same issue that there's some  
7 language that was used that may be appropriate to be added to  
8 these orders -- this order on independent contractors. And I'm  
9 looking at the order that was entered in Northwest on September  
10 15, 2005. On page 2 of that order, there's language about the  
11 debtors using reasonable best efforts to minimize payments to  
12 outside maintenance and service providers, shippers,  
13 contractors, in satisfaction of any liens and/or interests,  
14 which I think is something the debtors would do anyway, but I  
15 think it's appropriate to put it in an order.

16 And on page 3 of the Northwest order it also makes  
17 reference to, the debtors shall not pay a claim to those same  
18 folks unless it's perfected or in the debtors' judgment it's  
19 presently capable of perfection or will be capable of  
20 perfecting in the future one or more liens or interest, giving  
21 rise to such claim. So that's on page 3. So I think you can  
22 probably take the language right from the Northwest order.

23 MR. KAROTKIN: Yes, sir.

24 THE COURT: My one question deals with improvement  
25 contracts and the extent to which we need to address that

1 today, that is, the immediacy of the need on a first day as  
2 opposed to on some second day or in the near future. Because  
3 obviously it's not quite the same as paying these folks who are  
4 employees or critical vendors or independent contractors who  
5 are doing daily work. That may have to do with the status of  
6 these improvement contracts. So maybe you can explain that to  
7 me?

8 MR. KAROTKIN: We're not seeking to assume any  
9 improvement contracts. We're just seeking authority to  
10 continue to pay people rendering services at the facilities who  
11 are critical to getting them completed on a timely basis,  
12 amounts that they are owed, pre-petition.

13 THE COURT: And I guess the concern is if those  
14 payments don't continue in the ordinary course of business,  
15 then the work will fall off schedule and it will impair the  
16 debtors' business operations?

17 MR. KAROTKIN: It will -- yes, sir. As I mentioned,  
18 it will either fall off schedule, or the nature of the service  
19 provided is unique to that particular individual, and it would  
20 take the -- either the debtors wouldn't be able to get that  
21 type of service or wouldn't be able to get it on a timely  
22 basis.

23 THE COURT: All right. Thank you for that  
24 explanation. So I'll grant that motion as well as to the  
25 payments on improvement contracts.

1 MR. KAROTKIN: Thank you, sir.

2 MR. MILLER: Your Honor, please, Harvey Miller again.  
3 Your Honor, moving to number 10, the motion to continue  
4 insurance programs. Primarily, Your Honor, this relates to, in  
5 large measure, I should say, to Workman's Compensation. And  
6 clearly you're not allowed to conduct a business, Your Honor,  
7 unless you are providing for Workman's Compensation.

8 Annually, American pays about 9.4 million dollars for  
9 Workman's Compensation insurance. Of that amount, there's  
10 about 500,000 dollars outstanding. In addition, Your Honor,  
11 during the month of December, American will be required to post  
12 as collateral for performance under the Workman's Compensation  
13 rules, an aggregate -- in two separate payments, Your Honor,  
14 but it's an aggregate of 87 million dollars, which is required.

15 Authority also is requested to maintain all insurance  
16 programs in foreign jurisdictions, which we expect to do on an  
17 ongoing and uninterrupted basis. We were also asking for  
18 authority to allow employees to continue to prosecute Workman's  
19 Compensation claims.

20 Obviously, Your Honor, insurance is a condition  
21 precedent to the operation of this airline. These are  
22 important payments which are, I think self-evident, Your Honor.

23 THE COURT: All right. Anyone want to be heard on  
24 this motion in the courtroom?

25 MR. MASUMOTO: Your Honor, I believe you had

1 previously ruled that this would be an interim. We would  
2 certainly want to make sure that, I believe, the payment that  
3 Mr. Miller has referred to, the seventy-six million dollar  
4 payment in December, is certainly subject to the review of the  
5 creditors' committee.

6 MR. MILLER: I just want to point out, Your Honor,  
7 it's not a payment, it's posting a collateral. You are  
8 required to maintain collateral reserves for claims that are  
9 asserted. But it's just collateral. And we certainly would  
10 make all that information available.

11 THE COURT: All right. Yes, I understand this is  
12 interim and it sounds like all information will be made  
13 available to the creditors' committee that is formed.

14 All right. Anyone else in the courtroom want to be  
15 heard on this motion? Anyone on the phone want to be heard on  
16 this motion? All right. I will grant the motion as  
17 appropriate under the Code, as this kind of insurance and  
18 Workers' Compensation programs are, as Mr. Miller said, part  
19 and parcel of doing business.

20 So, moving on to the next motion.

21 MR. MILLER: Number 26, Your Honor, in the binder, is  
22 the motion to maintain the cash management system that is in  
23 place, Your Honor. This is an interim order. It's necessary  
24 to continue the day-to-day operations of the company. There  
25 have been discussions with the U.S. Trustee. This is going to

1 be an ongoing process. The U.S. Trustee has work to do. They  
2 want to be satisfied there are appropriate depositories,  
3 appropriate safeguards and so on. So this is truly an interim  
4 motion, Your Honor, but usually, very ordinary course of  
5 business at this stage of the process.

6 THE COURT: All right. Anyone want to be heard?

7 MR. MASUMOTO: Yes, Your Honor. Brian Masumoto for  
8 the Office of the United State Trustee. Your Honor, the one  
9 outstanding issue that we had that we did raise, and I don't  
10 see reflected in the pleading as filed, is the request that our  
11 office typically has for designation of DIP on business forms  
12 and checks.

13 MR. MILLER: It's there.

14 THE COURT: I think the order actually says that it's  
15 not considered necessary on existing checks, but will be put in  
16 for new forms. So at least that was my understanding of what I  
17 read.

18 MR. KAROTKIN: Yes, sir. It does provide that.

19 THE COURT: All right. So Mr. Masumoto, I don't know  
20 if you have a view about that. Let me see if I can find what  
21 I'm referring to.

22 MR. MASUMOTO: Well, Your Honor, normally, it's our  
23 understanding -- all right, Your Honor. That's fine.

24 THE COURT: Take a second. There's a lot of paper.

25 MR. MILLER: I showed it to him.

1 THE COURT: Thank you. I think I'm looking at the  
2 order at page 5 the bottom ordered paragraph, "Existing check  
3 stock" --

4 MR. MASUMOTO: Right, Your Honor. I guess the  
5 traditional request was that with respect to existing stock,  
6 that a stamp be acquired. I don't know if it's practical in  
7 this case. But to the extent practical, we would expect that  
8 to be followed.

9 MR. MILLER: If Mr. Masumoto would leave it to the  
10 discretion of the company, we have no objection to that, Your  
11 Honor.

12 THE COURT: All right. That's fine. Anything else,  
13 Mr. Masumoto?

14 MR. MASUMOTO: Yes, Your Honor. We did have a certain  
15 request regarding the account balances and so forth. I believe  
16 there's a forty-five day period over which we will attempt to  
17 identify the amounts in the various accounts and the issues as  
18 to what type of protection they're subject to.

19 THE COURT: Right. All right. So it sounds like the  
20 forty-five days is -- parties have agreed to that?

21 MR. MILLER: Yes.

22 THE COURT: All right. Yes, I understood that there  
23 was a discussion about bond requirements as well as authorized  
24 versus non-authorized depository institutions, as under the UST  
25 guidelines. And those are issues to be worked out.

1 MR. MASUMOTO: That's correct, Your Honor. And we did  
2 ask that be opening up new bank accounts -- that it specify  
3 that new accounts be opened at authorized depositories or  
4 accounts that are appropriately insured or guaranteed.

5 In addition, we did ask for information regarding the  
6 amount of the service fees that will be paid under this order.  
7 I believe they indicated that was an average payment of about  
8 120,000 per month. We had requested the specific amounts that  
9 were expected to be paid for pre-petition claims.

10 THE COURT: All right.

11 MR. PEREZ: We agreed. We agreed to provide the  
12 information, Your Honor.

13 THE COURT: All right. Anyone else who wants to be  
14 heard on cash management who's in the courtroom?

15 All right. Anyone on the phone want to be heard on  
16 the cash management motion?

17 Not hearing anybody, I had, I guess, two related  
18 issues that came to my mind. One was payments to nondebtor  
19 affiliates. The other was payments to debtor affiliates. And  
20 as for payments for nondebtor affiliates, I'm just trying to  
21 put this in sort of loose terms.

22 I understand why it's in there, meaning the way the  
23 business is run and the explanation of the cash management  
24 system. I can understand why the language is in there. But I  
25 just want to understand the debtors are going to pay heed to

1 there being adequate confidence in payments for the -- to  
2 nondebtor affiliates. I don't want to micromanage that. And  
3 we can deal with it in the final order, but that's something  
4 just to be cognizant of, given that we're talking about  
5 payments to nondebtor affiliates.

6 And as for pay --

7 MR. MILLER: I'm certain, Your Honor, that Ms. Goren,  
8 the chief financial officer, is listening very carefully.

9 THE COURT: And as to payments to debtor affiliates, I  
10 imagine that they would similarly kept track of, to the extent  
11 that they have some sort of administrative claims or are  
12 entitled to some other special priority. And again, I think we  
13 can -- I don't want to micromanage that. And I'm sure we can  
14 deal with that in the final order where there's a committee and  
15 they may have a particular interest or not in those issues as  
16 the case may be.

17 MR. MILLER: Yes, sir.

18 THE COURT: So with that, I will grant the motion with  
19 the order on an interim basis, as it's obvious that existing  
20 cash management systems need to be utilized to keep the  
21 debtors' business going on an ongoing basis, and consistent  
22 with changes that have been discussed with Mr. Masumoto.

23 MR. MILLER: Thank you, Your Honor.

24 THE COURT: Thank you.

25 MR. MILLER: The next item, Your Honor, is the tab 27,

1 the motion to authorize payment of wages, salaries and employee  
2 bene -- in connection with employee benefit programs. As I  
3 said, Your Honor, the debtors employ approximately 88,000  
4 people globally. The estimated outstanding unpaid employee  
5 obligations total approximately 334 million dollars, a  
6 significant sum, Your Honor. But that includes wages,  
7 salaries, commissions, withholding obligations, business  
8 expense reimbursement, expatriate expenses in the relocations,  
9 vacation pay, pensions, sick time, all of the normal costs of  
10 operating a business, Your Honor, which goes to the morale of  
11 the employees. And I think, Your Honor, in almost every single  
12 case, these orders are entered.

13 THE COURT: All right. Anyone want to be heard on the  
14 wage and benefit motion?

15 MR. MASUMOTO: Yes, Your Honor. Brian Masumoto for  
16 the Office of the United States Trustee.

17 Your Honor, we did discuss this with counsel, and as  
18 indicated, there is a significant amount, over 300 million  
19 dollars, that they hope to pay pursuant to this order. One of  
20 the things that they specifically mention in their motion, it's  
21 quite clear, there is a significant amount over the statutory  
22 cap. In fact, I believe they talk about 9 million dollars and  
23 1.5 for domestic and foreign individuals.

24 Accordingly, typically, the request from the U.S.  
25 Trustee is that there be an itemized list indicating the

1 amounts paid. And in that regard, I would also like to  
2 mention, as is typical in most of these orders, the reference  
3 to statutory cap is designed or presented as it applies to  
4 wages. The statute, 507(a)(4), typically indicates it should  
5 include wages, vacation, sick and severance pay. So here -- in  
6 this case, even without taking into account those other  
7 benefits, just wages alone, they have significant amounts in  
8 excess of the statutory cap.

9 And as Your Honor knows, the statutory cap has been  
10 raised significantly over the years. Currently it's 11,725.  
11 So once again, we did request and we would ask that the debtors  
12 provide us with a list identifying the amounts that would be  
13 paid in excess of the cap with respect to individual  
14 recipients.

15 THE COURT: All right. Mr. Miller?

16 MR. MILLER: If I might respond to that point, Your  
17 Honor? The only employees who are over the cap, as I  
18 understand, Your Honor, are pilots. And it ranges -- so it  
19 could be 8,000 of them. Again, Your Honor, we can't run the  
20 airline without pilots. And it takes a while to adjust the  
21 pilots' compensation because of how much time they spend and  
22 where they're going. That's a process that's going to take a  
23 while, Your Honor.

24 THE COURT: Well, let me ask one question. I saw  
25 that -- that was my understanding reading the papers that only

1 the pilots were above the cap in the U.S., but I was a little  
2 less clear about international employees above the cap and  
3 whether there are folks other than pilots who are international  
4 employees.

5 And so perhaps Mr. Masumoto's comment may relate to  
6 those folks who are nonpilots, because he can probably get an  
7 easier handle on what the situation is with the pilots.

8 MR. MILLER: I would say this, Your Honor. We will do  
9 everything practicable to furnish as much information as we can  
10 reasonably gather, to the United States Trustee's Office and  
11 the creditors' committee, for that matter, Your Honor. But it  
12 is going to be a substantial task, if Mr. Masumoto is asking us  
13 to do each individual.

14 THE COURT: Well, that's why I'm asking for folks who  
15 are nonpilots, which I believe are --

16 MR. MILLER: Nonpilots?

17 THE COURT: -- we're talking about international  
18 employees. So I don't know if anybody can answer that question  
19 here today.

20 MR. MILLER: Can I have a minute, Your Honor?

21 THE COURT: Certainly.

22 MR. MILLER: Your Honor there aren't significant  
23 amounts to persons other than pilots. Most of the compensation  
24 has been paid in the international arena. So it's not going to  
25 be a big problem.

1 THE COURT: All right. So --

2 MR. MILLER: I might add, Your Honor, the pilots'  
3 payroll is a difficult payroll. It -- as I understand it gets  
4 adjusted, and until you get to the net amounts and so on. To  
5 the extent, as I say, practicable to do, we'll make that  
6 information available. But again, it's going to be a big task.  
7 And we would look for some consideration, not to spend  
8 inordinate amounts of time on this.

9 THE COURT: Why -- I understand. I guess my thought  
10 is, it sounds like it would be appropriate to treat sort of two  
11 different buckets. If there's particular employees who are  
12 nonpilots who are, again, it sounds like international  
13 employees, those can be identified with specificity, because  
14 they're not in the situation as the pilots. And the pilots, it  
15 may be appropriate to give essentially, maybe some categorical  
16 information in the first instance, and then ask what else the  
17 U.S. Trustee's Office could use before you gather the  
18 information.

19 Mr. Masumoto, is that -- does that make sense to you?

20 MR. MASUMOTO: It does, Your Honor. I believe -- I  
21 thought there was a reference in the motion that there were  
22 over 700 foreign employees who were exceeding the cap to the  
23 tune of about 1.5 million dollars.

24 THE COURT: I took your comment to relate to those  
25 employees who are international employees. So it sounds like

1 that's really the focus, because pilots, you understand -- it  
2 sounds like it's easier to understand why the payments are  
3 being made and the need for payments to pilots who are keeping  
4 the planes up in the air.

5 So what I'd ask you, work together to figure out the  
6 information, sort of an incremental basis; that is, the  
7 specific folks who are nonpilots who may be getting money above  
8 the cap, and then maybe more categorical information, as  
9 necessary, as to pilots who are getting payments above the cap.

10 MR. MILLER: I believe we can work it out, Your Honor.

11 THE COURT: All right. Thank you.

12 Anything else, Mr. Masumoto, that you wanted to  
13 address in this motion?

14 MR. MASUMOTO: Yes, Your Honor. The order does  
15 provide for payment of other employee programs which includes  
16 incentive. It's always our concern about incentive payments.  
17 At least according to the version I read, there was no  
18 indication of the amounts to be paid under the incentive  
19 programs. It would be our preference that any incentive  
20 payments be subject to a separate order.

21 THE COURT: Yes, I --

22 MR. MILLER: Your Honor, to get right to the heart of  
23 it, there are no pre-petition --

24 THE COURT: There aren't any. All right.

25 MR. MILLER: -- incentive payments.

1 THE COURT: All right.

2 MR. MASUMOTO: That's fine, Your Honor.

3 THE COURT: Well, that makes that easy. And I also  
4 didn't see it, but I think it's probably worth making the  
5 affirmative representation that there are no payments that  
6 would be subject to 503(c).

7 MR. MILLER: Complication, Your Honor. Other than --

8 MR. KAROTKIN: We're told, other than routine sales  
9 commissions for sales people who are paid on a commission-  
10 incentive basis.

11 THE COURT: So essentially it's -- I don't want to --  
12 it's dangerous for me to --

13 MR. MILLER: It's not really an incentive.

14 THE COURT: -- wade into that, but that's where I was  
15 going, that it's essentially, that's their standard  
16 compensation.

17 MR. MILLER: Correct.

18 THE COURT: It's not an out of the ordinary course of  
19 business incentive payment.

20 MR. MILLER: It's a commission.

21 THE COURT: Yes, okay.

22 THE COURT: I don't think that that's what Mr.  
23 Masumoto's worried about.

24 MR. MASUMOTO: You're correct, Your Honor.

25 THE COURT: All right. So again, I think, similarly,

1 just want to have an affirmative statement that there are no  
2 payments to insiders under 503(c). And it sounds like there's  
3 no management incentive or retention programs or anything of  
4 that sort. But I think it's worth making that clear in the  
5 recitals.

6 Anyone else have any comments to the pre-petition wage  
7 and benefits motion who's in the courtroom? Anyone on the  
8 phone? All right. Obviously, the employees at the company  
9 keep the business going, and the pilots keep the planes in the  
10 air. And I will approve the motion for pre-petition wages and  
11 benefits. And I appreciate the accommodation of parties  
12 working out the exchange of information. And I'll sign the  
13 order.

14 MR. MILLER: Thank you, Your Honor. Your Honor, Mr.  
15 Perez will handle the next few matters.

16 THE COURT: Mr. Miller, let me just -- before we get  
17 too much further along. What orders, if any, are important  
18 from the debtors' point of view to get entered this evening?  
19 Obviously, they're being granted on an ongoing basis, but it's  
20 a quarter to 6, and we'll need to get them from you, and then  
21 we'll need to get them entered. So I just want to figure out  
22 how we're going to do that, if they're important to get entered  
23 before the clock strikes twelve.

24 MR. MILLER: Cash management is key, Your Honor. The  
25 critical vendor, the foreign vendor, the fuel motion, Your

1 Honor. The derivative --

2 THE COURT: Well, before you read the entire list, it  
3 is a quarter to 6. And we will be waiting for you to turn  
4 around some of these orders. And then we'll be checking --

5 MR. MILLER: I think we're almost up to speed.

6 THE COURT: Oh, well, that's great, real-time changes.  
7 But what I'd ask is that you think about -- we'll get -- I'll  
8 be here tomorrow; I'll be here all the week. So we certainly  
9 can get things done first thing in the morning, this evening,  
10 so I'd ask that you identify the ones that absolutely,  
11 positively need to get entered this evening because I'm happy  
12 to stay, but you don't really want me entering the order  
13 because I won't do it properly in the computer system. So I am  
14 imposing on some other folks.

15 MR. MILLER: I think we're getting close to the end of  
16 this, Your Honor. And we're trying to do it real-time.

17 THE COURT: All right.

18 MR. PEREZ: Yeah.

19 MR. MILLER: Whatever we can get before --

20 THE COURT: Fair enough.

21 MR. MILLER: -- facilities close down, we'll present.

22 MR. PEREZ: Your Honor, Alfredo Perez on behalf of the  
23 debtors. Your Honor, I'm going to do number 45, the letter of  
24 credit surety bond and corporate card motion, Your Honor.

25 In essence, Your Honor, the debtors have both a letter

1 of credit program and a surety program. They need these  
2 letters of credit to post for municipalities, for international  
3 groups, to bond sales and liquor tax, sometimes to bond airport  
4 obligations, to bond for permits, sometimes to bond for customs  
5 duties. We currently have about forty million dollars of  
6 letters of credit outstanding. We just want to be able to  
7 continue to use that program and to continue to use these  
8 letters of credit.

9 In addition, Your Honor, we have about fifty-five  
10 million dollars of surety bonds including an indemnity  
11 agreement with Travelers dated December of 2007 that provides  
12 that agreement. We want to assume that agreement, Your Honor,  
13 for purposes of being able to continue to provide surety bonds.

14 In addition, Your Honor, the company has a corporate  
15 card program, or a purchasing card program with American  
16 Express, and we want to be able to continue that program and to  
17 pay obligations that are owed under that. We do not believe,  
18 Your Honor, that there are any pre-petition obligations owed  
19 under those programs. It's conceivable that there could be,  
20 but in essence, Your Honor, this is not the traditional  
21 travel -- T&E card that an individual would have. These are  
22 actual cards that are held either by individuals or at  
23 stations, and if there's a situation where they need to make a  
24 time-critical purchase, like -- that they don't have a supplier  
25 lined up, they would go and do it in order to maintain the

1 airplane running.

2 The other aspect of this is, Your Honor, the ability  
3 to use American Express to pay vendors who want to be paid a  
4 little bit quicker than the cycle. Again, I don't believe that  
5 there are any amounts outstanding under the purchase card  
6 program. It's conceivable that something we don't know about,  
7 but people thought about it really hard to see whether there  
8 were, and it doesn't look like there are, Your Honor. But we  
9 would ask authority to pay to the extent that there were.

10 THE COURT: All right, does anyone want to be heard on  
11 this motion who's heard in the court? Anyone on the phone? I  
12 believe the requested relief is appropriate under the Code,  
13 given the importance of these kind of agreements to the  
14 debtors' business so I will grant the motion.

15 MR. PEREZ: Your Honor, we're fighting to do the NOL  
16 motion. It's probably the most fun motion. And then I'll come  
17 back and do the last one, Your Honor.

18 THE COURT: Tab 38, is that correct?

19 MR. PEREZ: That's correct, Your Honor.

20 MR. KAROTKIN: Your Honor, I think we can be  
21 relatively brief on the NOL. In fact, I was going to suggest  
22 that you explain it to us rather than us explaining it to you,  
23 based on your background.

24 THE COURT: I would not be so presumptuous for many  
25 reasons, and I'll just leave it at that.

1 MR. KAROTKIN: Okay, this is --

2 THE COURT: But I think I have put some of this kind  
3 of information behind me, and so I -- but I'll bring it up as  
4 necessary.

5 MR. KAROTKIN: Okay. This is a fairly typical --  
6 again, this is an interim order -- a proposed interim order  
7 that we're seeking, again, fairly typical in large cases such  
8 as this. What we're asking the Court to approve is procedures  
9 with respect to the trading of claims and the trading of stock  
10 to avoid an accumulation that will jeopardize the debtors'  
11 ability to use their net operating loss carry-forwards. I  
12 think as we stated in the motion, Your Honor, the debtors have  
13 consolidated NOLs of approximately seven billion dollars in  
14 addition to other tax attributes, and obviously, in the context  
15 of a plan, these could be very valuable. And the debtors want  
16 to make sure that through any inadvertent trading of either  
17 stock or debt securities or claims, that the ability to use the  
18 NOL is jeopardized really to the detriment of all parties-in-  
19 interest.

20 So the proposed order, again, it's an interim order,  
21 has various restrictions to provide notice when a party  
22 accumulating a certain amount of stock or a certain amount of  
23 debt would risk there being a change of control which would  
24 jeopardize the ability to use the tax loss. And again, unless  
25 you have any questions, we think it's -- although it's the

1 longest motion in the book, it's relatively straightforward in  
2 terms of how it operates, in terms of giving notice. Notice  
3 will be published, so everyone is aware of the procedures that  
4 are being instituted. And to the extent that there are any  
5 issues, again, they could be addressed at a final hearing.

6 THE COURT: All right. Anyone want to be heard on  
7 this motion who's in the courtroom? Anyone on the phone? All  
8 right. I will grant the motion. It is one of the more lengthy  
9 orders, but that is because it sets forth the appropriate  
10 procedures for addressing the concerns that you articulated,  
11 and I believe it's an appropriate exercise of this Court to  
12 grant the relief requested.

13 MR. KAROTKIN: Thank you, sir.

14 THE COURT: Thank you.

15 MR. PEREZ: Your Honor, the next motion is the  
16 pre-petition tax motion, docket number 37. Your Honor, this is  
17 a fairly routine motion where we seek authority to pay,  
18 basically, our tax burden on a go-forward basis without  
19 necessarily waiting to the end of the case. The company is, as  
20 the Court is aware, it's heavily taxed and regulated. There  
21 are numerous taxing amounts that are levied on the company.  
22 There are many fees. And so as a result, we believe that our  
23 undisputed -- close to undisputed pre-petition tax amount is  
24 about 238 million dollars. In addition, Your Honor, there are  
25 contingencies which are not discussed here that could make that

1 higher. Many of these taxes, Your Honor, are fiduciary taxes  
2 which we collect for purposes of the taxing authorities that's  
3 really not our assets, and many of the taxes, while we are --  
4 they're not fiduciary taxes, there would be personal liability  
5 for officers and directors, had the taxes not been remitted.

6 We believe we are current with respect to all our  
7 taxes on a pre-petition basis. This is just amounts that have  
8 accrued that haven't been paid in the ordinary course. And  
9 what we're seeking, Your Honor, is simply the authority from  
10 the Court to be able to pay -- to collect and pay our taxes in  
11 the ordinary course of business. And this will run its course  
12 in the year or two years. I'm sure there'll be some amounts  
13 that will be disputed, some amounts that will be paid, but in  
14 essence, we're going to go forward on an ongoing basis.

15 Your Honor, there are probably ten or twelve different  
16 types of taxes. I think they're all set forth in the motion.

17 THE COURT: Yes.

18 MR. PEREZ: Just the nature of the business that we  
19 are heavily taxed and regulated, Your Honor.

20 THE COURT: All right.

21 MR. PEREZ: And we would request --

22 THE COURT: Anyone want to be heard on this motion  
23 who's in the courtroom?

24 MR. KLEINER: Good afternoon, Your Honor. Dov Kleiner  
25 from Vinson & Elkins on behalf of Dallas/Fort Worth

1 International Airport board. We did have an objection to the  
2 motion as written. I think we had discussed today with  
3 debtors' counsel what our issues were, and I believe they're  
4 resolved, but just to state for the record, and we would ask  
5 that the order be modified.

6 With respect to the passenger facility charges that  
7 are referenced in paragraph 15 of the motion, those are  
8 specific charges that are levied pursuant to -- and the  
9 statutes are actually in that paragraph -- 49 U.S.C. 40117 and  
10 14 C.F.R. part 158. We request that those charges be  
11 segregated and timely paid in accordance with the statutes that  
12 are referenced there, and I believe that that is acceptable to  
13 the debtors.

14 MR. PEREZ: Yes, Your Honor. We've actually been able  
15 to do the research on that and we concluded that it's correct,  
16 and we'll do that. There actually will be another similar  
17 comment, and we're in the process of trying to determine  
18 whether that's correct, and to the extent it is correct, we'll  
19 accommodate it as well.

20 THE COURT: All right. So your issue's resolved for  
21 the taxes referenced at paragraph 15 of the motion, so you're  
22 going to tell me what taxes you're concerned about.

23 MS. PENN: Hello, Your Honor. Denise Penn, Greenberg  
24 Traurig on behalf of the City of Chicago.

25 As Mr. Perez indicated, we had a similar issue about

1 passenger facility charges. In the order on page 3, it says  
2 "Order that to the extent required by applicable law, the  
3 debtor shall maintain a separate account with respect to the  
4 collection and remittance of passenger facility charges."  
5 because based on the statute that is the law, we would prefer  
6 that the paragraph simply read "Order that the debtor shall  
7 maintain a separate account" without including the language "to  
8 the extent required by applicable law".

9 THE COURT: Is it safe to say that debtors are looking  
10 into this and you hope to be able to work the --

11 MR. PEREZ: Yeah.

12 THE COURT: -- language out in the order, and  
13 essentially, we'll wait to hear from you in chambers as to  
14 whether you've been successful doing that.

15 MR. PEREZ: Your Honor, to the extent -- we don't have  
16 any problem saying to the extent we're required to segregate  
17 it, we will segregate it. I mean, we don't have a problem  
18 saying that. It's just we didn't have time before the hearing  
19 today to actually do the work just to make sure that that was  
20 the case.

21 THE COURT: Well, I think what she's seeking to do is  
22 get rid of that language that says "to the extent required by  
23 applicable law".

24 MR. PEREZ: That's fine, Your Honor. That's fine.

25 THE COURT: All right.

1 MS. PENN: Okay. Thank you. Thank you, Your Honor.

2 THE COURT: Thank you.

3 MR. PEREZ: Thank you, Your Honor.

4 THE COURT: Anyone else want to be heard on that tax  
5 motion who's present in the courtroom? Anyone who's on the  
6 phone? All right. I will grant the motion as appropriate  
7 under Bankruptcy Code authorizing but not directing debtors to  
8 pay pre-petition taxes and assessment and I will just wait --  
9 we will wait in chambers as to any tweaks to that paragraph on  
10 the bottom of page 3. You can just let me know if that's been  
11 agreed to, that is, the withdrawal of, I think, five or seven  
12 words or so. Then that resolves it. If not, then I'll --  
13 please confirm that for me before we enter the order.

14 MR. MILLER: Okay? Your Honor, I'm a little leery of  
15 saying it. I would ask if Your Honor would indulge us just a  
16 little further because the remaining motions are more or less  
17 what I call routine motions, such as providing for the initial  
18 case conference.

19 THE COURT: I think these are all your procedural  
20 motions?

21 MR. MILLER: Yes.

22 THE COURT: Yes.

23 MR. MILLER: And then, Your Honor, this is under the  
24 category of substantive, but they only set out procedures to  
25 deal with reclamation, to deal with 503(b)(9) claims, to deal

1 with the packer --

2 THE COURT: All right. I think you're going to have  
3 to just let me know what tab you're at.

4 MR. MILLER: Okay.

5 THE COURT: Because I was looking at the ones that are  
6 broken down as tabs 21 through 25, procedural administrative  
7 motions, and to the extent that you've got some other ones  
8 that --

9 MR. MILLER: Okay. I'm going to try and find the  
10 numbers, if I may.

11 MR. KAROTKIN: 31, 32, 33.

12 MR. MILLER: 31, Your Honor, is reclamation.

13 THE COURT: All right.

14 MR. MILLER: That's just really to establish  
15 procedures.

16 THE COURT: Well, let me just -- let me do this. I  
17 think what I was trying to do for today is limit it to focus on  
18 things that we really need to get done today, so -- and perhaps  
19 this was a miscommunication, but I didn't understand that those  
20 ones -- 31, 32, and 33 -- were going to be the subject of our  
21 discussion today, but if they need to be, then they need to be.  
22 But I'll --

23 MR. MILLER: No. I'm not going to make that  
24 representation, Your Honor. It could be tomorrow morning.

25 THE COURT: Well, let's do this. I understand that

1 there are some -- probably are some procedural motions that you  
2 wanted to get done before we walked out of the courthouse.  
3 Yes? That it would be -- we did joint administration.

4 MR. MILLER: The extension of time to file schedules,  
5 Your Honor.

6 THE COURT: Yes.

7 MR. MILLER: Number --

8 THE COURT: 24?

9 MR. MILLER: And list the credit -- I'm sorry, 22,  
10 Your Honor, is to -- a requirement to file list of creditors  
11 and granting the debtors authority to establish procedures for  
12 notifying creditors of the commencement of the case. 23 is to  
13 provide for the initial case conference pursuant to Bankruptcy  
14 Rule 1007(2)(e). 24 is to extend the time to file schedules.  
15 Those three, Your Honor, are clearly administrative.

16 And then 25, Your Honor, is I think procedural, but  
17 you might say substantive, authorizing the debtors to pay as  
18 administrative expenses goods that are delivered post-petition  
19 that were ordered pre-petition.

20 THE COURT: All right. Anyone want to be heard on  
21 those four motions?

22 MR. MASUMOTO: Your Honor, with respect to the  
23 extension of time to file schedules, we had asked the debtors  
24 to conform to what our usual request is, is that in addition to  
25 the fifteen days, they have an addition thirty days to file the

1 schedules without prejudice to request an additional extension.

2 This is a routine request that I have no issue on.

3 MR. MILLER: Your Honor, we would like to accommodate  
4 Mr. Masumoto, but we have to be honest with Your Honor and tell  
5 Your Honor it's not going to happen. There's just too much  
6 work to be done. There are twenty debtors. There are records  
7 from all over the world that have to be coordinated, even  
8 though they're electronic. And I think we should not require  
9 motion practice that is not necessary. So we should try to be  
10 realistic.

11 THE COURT: All right, what's the amount of time  
12 that's -- remind me what's the amount of time set forth in the  
13 order?

14 MR. KAROTKIN: An additional sixty days.

15 THE COURT: Sixty days. All right. What could you do  
16 on that score, Mr. Masumoto? I completely understand your  
17 request, which is a traditional request and a very sound  
18 request, but I do think we may have a circumstance here where  
19 we will be in this courtroom for a lot of things, and we -- if  
20 we know that the traditional is not going to result in anything  
21 but another hearing, that maybe there's a better solution.

22 MR. MASUMOTO: I understand, Your Honor. I wish I  
23 could accommodate you, but there are many more complex cases  
24 than even this case --

25 UNIDENTIFIED SPEAKER: Oh, I doubt that.

1 MR. MASUMOTO: -- who have actually abided by that  
2 requirement. I think the problem that we have is that without  
3 a relatively short leash, that usually, parties will take as  
4 much time as they're granted.

5 THE COURT: Right.

6 MR. MASUMOTO: So accordingly, we do ask for a short  
7 time frame with the ability to request for additional time.

8 THE COURT: Well, let me ask, what -- in page 3 of the  
9 order, where it says "Debtors are granted extension of time  
10 until sixty days," what do you propose that the language say?

11 MR. MASUMOTO: For an additional thirty days.

12 THE COURT: All right.

13 MR. MASUMOTO: Because that would give them forty-five  
14 days from the time of the petition.

15 THE COURT: All right. I'm going to split the baby  
16 and say forty-five days as opposed to sixty days or thirty.

17 MR. MASUMOTO: Thank you, Your Honor.

18 THE COURT: Thank you.

19 MR. MILLER: Thank you, Your Honor.

20 THE COURT: Anyone else want to be heard on these  
21 motions? I don't know if you had anything else to add, Mr.  
22 Masumoto?

23 MR. MASUMOTO: Yes, I did, Your Honor. The debtors  
24 are requesting also an additional sixty days' extension for the  
25 filing under Rule 2015.3 and that rule provides that, in fact,

1 the information be provided seven days prior to the meeting of  
2 the 341 hearing which has not yet been set, but usually is set  
3 within thirty to forty-five days of the petition. As Your  
4 Honor is aware, the U.S. Trustee conducts that hearing. I  
5 understand the -- somewhat of the complex structure in this  
6 case, and just as an example, it has been handled in other  
7 cases where the debtor will seek to use their public filings,  
8 the SEC filings, if that information is the information that  
9 would otherwise be filed pursuant to 2015.3 as a substitute.  
10 But asking for a sixty-day extension would exceed having that  
11 information available prior to the 341. So perhaps as a  
12 procedural matter, if the debtors can assure us that  
13 information that would otherwise be included in that filing is  
14 contained in their public SEC filings, that might substitute  
15 and satisfy that requirement.

16 MR. MILLER: We don't know, Your Honor, but I would  
17 offer a compromise: forty-five days with the right to make a  
18 motion, if necessary.

19 THE COURT: I think -- well, I thought that's what I  
20 had just done in terms of that paragraph on page 3, which is to  
21 make it forty-five days, but perhaps I'm missing something.

22 MR. MASUMOTO: I think they have two separate  
23 requests.

24 MR. MILLER: Two separate motions.

25 THE COURT: Oh, all right.

1 MR. MILLER: Two separate motions, Your Honor.

2 THE COURT: Two separate --

3 MR. MASUMOTO: One for the schedules and one for the  
4 2015.3.

5 THE COURT: Well, but -- all right.

6 MR. MASUMOTO: It's just --

7 THE COURT: Where --

8 MR. MASUMOTO: Your Honor, I'm sorry. It's just that  
9 the --

10 THE COURT: Where in the order is it? I'm trying to  
11 work off the order. I think I looked for where sixty days is  
12 provided for in the order, so I guess it's the paragraph  
13 before, and so we'll make that forty-five days, as well. So  
14 that's the second ordered paragraph and the third ordered  
15 paragraph, and they'll both be forty-five days.

16 All right. Anything else on these procedural motions?

17 MR. MASUMOTO: I'm sorry. No, the other  
18 administrative expense order we regard as a comfort order.

19 THE COURT: All right.

20 MR. MASUMOTO: No objection to that.

21 THE COURT: All right. Anyone else have any comments  
22 to those orders who's present in the courtroom? Anyone who's  
23 present on the phone? All right. I will grant those motions  
24 for waiving the requirement to file lists of creditors, for  
25 granting debtors authority to establish procedures for

1 notifying creditors, for an order scheduling an initial case  
2 conference, for extending time to file schedules of assets and  
3 liabilities, and waiving requirement to file list of equity  
4 security holders and provide notice to equity security holders,  
5 as well as the administrative expense motion.

6 MR. MILLER: Thank you, Your Honor.

7 THE COURT: Thank you.

8 MR. MILLER: Your Honor, I might suggest something.  
9 In connection with the remaining motions, which are numbers 31,  
10 32, and 33, and 39 -- 39? -- and 39, Your Honor, those relate,  
11 in sequence, reclamation procedures is 31, 32 is 503(b)(9)  
12 claims, and 39 is utilities. I would think, Your Honor, that  
13 it may be appropriate, if Your Honor would -- if we would  
14 simply submit those and Your Honor could take them under  
15 advisement. I don't believe there's any objections to them,  
16 and it's simply a question of Your Honor having the opportunity  
17 to read the documents and see if there's any problem, and then  
18 we'll face that, should it happen, and not require another  
19 hearing at this point.

20 THE COURT: Well, let me ask if anyone in the  
21 courtroom has any views about those remaining motions? Any  
22 objections? Mr. Masumoto, any views?

23 MR. MASUMOTO: Your Honor, as indicated by counsel,  
24 many courts don't regard these as first day orders. But we'll  
25 defer to Your Honor's preference.

1 THE COURT: Well, what I'd like to do -- and I know  
2 particularly for utilities -- what I'd really like to do is  
3 just schedule these for second day, just -- to the extent that  
4 folks didn't have an objection, there may, in fact, be no  
5 objection, but obviously, there hasn't been a whole lot of time  
6 to weigh in.

7 MR. MILLER: Right.

8 THE COURT: And given that it doesn't appear that  
9 there is the same sort of exigencies existed with the other  
10 matters we dealt with today, I would like to put these over to  
11 our next get-together, at which point we can consider them and  
12 probably dispatch them fairly quickly.

13 MR. MILLER: I was just thinking, Your Honor, as to  
14 those creditors who want to assert reclamation claims, and  
15 there may be some, the earlier we can do that and have the  
16 procedures in place would be helpful.

17 THE COURT: No, that's fine. As a matter of fact, I  
18 think that leads us to the issue of scheduling --

19 MR. MILLER: That's exactly right.

20 THE COURT: -- which I know we have in a number of  
21 orders dates that are to be filled in. So you tell me what you  
22 need, and I will look at the calendar.

23 (Pause)

24 THE COURT: Hold on one minute. We've gone on long  
25 enough that the computer has essentially shut me out of the

1 calendar, so -- bear with me one moment. Magically, it's  
2 reappeared. All right.

3 MR. MILLER: The issue, I think, Your Honor, is under  
4 the rules, we're required to give, essentially, twenty-one  
5 days' notice --

6 MR. KAROTKIN: On certain things.

7 MR. MILLER: -- on certain things. The motions we  
8 just referred to, the reclamation, the packer, and the 503(9),  
9 I don't think it's necessary, in this case, and I think those  
10 motions are helpful for creditors who want to assert those  
11 claims to set the procedures in place. So as to those four  
12 motions, and the utilities, Your Honor, I would suggest that we  
13 set a date sometime like around the 15th of December, something  
14 in that area. And then for other motions that will require  
15 twenty-one days of notice, that would probably be Christmas.

16 MR. KAROTKIN: Well, the last week, I think.

17 THE COURT: Well, let's work with the far-out date,  
18 first --

19 MR. MILLER: Okay.

20 THE COURT: -- which is the ones that were the subject  
21 of the motions that we need a date. So what date were you  
22 proposing? Today, I guess, is the --

23 MR. MILLER: 28th.

24 THE COURT: 28th?

25 MR. KAROTKIN: 29th.

1 MR. MILLER: 29th. Excuse me.

2 THE COURT: 29th. So is the 19th far enough out, or  
3 do you need something later?

4 MR. MILLER: I would suggest, Your Honor, just to give  
5 us some margin for error, the 21st.

6 THE COURT: I believe I have an omnibus date in  
7 another mega-11 case, and I don't know how that's going to go,  
8 so I don't think you want to wait for that. How about the  
9 22nd?

10 MR. MILLER: 22nd.

11 THE COURT: All right. So the 22nd it is, 10 a.m.?

12 MR. MILLER: 10 a.m.'s fine, Your Honor.

13 THE COURT: So that will be for those motions that  
14 require the twenty-one days' --

15 MR. MILLER: Twenty-one days.

16 THE COURT: -- notice, including the ones we've  
17 addressed today.

18 The other motions, because of the way the Code works,  
19 I don't think utilities should be grouped in with the other  
20 motions that we're talking about that we haven't gotten to  
21 today. So -- but other than -- so we could put the utilities  
22 on for that same day.

23 MR. MILLER: 22nd.

24 THE COURT: And then those other motions that we did  
25 not get to today, did you have a particular date in mind?

1 MR. MILLER: Any time, Your Honor, during the week of  
2 the 12th?

3 THE COURT: Why don't we say the afternoon of the  
4 13th?

5 MR. MILLER: Fine, Your Honor.

6 THE COURT: At 2 p.m.?

7 MR. MILLER: 2 p.m. is fine.

8 THE COURT: So that's for motions at tab 31, 32, and  
9 33?

10 MR. MILLER: That's correct, Your Honor.

11 THE COURT: All right. All right.

12 MR. MILLER: That concludes our requests, Your Honor.  
13 Again, let me --

14 THE COURT: I see your colleague motioning.

15 MR. PEREZ: Just one request. Your Honor, we will  
16 likely be filing other motions later today. Would it be  
17 possible for us to settle on the 22nd, as well?

18 THE COURT: Yes. I think what we'll need to do is  
19 maybe we can treat the 22nd as an omnibus date.

20 MR. PEREZ: Thank you.

21 THE COURT: And then we should get a procedures order  
22 entered, so maybe that's a motion you'll want to make to get a  
23 procedures order. I've entered one in TerreStar, and you could  
24 take a look at that, and then we can just get omnibus dates  
25 rolling. And then that way -- I imagine you will need to make

1 some motions.

2 MR. PEREZ: Yes.

3 MR. KAROTKIN: Your Honor, scheduling the initial case  
4 conference for that date, as well?

5 THE COURT: Yes, that would be fine. That would be  
6 fine. All right. So how many orders are we waiting for in  
7 chambers, which I assume you can probably just e-mail them.

8 MR. PEREZ: We just need to step outside a moment.

9 THE COURT: All right.

10 MR. KAROTKIN: Give us --

11 THE COURT: All I ask is just, when we get done here,  
12 just call chambers in the next fifteen, twenty minutes and let  
13 us know where you are and how many we're waiting for, and if  
14 you can start sending them seriatim, that would be helpful, and  
15 that way, we'll take a look at them and do it that way.

16 MR. PEREZ: Thank you, Your Honor.

17 MR. MILLER: Again, Your Honor, we want to thank you  
18 for your indulgence and cooperation which has been --

19 THE COURT: My pleasure. I would like to thank folks  
20 for getting me everything this morning. I had a calendar this  
21 morning, and so I had time to read every motion that you filed.  
22 So I appreciate that, and I also appreciate the brevity of the  
23 orders. What needs to be in there is in there, and if -- I  
24 very much appreciate that and think it's in the best interest  
25 of the case.

1 MR. MILLER: Our pleasure, Your Honor. Did that  
2 include the NOL motion?

3 THE COURT: Well, whatever needs to be in there is in  
4 there. So -- one second. I am reminded of something I would  
5 not have remembered myself, but get us joint administration  
6 first because then all the orders --

7 MR. MILLER: Yes.

8 THE COURT: -- will follow form with the fact that the  
9 case is jointly administered.

10 MR. MILLER: Thank you, Your Honor.

11 THE COURT: Anything else that we need to talk about?

12 MR. KAROTKIN: Thank you, sir.

13 MR. PEREZ: Thank you, Your Honor.

14 THE COURT: Thank you very much and a good evening to  
15 you all.

16 MR. MILLER: And thank your staff also, Your Honor.

17 THE COURT: Thank you.

18 (Whereupon these proceedings were concluded at 6:13 p.m.)

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I N D E X

R U L I N G S

DESCRIPTION	PAGE	LINE
Debtors' motion for joint administration of Chapter 11 affiliated debtor cases granted	33	19
Critical vendor motion granted on an interim basis	44	22
Debtors' motion for order seeking authorization to pay fuel supply providers and to exercise their rights and obligations under fuel supply arrangements, and (iv) authorizing and directing financial institutions to honor and process related checks and transfers granted on an interim basis	45	25
Foreign creditor motion granted on an interim basis	46	17
Derivatives motion granted	51	1
Motion approving assumption of Interline and other agreements granted	58	9
Customer programs motion granted	60	9

1			
2	Debtors' motion to file under seal credit card	64	23
3	and processing arrangements with credit card		
4	processors and e-payment companies; and		
5	file under seal documents and agreements related		
6	to cobranded credit card agreement wit		
7	Citibank granted		
8	Motion to approve assumption of certain	70	19
9	interim credit card and payment agreements		
10	consistent with the interim order granted		
11	Common carriers motion granted	73	18
12	Motion to authorize payment to certain	75	25
13	independent contractors and improvement		
14	projects granted on interim basis as		
15	modified		
16	Insurance and Worker's Compensation motion	77	16
17	granted		
18	Cash management order granted on an interim	81	18
19	Basis		
20	Pre-petition wage and benefits motion granted	88	12
21	Letter of credit surety bond and corporate	91	14
22	card motion granted		
23	Interim net operating loss order granted	93	8
24	Pre-petition tax motion granted	97	6
25			

1			
2	Motion for waiving the requirement to file	103	23
3	lists of creditors granted		
4	Motion granting debtors authority to	103	23
5	establish procedures for notifying creditors		
6	granted		
7	Order scheduling an initial case conference	103	23
8	Granted		
9	Motion for extending time to file schedules	103	23
10	of assets and liabilities granted		
11	Motion waiving requirement to file list of	103	23
12	equity security holders and provide notice to		
13	equity security holders granted		
14	Administrative expense motion granted	103	23
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

C E R T I F I C A T I O N

I, Lisa Bar-Leib, certify that the foregoing transcript is a true and accurate record of the proceedings.

**Lisa Bar-Leib**

Digitally signed by Lisa Bar-Leib  
DN: cn=Lisa Bar-Leib, c=US  
Date: 2011.12.02 15:42:12 -05'00'

---

LISA BAR-LEIB

AAERT Certified Electronic Transcriber (CET\*\*D-486)

Also transcribed by: Hana Copperman (CET\*\*D-487)  
Penina Wolicki (CET\*\*D-569)  
Dena Page

Veritext  
200 Old Country Road  
Suite 580  
Mineola, NY 11501

Date: November 30, 2011