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

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In the Matter of:

AMR CORPORATION, et al.,

Debtors.

- - - - -x

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

December 22, 2011
10:16 AM

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

1 Initial Case Conference

2

3 Doc. #12 (FINAL) Motion to Authorize - Motion of Debtors for
4 Entry of Order Pursuant to 11 U.S.C. Sections 105(a) and 363(c)
5 (i) Authorizing the Debtors to Pay and Honor Prepetition
6 Obligations to Customers and to Otherwise Continue Customer
7 Programs and Practices in the Ordinary Course of Business, and
8 (ii) Authorizing and Directing the Disbursement Banks to Honor
9 and Process Related Checks and Transfers

10

11 Doc. #11 (FINAL) Motion to Authorize - Motion of Debtors for
12 Entry of Order Pursuant to 11 U.S.C. Sections 363(b) and 105(a)
13 (i) Authorizing Debtors to Pay Prepetition Obligations Owed to
14 Foreign Creditors, (ii) Authorizing and Directing Financial
15 Institutions to Honor and Process Related Checks and Transfers,
16 and (iii) Scheduling Final Hearing

17

18 Doc. #8 (FINAL) Motion to Authorize - Motion of Debtors for
19 Entry of Order Pursuant to 11 U.S.C. Sections 105(a), 345(b),
20 363(b), 363(c), and 364(a) and Fed. R. Bankr. P. 6003 and 6004
21 (A) Authorizing Debtors to (i) Continue Using Existing Cash
22 Management System, (ii) Honor Certain Prepetition Obligations
23 Related to the Use Thereof, and (iii) Maintain Existing Bank
24 Accounts and Business Forms; (B) Extending Time to Comply with
25 11 U.S.C. Section 345(b); and (C) Scheduling a Final Hearing

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

7
8 Doc. #16 (FINAL) Motion to Authorize - Motion of Debtors for
9 Entry of Order Pursuant to 11 U.S.C. Sections 105 and 363(b)
10 Authorizing Payment of Prepetition (i) Claims of Independent
11 Contractors and (ii) Claims Related to Improvement Projects

12
13 Doc. #17 (FINAL) Motion to Authorize - Motion of Debtors for
14 Entry of Order Pursuant to 11 U.S.C. Sections 105 and 363(b)
15 Authorizing Payment of Certain Prepetition (i) Shipping and
16 Delivery Charges

17
18 Doc. #18 (FINAL) Motion to Authorize - Motion of Debtors for
19 Entry of Order Pursuant to 11 U.S.C. Sections 105(a), 362(d),
20 363(b), and 503(b) (i) Authorizing, But Not Directing, Debtors
21 to (A) Continue Their Insurance Programs, and (B) Pay All
22 Insurance Obligations, (ii) Modifying the Automatic Stay with
23 Respect to Workers Compensation Claims, and (iii) Authorizing
24 and Directing Financial Institutions to Honor and Process
25 Related Checks and Transfers

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Doc. #19 (FINAL) Motion to Authorize - Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Sections 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

Doc. #25 (FINAL) Motion to Approve - Motion of Debtors for Entry of Order (i) Pursuant to 11 U.S.C. Sections 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. Sections 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. Section 362 Modifying the Automatic Stay to the Extent Necessary to Effectuate the Requested Relief

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2 Doc. #24 (FINAL) Motion to Approve - Motion of Debtors for
3 Entry of Order Pursuant to 11 U.S.C. Sections 105(a), 362, 363,
4 and 553 (i) Authorizing, But Not Directing, Fuel Supply Parties
5 to Apply Prepetition Prepayments and Credits to Prepetition and
6 Postpetition Obligations Under Fuel Supply Arrangements, (ii)
7 Authorizing, But Not Directing, Debtors to Pay Prepetition
8 Amounts Owed to Fuel Supply Parties, (iii) Authorizing, But Not
9 Directing, Debtors to Honor, Perform, and Exercise Their Rights
10 and Obligations Under Fuel Supply Arrangements, and (iv)
11 Authorizing and Directing Financial Institutions to Honor and
12 Process Related Checks and Transfers

13
14 Doc. #27 (FINAL) Motion to Authorize - Motion of Debtors for
15 Entry of Order Pursuant to 11 U.S.C. Sections 363, 364 and 365
16 Authorizing Debtors to (a) Continue and Renew Their Letter of
17 Credit and Surety Bond Programs, (b) Continue Corporate Credit
18 Card Program, and (c) Assume a Certain Executory Contract

19
20 Doc. #26 (FINAL) Motion to Authorize - Motion of Debtors for
21 Entry of Order Pursuant to 11 U.S.C. Sections 105(a), 363, and
22 364(c) (i) Authorizing, But Not Directing, Debtors to Enter
23 Into, Modify, Continue Performance Under, and Provide Credit
24 Support Under, Derivative Contracts, and (ii) Scheduling Final
25 Hearing

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

9

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

14

15 Doc. #216 Motion to Authorize - Motion for An Order Authorizing
16 and Establishing Procedures for Approval of Certain
17 Postpetition Aircraft Purchases from the Boeing Company and
18 Certain Related Sale Leaseback or Financing Transactions

19

20 Doc. #195 Motion to Approve/Notice of and Motion for Entry of
21 an Order Pursuant to 11 U.S.C. Section 362(d) Granting Sabre
22 Inc., Sabre Holdings Corp. and Sabre Travel International,
23 Ltd., d/b/a Sabre Travel Network Authority to Pursue
24 Counterclaims Against Debtor American Airlines, Inc., dated
25 December 8, 2011

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Doc. #190 Motion to Authorize - Motion for an Order Authorizing the Debtors to (i) Enter Into Agreements Under Section 1110(a) of the Bankruptcy Code, (ii) Enter into Stipulations to Extend the Time to Comply with Section 1110 of the Bankruptcy Code and (iii) File Redacted Section 1110(b) Stipulations

Doc. #53 Motion to Authorize/Debtors' First Omnibus Motion for Authorization Pursuant to Section 365 of the Bankruptcy Code and Bankruptcy Rule 6006 to Reject Certain Aircraft and Engine Leases

Doc. #83 Omnibus Motion to Reject Lease or Executory Contract - Notice of Hearing on Second Omnibus Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Section Section 365(a) and 554(a) Authorizing (i) Rejection of Certain Unexpired Leases of Nonresidential Real Property and (ii) Abandonment of Certain Property of the Estate

Doc. #394 Stipulation, Agreement, and Order Between the Debtors and Certain Claimants to Lift the Automatic Stay for Limited Purpose

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Doc. #257 Motion to Join/Joinder of Laclede Gas Company To The
Objection Of Certain Utility Companies To The Motion Of Debtors
For Entry Of Order Pursuant to 11 U.S.C. Sections 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 (related document(s) 219)

Transcribed by: Clara Rubin

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SIMON MARK TABASHNIK, In Propria Persona

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Debtor

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CITIGROUP

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MAX ROBERT TAYLOR III (TELEPHONICALLY)

Creditor

ALSO PRESENT:

GARY F. KENNEDY, ESQ., General Counsel for the Debtors

KATHRYN KOORENNY, Associate General Counsel for the Debtors

BEVERLY GOULET, Vice President, Treasurer and Chief

Restructuring Officer of the Debtors

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P R O C E E D I N G S

THE COURT: Good morning.

IN UNISON: Good morning, Your Honor.

THE COURT: Please be seated. We are here this morning for American Airlines Corporation, and I assume the first thing we should do is get appearances.

MR. MILLER: Good morning, Your Honor. Harvey Miller, Weil, Gotshal & Manges, for the debtors, with Stephen Karotkin and Alfredo Perez from Weil, Gotshal & Manges.

THE COURT: Good morning.

MR. BUTLER: Your Honor, good morning. Jack Butler and John Lyons from Skadden, on behalf of the committee.

MR. MASUMOTO: Good morning, Your Honor. Brian Masumoto and Linda Rifkin from the United States Trustee's Office.

THE COURT: Good morning.

Anyone else who expects to speak at the hearing, now would be the time to enter your appearance so the fine people who recorded these proceedings know who you are, or you run the risk of not counting -- any microphone, obviously, is fine.

MS. O'NEILL: Your Honor, though we don't necessarily intend to speak, Judy O'Neill and Dave Bannard --

THE COURT: Let me ask the folks on the phone to hold up until I deal with the folks who are live here in the courtroom.

1 MR. BACON: Good morning, Your Honor. Doug Bacon with
2 Latham & Watkins, for GE Capital Aviation Services.

3 MR. HAHN: Good morning, Your Honor. Richard Hahn at
4 Debevoise & Plimpton, special aircraft counsel to the debtors.
5 I have with me as well my colleague Jasmine Ball.

6 MR. EDELMAN: Good morning, Your Honor. Michael
7 Edelman from Vedder Price. This morning we will be speaking on
8 behalf of ILSC; maybe other aircraft financiers. Thank you.

9 MR. CHASIN: Good morning, Your Honor. Tod Chasin of
10 Buchanan Ingersoll & Rooney, here for BAE Systems Control and
11 FADEC International, the limited objection on agenda item
12 number 4.

13 MS. SCHWEITZER: Good morning, Your Honor. Lisa
14 Schweitzer from Cleary Gottlieb Steen & Hamilton, for Sabre
15 Inc.

16 MR. SMITH: Good morning, Your Honor. Eric Smith on
17 behalf of the airports in Philadelphia, Pittsburgh, Cleveland,
18 Atlanta, Detroit, Minneapolis and Tucson.

19 MR. ROSENTHAL: Good morning, Your Honor. Steven S.
20 Rosenthal of Kaye Scholer, representing Los Angeles World
21 Airports, commonly called LAWA.

22 MR. TAYLOR: Good morning, Your Honor. Joshua Taylor
23 from Steptoe & Johnson, on behalf of the Allied Pilots
24 Association.

25 MS. ORENSTEIN: Good morning, Your Honor. Rosa

1 Orenstein of Sullivan & Holston, for the Dallas/Fort Worth
2 International Airport Board.

3 MR. WEINTRAUB: Good morning, Your Honor. William
4 Weintraub of Friedman Kaplan Seiler & Adelman, for City
5 National Bank.

6 MS. ONOZAWA: Good morning, Your Honor. Tomoko
7 Onozawa from the U.S. Attorney's Office, on behalf of the
8 United States.

9 MR. GOLDMAN: Good morning, Your Honor. Ira Goldman
10 of Shipman & Goodwin, for U.S. Bank National Association and
11 aircraft matters.

12 MR. ROODER: Good morning, Your Honor. Brian Rooder
13 from Davis Polk & Wardwell LLP, on behalf of Citibank, N.A. and
14 certain of its affiliates.

15 MR. HAUT: Good morning, Your Honor. Mark Haut from
16 Fulbright Jaworski, representing AWAS Aviation Services and
17 IATA.

18 MR. VANACORE: Good morning, Your Honor. Jeffrey
19 Vanacore from Perkins Coie, on behalf of the Boeing Company.
20 Joining me today from our Portland office, on the phone, is
21 Steven Hedberg.

22 MS. CAMPBELL: Good morning, Your Honor. Sarah
23 Campbell from Clifford Chance, on behalf of AERCAP.

24 THE COURT: All right. And what I'd like to do is
25 hear from folks on the phone who expect to speak. I know there

1 are a lot of people who are there in the capacities -- other
2 counsel who are affiliated with somebody in the courtroom. So
3 I would anticipate that -- if you don't anticipate speaking, so
4 I want to keep this to a minimum. So, folks who anticipate
5 speaking?

6 MS. O'NEILL: Your Honor, Judy O'Neill from Foley &
7 Lardner. While I think it's unlikely we'll speak, I still, in
8 case, want to put my name on the record. I'm with my colleague
9 Dave Bannard. We represent the John Wayne Airport, the Baton
10 Rouge Metropolitan Airport, the Metropolitan National Airport,
11 and the Jacksonville Aviation Authority.

12 MR. CLEARY: Good morning, Your Honor. David Cleary
13 of Greenberg Traurig, on behalf of the City of Chicago. We
14 likewise believe we resolved our issues but, in case, I will be
15 the one speaking.

16 THE COURT: All right, well, since that seems to be
17 the tenor of comments from people on the phone that they think
18 it's unlikely to speak, what I'm going to do is, rather than go
19 through all of the folks who are on the phone, which is a
20 lengthy list, in the event that you need to speak, which I've
21 been told is unlikely, that you can introduce yourself at that
22 time. Thank you.

23 Mr. Miller.

24 MR. MILLER: If Your Honor please, just two more --
25 three more introductions. Again with us today, Gary Kennedy,

1 general counsel for American Airlines (I'll refer to the debtor
2 as "American", Your Honor); Kathryn Kooreny, associate general
3 counsel; and for the first time, Your Honor, Ms. Bev Goulet,
4 who is vice president, treasurer and chief restructuring
5 officer of the airline -- of the debtors.

6 THE COURT: Good morning to you all.

7 MR. MILLER: Your Honor, if we can just go out of
8 order for a moment to the back of the agenda. There were
9 stipulations presented; two of those stipulations relate to
10 claimants in connection with an accident that occurred several
11 years ago. Today is the last day to commence an action. These
12 are fully insured claims, and the debtors have agreed to a
13 modification of the stay so they can proceed. And it's today
14 for them -- they have to file the complaints today, Your Honor.

15 THE COURT: Yes. I've taken a look at those. I don't
16 believe we received any objections to the presentment. I
17 believe they're on for essentially right now, and I'm happy to
18 approve both those stipulations.

19 MR. MILLER: Thank you, Your Honor. Would that also
20 apply, Your Honor, to number 1, which is the stipulation and
21 agreement and order between American Airlines and Morgan
22 Stanley?

23 THE COURT: Yes. No reason not to do them all at the
24 same time. Again, I didn't receive any objections to that
25 stipulation. And I understand that, since the filing was an

1 event of default under the agreement, you need to take steps to
2 get things back on track from a business point of view. So I
3 will approve that stipulation as well.

4 MR. MILLER: Thank you, Your Honor.

5 THE COURT: Thank you. And just before you start, I
6 just -- at a certain point, or maybe now is the time; just
7 wanted to raise two issues just so I don't lose track of them
8 before we get to the agenda items; the first is pleadings that
9 were filed; I'll call them late, but I'm not using the term
10 pejoratively in a case like this. And I'm not talking about
11 ones where chambers was sort of given the heads-up as to 'Well,
12 things are going to be coming in this time for the following
13 reasons' but things that sort of came out of the blue.
14 Obviously, I want to make sure that I get a chance to read
15 everything and consider everything. But if I get things at the
16 absolute last second that are substantive and need
17 consideration, it really -- I mean, we have twenty things on
18 for today, so it's really impossible to get the kind of
19 consideration you want. So we'll talk later in the case
20 management order about deadlines and extensions and things of
21 that sort, but I think that given the volume of motions that
22 we're going to have today as well as in the future, if people
23 want things properly considered, they've got to get them to me
24 in a way that is timely and I can take a look at them.

25 So, again, it's one thing to file something and say

1 'By the way, we've resolved our problems.' I don't think
2 there's a judge in the nation who would object to getting that
3 at the last minute. But to the extent that you say 'Well, I
4 have something substantive to say,' that's a different story.

5 And the second thing, again, I don't want to forget
6 about it, is we are now receiving some submissions from people
7 who are pro se. And it's -- sometimes these things will be
8 filed with the court; sometimes they won't. And what I want to
9 do is make sure that there's a procedure to address them. And
10 so what I have been doing is the following, which is we get
11 them submitted to chambers and make sure to -- we'll make sure
12 to send them to the debtors so -- because I'm not sure if
13 you're getting these or not. And then if it hasn't been filed
14 on the docket, I'm going to file it on the docket. Everything
15 should be public and transparent. So if we get submissions to
16 chambers that are directed to the Court as opposed to another
17 party such as the U.S. Trustee's Office and we're just copied,
18 if it's directed to the Court it'll be filed. And then my
19 intent is, at the next appropriate time, which will likely be
20 an omnibus such as today, to say 'Well, here's what I've gotten
21 recently,' and then we can get those things on track to get
22 resolved and addressed.

23 So I just wanted to sort of raise that as a procedure.
24 And, obviously, if anyone has any ideas about how to improve
25 that procedure, I'm all ears, but I just don't want things to

1 fall through the cracks. It's an important case to people, and
2 obviously there are heartfelt letters and submissions; to date,
3 I've only gotten two that I have mentioned for today; one was a
4 letter by a Vern Englert, which was an individual shareholder,
5 and I believe it has a newspaper article as well as a motion to
6 dismiss that's attached, so we'll have to figure out how to
7 deal with that; as well as a letter that was sent seeking the
8 appointment of an equity committee, and I understand those
9 matters, in the first instance, go to the U.S. Trustee's
10 Office. So we've provided a copy of that letter to the U.S.
11 Trustee's Office as well as docketing it. So --

12 MR. MILLER: The procedure, Your Honor, sounds fine.

13 THE COURT: All right.

14 MR. MILLER: I might add, Your Honor, in connection
15 with the letter about the appointment of an equity committee,
16 that did go to the U.S. Trustee, and the U.S. Trustee solicited
17 responses or comments from the debtors and the creditors'
18 committee, I believe, and those comments were due, I think,
19 yesterday.

20 THE COURT: All right.

21 MR. MILLER: And the debtors did respond to that. And
22 I think there was another e-mail from the applicant asking for
23 a stay or something, which is really irrelevant because he can
24 make that application any time he wants to.

25 THE COURT: Right.

1 MR. MILLER: So --

2 THE COURT: No, that's fair enough. And I realize
3 that in doing it this way we may have some overlap, and it may
4 be the case in that letter that you're on top of it, it's being
5 dealt with. But I just figured in an abundance of caution I'll
6 raise it; then you can assure me 'Don't worry about it. It's
7 in process.'

8 MR. MILLER: We are in a little bit of a quandary,
9 Your Honor, as to the -- I don't know if it's a motion, or what
10 it is, to dismiss, and exactly how that is going to be handled.
11 So any clarification Your Honor can give us would be helpful.

12 THE COURT: Well, my thought, a pro se party is
13 entitled to make whatever applications they want. So what I
14 would suggest is that the debtors respond, provide a short
15 response, and we'll tee it up for the next omnibus hearing.
16 And, again, I think the idea is to, as these things come in, we
17 sort of get them on track, we tee them up to be addressed and
18 then we address them. So I would think we could do that at the
19 next omnibus after response by the debtors or anybody else who
20 wants to respond, but I would imagine a response from you would
21 be something you'd want to do.

22 MR. MILLER: That's fine, Your Honor. As Your Honor
23 pointed out, this is the first omnibus hearing in these cases.
24 And on November 29th Your Honor signed an order setting today
25 as the initial case conference, which is the first matter on

1 the agenda, Your Honor. And we thought we'd use that today to
2 update the Court on the events which have occurred since the
3 commencement date of the twenty Chapter 11 cases. First, Your
4 Honor, the transition into Chapter 11 for these debtors, with a
5 few bumps, was well organized and has gone relatively smoothly.
6 The airlines are functioning. We're in the midst of a holiday
7 season. Fortunately, load factors are very high at this point
8 in the season. There have been no real negative impacts as a
9 result of the Chapter 11; some adverse publicity which is to be
10 expected; but it's been going along quite well.

11 There is a website that has been set up by the Garden
12 City Group, which there is access for all parties-in-interest.
13 And the company has been maintaining call centers for vendors
14 and others, which will continue in operation for the next week
15 or so as the volume drops off. So there is access to a lot of
16 information.

17 On December 5, 2011, the United States Trustee
18 appointed a statutory committee consisting of nine members.
19 Subject to court approval, the committee has engaged Skadden
20 Arps as its attorneys, Mesirow Financial as financial advisor,
21 and Moelis & Co. as an investment banker. The first meeting
22 with the unsecured creditors' committee, Your Honor, occurred
23 on December 15 I think it was; within the last week or so.
24 Very interesting, Your Honor; the nine-man -- a nine-person
25 committee, I should say. Sixty-three persons representing the

1 committee and its professionals attended that meeting. It was
2 a bit crowded, but we got along. Essentially, Your Honor, it
3 was a get-to-know-you meeting. And since that time, and prior
4 to that time, the debtors engaged in a due-diligence exercise
5 with the UCC and its professionals as to the motions to be
6 considered today, which we thought was a very successful and
7 cooperative venture on the part of the debtors and the UCC.
8 However, Your Honor, I have to concede that we did not fully
9 understand that the UCC was going to use the process to
10 announce some great victory in constraining American from being
11 a wild spendthrift intent upon frittering away billions of
12 dollars. Effectively, Your Honor, we got bushwhacked by the
13 statement that was filed by the UCC at 11:30 Tuesday evening.

14 On December 15, 2011, at a hearing before the Court,
15 Mr. Goffman gratuitously rose to introduce himself and his firm
16 as attorneys for the UCC and to state several times the UCC's
17 intention to pursue a consensual and cooperative relationship
18 with American. We took Mr. Goffman at his word. However,
19 since that time there has been an interpretation of the word
20 "oversight" by the UCC's professionals to mean that the
21 committee is the fiduciary for the debtors' estates. That,
22 Your Honor, is inconsistent with precedent in this circuit.
23 Chapter 11, as enacted, established that the debtor-in-
24 possession is the legal representative of the debtors' estate
25 and bears the sole responsibility for management of the

1 debtors' property, in accordance with the objectives and
2 provisions of the Bankruptcy Code.

3 In 2005 that principle was recognized by the Second
4 Circuit in Smart World Technologies, LLC v. Juno Online
5 Services, Inc., at 423 F.2d 166. This is a case, Your Honor,
6 in which a creditors' committee sought to impose a compromise
7 and settlement over the objection of the debtor-in-possession.
8 The Court of Appeal --

9 THE COURT: Well, let -- I don't want to cut you off
10 here, but I'm going to. I don't have anything in front of me
11 that is a motion dealing with any disputes. And actually from
12 my point of view, the substance is that, because of the efforts
13 of Debtors' counsel and committee counsel, that there really
14 has been an agreement on all the issues on for today. So,
15 obviously, folks here on both sides of that equation are well-
16 experienced folks and will take all the steps to vigorously
17 represent their clients. I would expect that this is a case
18 where cooperation is key, because there'll be plenty of things
19 to fight about even if there is cooperation. So I would hope
20 that the results here today, rather than any other bumps along
21 the way, will be sort of consistent with how this case is going
22 to be handled going forward.

23 MR. MILLER: I agree with Your Honor one hundred
24 percent, and that's the atmosphere that we were functioning
25 under, but, Your Honor, with one caveat: The statement that

1 was filed is inflammatory. Chapter 11, particularly in its
2 beginning phases, is very fragile. Everything is reported in
3 detail in every aspect of the media and blogs and so on. And
4 when you file a statement that says that the debtors' estimate
5 of prepetition expenditures that they wanted to honor in some
6 way has a grand total of 937.7 billion dollars (unlimited),
7 that is inflammatory, Your Honor. Not only is it erroneous by
8 almost 936 billion dollars, because the relief that was sought
9 was only authority and no direction to pay, Your Honor; that
10 raises all sorts of issues in the public arena as to what this
11 debtor-in-possession -- or these debtors-in-possession are
12 intending to do.

13 We expect to act very responsibly, Your Honor, in
14 accordance with all of the responsibilities that are put on
15 debtors-in-possession under the Bankruptcy Code. We respect
16 the creditors' committee, we respect their function, but it's
17 the debtors-in-possession who are the fiduciaries that are
18 responsible for administering these estates, and we expect to
19 administer it in accordance with the statute and the precedents
20 that apply to these cases, in a clearly responsible manner.
21 And when we think we have an agreement with the creditors'
22 committee as to things that are going to happen and that
23 inflammatory statements are not going to be filed, we expect
24 them to honor those commitments. If they want us to trust
25 them, we have to trust them also. It has to be a reciprocal

1 relationship, Your Honor. And this statement has caused
2 reverberations among different creditor groups; calls about
3 'What is this 937.7 billion dollars that you wanted to spend?'
4 That kind of conduct, Your Honor, is not in the best interest;
5 it's counterproductive and prejudicial to the administration of
6 these estates.

7 THE COURT: I --

8 MR. MILLER: And we just felt, Your Honor, that we had
9 to clear the air now.

10 THE COURT: I get your point. Again, I think there'll
11 be plenty of instances in this case where folks have to
12 disagree. And I think that it's really important that we don't
13 get involved in other fights as a result of lack of
14 communication or people acting in a way that may be -- feel
15 good at the moment but in the end it's just going to poison the
16 well. So I would expect that all counsel are going to behave
17 in a way that is consistent with that. And agreements are
18 good. There's obviously -- the twenty-plus things on for today
19 are a demonstration of -- if everyone wants to fight about
20 everything, well, basically I can get rid of all my other cases
21 and we can just set up in this courtroom for --

22 MR. MILLER: We don't want you to do that, Your Honor.

23 THE COURT: And I don't expect that that's going to
24 happen. So I think there's very good counsel involved here,
25 and I'm confident that any bumps in the road can be smoothed

1 out, consistent with everybody's fiduciary obligations in a
2 case that's of obvious importance to the debtors and to
3 creditors, employees and a whole host of other people.

4 MR. MILLER: We expect to do that, Your Honor.

5 THE COURT: All right.

6 MR. MILLER: And with Your Honor's permission, what we
7 would like to do, Your Honor, is start with the uncontested
8 matters --

9 THE COURT: Certainly.

10 MR. MILLER: -- which is on page 7 of the agenda. In
11 connection with each of these matters, Your Honor, which is on
12 for final hearing, and there's been an interim order entered,
13 we have provided Your Honor -- the Court with blacklined
14 proposed final orders that relate back to the interim order
15 that was entered on November 29th.

16 THE COURT: All right, just give me a moment to
17 find -- I'd arranged it in order of the agenda. So let me just
18 find where you are.

19 MR. MILLER: It would be at the number 8, Your Honor.
20 Eight contested motions and twelve uncontested.

21 THE COURT: All right. The first, number 1, Your
22 Honor, is the motion of the debtors for entry of an order
23 pursuant to Section 363(b), authorizing the debtors to pay
24 prepetition obligations owed to foreign creditors, authorizing
25 and directing financial institutions to honor and process

1 related checks and transfers, and scheduling the final hearing.
2 As I said, Your Honor, we had provided the blackline showing
3 the changes since the interim order. There are no objections
4 to this motion, Your Honor.

5 THE COURT: All right. I will grant it. And what I'm
6 going to do is -- we have enough things to actually talk about
7 that where there are some bumps in the road; for all these, I
8 understand that there are no objections, that the form of the
9 order has been circulated. So unless somebody jumps up really
10 quickly after you finish speaking on an individual matter, I'm
11 going to grant that application.

12 MR. MILLER: Thank you, Your Honor. Number 2 is the
13 debtors' motion for entry of an order pursuant to Section 105
14 and Section 363(c), authorizing the debtors to pay and honor
15 prepetition obligations to customers and otherwise continue
16 customer programs and practices in the ordinary course of
17 business, and authorizing and directing disbursement banks to
18 honor and process related checks and transfers. That's ECF
19 number 12, Your Honor. Again, Your Honor, there are no
20 objections to this motion. I would add, Your Honor, that in an
21 agreement with the Office of the United States Attorney, we
22 agreed to put on the record that the order authorizing the
23 payment of prepetition (sic) and taxes does include the
24 additional APHIS, A-P-H-I-S, aircraft inspection fees, and
25 that's part of this program, Your Honor. And that --

1 THE COURT: Is that for this one or is that for taxes,
2 which is, I guess, the first contested one?

3 MR. MILLER: Yes, that -- I'm sorry, Your Honor.

4 THE COURT: That's all right. As you said, we have a
5 full day in this court, so --

6 MR. MILLER: Okay. But as to this one, Your Honor,
7 customer programs, that the continuation of customer programs
8 covers the obligation of the debtors to continue to implement
9 arrangements with the United States, including the obligation
10 to refund overpayments on airline tickets purchased by any
11 government agency but refundable to the General Services
12 Administration as the agency responsible for relevant audits,
13 we agree to that, Your Honor --

14 THE COURT: All right.

15 MR. MILLER: -- but just to put it on the record.

16 THE COURT: All right. That's fine. Again, for this
17 uncontested matter I will grant the application.

18 MR. MILLER: Number 3, Your Honor, is the request for
19 an order pursuant to Sections 105 and 363(b), authorizing
20 prepayment -- payment of prepetition claims of independent
21 contractors and claims relating to improvement projects; ECF
22 number 16. Again, Your Honor, there's no objection to this
23 motion.

24 THE COURT: All right. I will grant this as well.

25 And obviously the factual predicate and the need for the relief

1 in all these matters was set forth at the initial hearing --
2 first-day hearing that we had.

3 MR. MILLER: Number 4, Your Honor, is the entry of an
4 order pursuant to Sections 105 and 363(b), authorizing payment
5 of certain shipping and delivery charges for goods in transit,
6 and customs duties and charges; it's ECF number 17. Your
7 Honor, we made changes to the interim order to accommodate the
8 U.S. Attorney and the U.S. Customs Services.

9 THE COURT: All right. Yeah, I saw that. I will
10 grant this application as well.

11 MR. MILLER: Thank you, Your Honor. Number 5, Your
12 Honor, is for the entry of an order pursuant to Sections 105(a)
13 and 362(d), 363(b) and 503(b), authorizing, but not directing,
14 the debtors to continue their insurance program, pay insurance
15 obligations and modifying the automatic stay with respect to
16 workmen's compensation claims, and authorizing and directing
17 financial institutions to honor and process related checks and
18 transfers. Again, Your Honor, there are no objections to this
19 motion.

20 THE COURT: All right, I will grant that application
21 as well.

22 MR. MILLER: 6, Your Honor, is for the entry of an
23 order pursuant to Section 365(a) and Bankruptcy Rules 6006,
24 approving the assumption of certain executory credit card and
25 payment agreements. There are no objections to this motion,

1 Your Honor, but with respect to the co-branded Citibank credit
2 card agreement and certain related agreements, as to that
3 particular item, Your Honor, that's adjourned to January 27th,
4 the next omnibus hearing date.

5 THE COURT: All right.

6 MR. MILLER: And we filed a notice of adjournment on
7 that, Your Honor.

8 THE COURT: All right, consistent with that one issue
9 being put aside, I will grant the rest of the application.
10 Thank you.

11 MR. MILLER: Thank you, Your Honor. Number 7 is for
12 the entry of an order pursuant to Sections 105(a), 362, 363 and
13 553, authorizing but not directing fuel supply parties to apply
14 prepetition payments and credits to prepetition and
15 postpetition obligations under fuel supply arrangements. This
16 is a motion, Your Honor, which we went through in some detail
17 at the first interim hearing. Again, Your Honor, there are no
18 objections to this motion.

19 THE COURT: All right, I will grant this application
20 as well.

21 MR. MILLER: Thank you, Your Honor. Number 8, Your
22 Honor, is for an order pursuant to Sections 105(a) and 365(a),
23 approving the assumption of interline agreements, clearinghouse
24 agreements, arc agreements, building and settlement plan
25 contracts, cargo agreements, oneworld agreement, and alliance

1 agreements, and other related relief. There are limited
2 protective objections which were filed, Your Honor, with
3 basically our reservation rights.

4 THE COURT: All right. I saw that was incorporated in
5 the order. I will grant that motion.

6 MR. MILLER: Thank you, Your Honor. Number 9, Your
7 Honor, is for entry of an order, again pursuant to Sections
8 105(a) and 363 and 364(c)(1), authorizing, but not directing,
9 the debtors to enter into modified and continued performance
10 under -- and provide credit support under derivatives
11 contracts, and scheduling -- well forget that part of it.
12 Again, Your Honor, there are no objections to number 9.

13 THE COURT: All right, I will grant this motion as
14 well.

15 MR. MILLER: Number 10, Your Honor, is for entry of an
16 order pursuant to Sections 363, 364 and 365, authorizing the
17 debtors to continue and renew their letter of credit and surety
18 bond programs, continue corporate credit card program and
19 assume a certain executory contract. Again, Your Honor, no
20 objections to this motion.

21 THE COURT: Granted.

22 MR. MILLER: Number 11, Your Honor, is an omnibus
23 motion of the debtors for entry of an order pursuant to Section
24 365(a) and Section 545(a), authorizing the rejection of certain
25 unexpired leases of nonresidential real property, and the

1 abandonment of certain property of the debtors' estates; that's
2 ECF number 83. There are no objections to this motion, Your
3 Honor.

4 THE COURT: Granted.

5 MR. MILLER: Number 12, Your Honor, is the motion for
6 an order authorizing and establishing procedures for the
7 approval of certain postpetition aircraft purchases from the
8 Boeing Company and certain related sale leaseback or financing
9 transactions; ECF number 216. This is a new motion, Your
10 Honor. There's no interim order here. The responses filed,
11 Your Honor, are limited objections or -- basically both are
12 reservation of rights. And the debtors have no objection to
13 the reservation of rights as to a dispute which may arise in
14 the future as to whether these are financial accommodations or
15 executory contracts. Those are issues we hope, Your Honor,
16 will never be before you.

17 THE COURT: As do I. Granted.

18 MR. MILLER: That takes care of the uncontested
19 portion of the calendar, Your Honor. We have eight contested
20 motions. And since I did all the difficult ones, I'm going to
21 let Mr. Karotkin do the easy ones.

22 MR. KAROTKIN: Good morning, Your Honor. Stephen
23 Karotkin, Weil, Gotshal & Manges, for the debtors. I think
24 that hopefully we can go through this rather quickly, because I
25 think although they as of last night were marked contested, I

1 think that most of them are either resolved or can be easily
2 resolved. The first motion, Your Honor, is with respect to the
3 payment of prepetition taxes, assessments and other similar
4 type charges. Your Honor, the only objection to that motion
5 was filed by various airport authorities, and we have agreed
6 with them to add an additional paragraph to the proposed order,
7 to address their concerns. And if I could, I could read it on
8 the record and then we'll incorporate it in --

9 THE COURT: So this is not in the blackline that I
10 have? This is --

11 MR. KAROTKIN: That's correct, sir.

12 THE COURT: -- additional language? All right.

13 MR. KAROTKIN: It was agreed to this morning.

14 THE COURT: All right.

15 MR. KAROTKIN: And then we will -- assuming counsel is
16 fine with it, we will submit a revised order to chambers.

17 THE COURT: All right.

18 MR. KAROTKIN: We would add an additional paragraph,
19 Your Honor, on page 5. Well, I don't know if you're looking at
20 the blackline.

21 THE COURT: Yes.

22 MR. KAROTKIN: Well, if you look at the last page,
23 just prior to the third decretal paragraph from the end --

24 THE COURT: All right.

25 MR. KAROTKIN: -- we would add another decretal

1 paragraph which would say as follows: "Ordered that, in the
2 event the Debtors fail to remit the passenger facility charges
3 as required by 49 U.S.C. 40017 and 14 CFR Part 158, the Debtors
4 consent to the affected airports seeking an expedited hearing
5 before the Court on this issue on no less than five business
6 days' notice.

7 THE COURT: All right.

8 MR. KAROTKIN: And I believe that that resolves
9 objections that -- oh, I'm sorry, I missed something else.

10 THE COURT: All right.

11 MR. KAROTKIN: On the prior page, Your Honor, in the
12 decretal paragraph that has the defined term "the PFC
13 Account" --

14 THE COURT: Correct.

15 MR. KAROTKIN: -- at the very end, after the
16 parenthetical, I guess within the parenthetical -- after the
17 parenthetical, we would add the following: "which constitute
18 trust funds and are not property of the Debtors' estates".

19 THE COURT: All right.

20 MR. KAROTKIN: And I think with those changes, the
21 objecting parties have consented to the order.

22 THE COURT: All right, just -- those folks who want to
23 confirm that for the record, you must find a microphone, any
24 microphone.

25 MS. ORENSTEIN: Good morning, Your Honor. Rosa

1 Orenstein for Dallas/Forth Worth International Airport Board.
2 This confirms our agreement to the changes to the order. What
3 is not going into the order, Your Honor, is we've agreed with
4 the debtors for certain financial information regarding the
5 passenger facility charges that will be provided to the
6 airports.

7 THE COURT: All right. All right, where folks have a
8 common issue, I would ask that you informally elect a
9 spokesperson, because I don't want to hear the -- I don't think
10 anybody wants to hear the same things over and over again.

11 MR. ROSENTHAL: Absolutely, Your Honor. I'm Steve
12 Rosenthal for Los Angeles World Airports. We negotiated the
13 order, as did the others, and we consent to it. What's
14 important to us is the characterization of these PFCs as trust
15 funds; that's a critical long-litigated issue which we
16 fortunately didn't have to deal with here.

17 THE COURT: All right.

18 MR. SMITH: And Eric Smith on behalf of the Airport
19 Group. We agree with what the debtor put on and what was just
20 stated, and we also would like to thank the debtor for their
21 efforts to resolve this.

22 THE COURT: All right. Thank you.

23 MR. MILLER: Your Honor, Harvey Miller again. Just
24 for the record, we also agreed with the U.S. Attorney's Office,
25 Your Honor, as for a reservation of rights to bring a motion or

1 take other action necessary to ensure payment of trust-fund
2 taxes and fees should the debtors in fact fail to pay such
3 trust-fund taxes.

4 THE COURT: All right. All right, those all sound
5 like eminently reasonable changes. And I had some proposed
6 language actually scrawled in that paragraph on the PFC account
7 in the event that you hadn't worked it out, which is somewhat
8 similar to what you've agreed to. My only question, then, is
9 there's a discussion about maintaining a separate account with
10 respect to the collection of remittance of the past-due
11 facility charges, which is consistent with it being a trust-
12 fund tax; it's not property of the estate. Then I see the
13 parenthetical that says that payment may be made from the
14 general operating cash account with subsequent reimbursement
15 from the separate account, and I'm assuming that's just an
16 accounting matter and essentially it's not a characterization
17 of the treatment of the passenger facility charges?

18 MR. KAROTKIN: That's correct, Your Honor.

19 THE COURT: All right. All right, with those
20 objections resolved, I will grant the motion pertaining to
21 prepetition taxes and assessments.

22 MR. KAROTKIN: Thank you, sir. The next item, Your
23 Honor, number 2, is with respect to approving the debtors' form
24 of adequate protection to utility companies. And there were
25 four -- I believe, four objections filed which covered a number

1 of parties. This issue really isn't contested for today. The
2 proposed order simply grants the relief requested other than
3 with respect to the objecting parties, whose objections will be
4 heard at the next hearing --

5 THE COURT: All right.

6 MR. KAROTKIN: -- although it does continue the order
7 as to them continuing to provide service.

8 THE COURT: All right. The question I had was about
9 the order. And indulge me; maybe you can explain why it's done
10 this way, and you can do it this way, but I had a question. On
11 the blackline provided yesterday, the middle paragraph which is
12 ordered that the debtors have provided adequate assurance of
13 payment in the form of a cash deposit to each utility company
14 that requested same in accordance with the procedures set forth
15 in the motion, so as to have been received on or before -- and
16 there's a December 15th. Obviously there wasn't an interim
17 order here, so I'm trying to understand so the historical --
18 the past tense used in this particular paragraph.

19 MR. KAROTKIN: This was noticed out in each of the
20 utilities and they had an opportunity to either request or not
21 request a deposit. So it was noticed out before today's
22 hearing, and that's how the procedure worked.

23 THE COURT: Right, but the procedures hadn't been in
24 place yet. So I guess the thing that made me think about this
25 is I looked at your original order which sort of was a more

1 traditional version of this, saying 'Here are the procedures
2 that we want, here's the protection that the debtors get, and
3 this is how we'll handle it for existing utilities, this is how
4 we'll handle it for new utilities.' And I confess I'm more
5 comfortable with that kind of an order, which I think is
6 consistent with what you originally submitted and what I've
7 done in cases like TerraStar Networks, than sort of essentially
8 saying 'Well, here's what happened and it was all fine and
9 good.' So, again, I don't want to do a lot of violence to the
10 order, and it's really just the first, sort of, early
11 paragraphs that deal with it in the past tense that just made
12 me a little uncomfortable. So what I have in front of me
13 really is a request to approve the procedures except as to the
14 objectors, and I'd like the order to sort of reflect that. So
15 I think your old order actually does it that way.

16 MR. KAROTKIN: Okay, we can submit a revised order if
17 you'd like.

18 THE COURT: All right. Thank you. And one other
19 comment I had on the order, which I think it's in the TerraStar
20 case, is that it preserves the right of folks to come back if
21 they want to request additional adequate assurance in the
22 future, just consistent with changes in circumstance --

23 MR. KAROTKIN: Sure, we'll --

24 THE COURT: -- as appropriate.

25 MR. KAROTKIN: We can add that as well.

1 THE COURT: All right. Thank you.

2 MR. KAROTKIN: The next item, Your Honor, number 3, is
3 the continuance of the debtors' existing cash management system
4 and related relief. I believe the only outstanding issue is
5 with the Office of the United States Trustee, and that relates
6 to the waiver of compliance with Section 345. And I think the
7 motion, Your Honor, itself describes in great detail the
8 debtors' investment guidelines. And I think that, based on the
9 nature of the debtors' operation, including the foreign
10 accounts it has, the debtors' ability -- the debtors simply do
11 not have the ability to comply with Section 345, as requested
12 by the United States Trustee. And I think that the United
13 States Trustee recognizes that. So we have requested a waiver.
14 There was some language in the proposed order that we would
15 continue to work with the United States Trustee to try to
16 comply. I think everyone recognizes it's not possible but that
17 the debtors -- and I think that the committee is comfortable
18 with the debtors complying with their existing guidelines. So
19 I think that today we would ask Your Honor simply to grant us a
20 waiver with respect to Section 345 compliance, and we will
21 continue to comply with the investment guidelines set forth in
22 the motion.

23 THE COURT: All right. Let me hear from --

24 MR. KAROTKIN: So to the extent we have the additional
25 paragraphs in the interim order, where we are trying to address

1 the U.S. Trustee's concerns that we would continue to work over
2 the next forty-five days or so to address those concerns, I
3 think the parties recognize that, based on the nature of the
4 business, we will not be able to reach an accommodation. And I
5 think Mr. Masumoto understands that and just wants Your Honor
6 to be aware of the circumstances and that we are seeking a
7 waiver today.

8 THE COURT: All right.

9 Mr. Masumoto?

10 MR. MASUMOTO: Good morning, Your Honor. Brian
11 Masumoto with the Office of the United States Trustee. As
12 indicated by Debtors' counsel, I believe the parties do agree
13 that the debtors will not be able to comply fully with Section
14 345. I would however like to detail for the Court at least our
15 current understanding of the amounts that are at issue and
16 what's currently not in compliance. In this case it's
17 particularly important given the large amount of cash and
18 short-term investments that are at issue. As Your Honor knows,
19 part of the history of this filing is that the debtor
20 deliberately built up a war chest for the filing. So,
21 currently -- at the time of the filing they declared
22 approximately 4.1 billion dollars in cash or short-term
23 investments. We recently received a spreadsheet which
24 currently details that the amount held in cash and short-term
25 investments is actually 4.8 billion dollars. Based upon the

1 information provided, approximately -- as far as we could
2 determine, approximately 256 million -- only 256 million of
3 that account is protected by FDIC accounts. A small portion,
4 250,000, is technically protected by the National Credit Union
5 Administration; the balance which are essentially in accounts
6 that are not in compliance with Section 345. A further
7 breakdown would be -- approximately 425 million is in overseas
8 accounts. Essentially all overseas accounts are not in
9 compliance with Section 345. Domestically, approximately 1. --
10 4. -- I'm sorry, 4.1 billion dollars is essentially in short-
11 term investments, again, all of which are not in compliance
12 with Section 345.

13 THE COURT: But for the 4.1 that you're talking about
14 domestically, those are subject to the debtors' investment
15 guidelines, right, which is different than the foreign cash in
16 short-term investments which are not? Am I understanding that
17 correctly?

18 MR. MASUMOTO: I don't know whether the foreign
19 investments are consistent with their guidelines, but certainly
20 domestically the investments are allegedly in compliance with
21 their investment guidelines; and once again, all of those
22 amounts, again, not in compliance with Section 345.

23 THE COURT: Well, I think the language I read, and
24 maybe I'm being a little loose, which was that cash in four
25 foreign locales and short-term investments were not subject to

1 the debtors' investment guideline. I don't remember if I --
2 there was a number attached to that characterization.

3 MR. MASUMOTO: I believe they mentioned -- in the 1007
4 they mentioned two accounts: one with about approximately 7.5
5 million and another account with 135. Currently, however, I
6 believe they updated the overseas amounts to be currently 425
7 million.

8 THE COURT: Well, I read your objection and I
9 understand, I think, some of the numbers.

10 Mr. Karotkin, you can put some other numbers attached
11 to the other things we just discussed.

12 My question for you is do you -- are you telling me
13 this is an FYI, or do you think that -- while you understand
14 that 345 compliance is not possible, what's your view about the
15 status quo today? Do you believe that there's nothing more
16 that can be done? You're just telling me this FYI? Let me
17 just -- I'm just trying to get to the bottom line of what the
18 U.S. Trustee is -- its view is today.

19 MR. MASUMOTO: Your Honor, the formal position of the
20 U.S. Trustee is that all funds should be in compliance with
21 Section 345, and it's up to the Court to determine whether or
22 not the debtor has established cause under 345(b) in order to
23 vary from the requirements.

24 THE COURT: No, I understand that. And I guess I'm
25 asking for sort of a more practical pragmatic view, which is,

1 when the forty-five day window was asked for, it was asked for,
2 for the parties to have discussions about essentially doing the
3 best that they can to achieve as much compliance as they can.
4 And I think there seems to be a sort of creeping view that,
5 well, full compliance is not going to be possible given the
6 business of the debtors. So my question is whether any
7 additional time is worthwhile to try to get additional
8 protections even if it's clear that there's not going to be
9 full compliance with 345.

10 MR. MASUMOTO: It's my understanding that the
11 debtors -- that any additional time will not be sufficient for
12 the debtors to come into compliance, that I believe the
13 position is essentially the cost of coming into compliance
14 would be prohibitive and that it's their position that the risk
15 of investments that are not in compliance are worth the risk of
16 noncompliance. I did speak to the creditors' committee, and I
17 believe they can speak for themselves, but it's my
18 understanding that they believe that their information
19 protocols would give them sufficient oversight over the
20 accounts such that it is my understanding that their position
21 is they're not seeking to object to the current investment.
22 That -- having said that, that's the committee's determination;
23 that's part of the basis for the Court to determine cause.
24 Once again, just as an --

25 THE COURT: Fair enough.

1 MR. MASUMOTO: -- just as an official position, the
2 U.S. Trustee certainly recommends compliance, given the current
3 financial conditions both overseas and domestic.

4 THE COURT: I understand that. I guess I was just
5 sort of trying to get to the practicalities of the situation.

6 MR. MASUMOTO: Unfortunately, I think, based upon our
7 conversations, it does not appear that more than the 256
8 million that's currently protected would be subject to -- would
9 likely to be -- come into compliance.

10 THE COURT: All right.

11 MR. MASUMOTO: So it'll leave exposed over 4 broker-
12 dealers.

13 THE COURT: All right. Thank you.

14 Let me hear from the -- I --

15 MR. MILLER: Your Honor, with one exception. Harvey
16 Miller again. Mr. Masumoto made a statement that the debtors
17 deliberately built a war chest. That is not accurate, Your
18 Honor.

19 THE COURT: I expected that you were going to stand up
20 to comment upon that. But it doesn't matter why it's there.
21 It's there. So I guess that's at the end of the day --

22 MR. MASUMOTO: I'm prepared to withdraw that
23 characterization, Your Honor.

24 THE COURT: Fair enough.

25 MR. MILLER: I'll take it withdrawn, Your Honor.

1 THE COURT: Fair enough. I don't think that was
2 scripted to get a reaction out of you. I think it was just a
3 general statement.

4 All right, so what is the creditors' committee's view
5 about this particular issue? It is a sizable amount of money
6 and, obviously, given the state of the economy, I would be
7 remiss if I didn't inquire.

8 MR. BUTLER: Your Honor, thank you. Jack Butler for
9 the committee. Your Honor, we have diligenced this matter with
10 the company. We have spent time with the U.S. Trustee's Office
11 discussing this matter. And we actually believe that the Court
12 ought to grant the waiver subject to the concept of a practical
13 approach to this. And the practical approach from our
14 perspective is that our financial advisors will have an
15 information protocol with the company, information regarding
16 these balances and how the company's investing their funds and
17 the opportunity for the financial advisors to evaluate that in
18 connection with the company's investment policies. Those are
19 going to be available. So from the company -- committee's
20 perspective, there's going to be a continuing discussion
21 between the company and the committee's representatives about
22 this going forward. And that's the practical way to deal with
23 it. It's not, from the committee's perspective, practical to
24 try to apply 345 without a waiver. And therefore we think that
25 the company's application for it is reasonable, we think

1 there's cause, and we are satisfied with the discussions we've
2 had and the information protocol that's being put in place.
3 That should allow the committee to carry out its oversight
4 responsibilities.

5 THE COURT: All right, let me ask whether the U.S.
6 Trustee's Office is involved, in part or in whole, in the
7 information protocol that's being contemplated.

8 MR. MASUMOTO: Not at this time, Your Honor. Our
9 communication has been directly with the debtor --

10 THE COURT: All right.

11 MR. MASUMOTO: -- and not subject to their protocol.

12 THE COURT: Well, let me ask if that's something that
13 would be appropriate under the circumstances. Let me ask the
14 debtors that.

15 If there's certain -- even if it isn't a sort of in-
16 the-weeds kind of information, there may be certain summaries
17 of information, in terms of account balances, that might allow
18 the U.S. Trustee's Office to have some comfort going forward as
19 to the status of these accounts.

20 MR. KAROTKIN: Yes, Your Honor, the protocol hasn't
21 been fully worked out yet. We're still discussing exactly what
22 Mr. Butler's talking about. To the extent that the U.S.
23 Trustee wants periodic information as to investments, we're
24 happy to give that to the U.S. Trustee.

25 THE COURT: Mr. Masumoto?

1 MR. MASUMOTO: Your Honor, with all due respect, as
2 part of our statutory duties, we will monitor the monthly
3 operating reports. But our position on 345, unfortunately, is
4 somewhat inflexible in that we're not prepared to engage in an
5 oversight capacity.

6 THE COURT: No, no, and that's fair. That's why I
7 wanted to ask you. I understand that your view on 345 is not
8 contingent upon whatever other information you may be getting.
9 That's an unworkable solution from the U.S. Trustee's point of
10 view. That's fair. I just figured I would ask. It's always
11 nice to be asked even if you decide that it's information that
12 you don't want.

13 MR. MASUMOTO: We appreciate that, Your Honor.

14 THE COURT: Certainly.

15 Let me do this: There is -- I understand the debtors'
16 concerns about the business. What I'd like to hear is a little
17 bit about the cost of compliance as well as the risk associated
18 with these funds. We can either do it today or I can enter a
19 second interim order, and we can do it at another time the next
20 omnibus, just because I think it's my obligation to make an
21 appropriate finding. And certainly I'm not casting any
22 aspersions on the debtors. This is -- the debtors have certain
23 systems in place as to how to do business, given the expansive
24 business that they have. But just in terms of making my
25 appropriate finding, I would like to hear more about risk and

1 the cost of compliance, so that I can make an appropriate
2 finding and enter a second interim order today, and then we can
3 revisit this at the next omnibus.

4 MR. KAROTKIN: Your Honor, we're happy to do it at the
5 next omnibus, but I think that the original motion filed gives
6 great detail as to what the investment guidelines provide,
7 and --

8 THE COURT: Well, I do remember the investment
9 guidelines. I guess my question really has to do with the cost
10 of compliance, meaning that it is not of benefit to the estate,
11 that the cost of getting into compliance is going to be onerous
12 such that when you balance that against the risk, that it's
13 appropriate to find cause for a waiver of the 345 requirement.

14 MR. KAROTKIN: Perhaps, then, I would suggest we could
15 submit a declaration, and then --

16 THE COURT: Yeah, that would be fine. That would be
17 fine.

18 MR. KAROTKIN: -- and address that issue and provide
19 it to the U.S. Trustee as well as to counsel for the committee.

20 THE COURT: That would be great. And I think at that
21 point it sounds like you will probably have a protocol --
22 information-sharing protocol, and you could sketch that out as
23 well, because that's obviously an important protection in terms
24 of just the sizable amount of funds here. And, again, I'm not
25 casting any aspersions; this is not -- that's not my intent.

1 It's just that the debtors have a business model that requires
2 a large amount of cash in things like overseas accounts, and we
3 just all want to make sure that the appropriate result is
4 reached here. So --

5 MR. KAROTKIN: Okay, I just would point out, with
6 respect to the foreign accounts other than Venezuela, that
7 money is repatriated to the United States fairly regularly --

8 THE COURT: All right.

9 MR. KAROTKIN: -- shipped to a concentration account,
10 I believe, in the United Kingdom and then repatriated to the
11 United States. So the only significant amount of cash overseas
12 at any time are kind of stuck in Venezuela.

13 THE COURT: All right. Yeah, I did see that there
14 were cash sweeps that consolidated the accounts, and I guess I
15 wasn't -- for the domestic accounts, it was clear that was done
16 on, I think, a daily basis.

17 MR. KAROTKIN: Daily.

18 THE COURT: Right?

19 MR. KAROTKIN: Yes.

20 THE COURT: I wasn't -- but, and I may be
21 misremembering, but looking at the foreign accounts, I wasn't
22 sure of the regularity of those sweeps, and I think it said
23 "regular". So that's just -- again, maybe there's more
24 information there than I'm recalling sitting here now, but --

25 MR. KAROTKIN: Right. So shall we continue this as an

1 interim order?

2 THE COURT: Yes.

3 MR. KAROTKIN: And then put it on for hearing --

4 THE COURT: Let's do that.

5 MR. KAROTKIN: -- on January 27th, I believe?

6 THE COURT: Right. And if it's something that you
7 need to get done before then, just let me know. I don't think
8 that would be necessary but, if I'm missing something, just
9 call chambers and we can get it teed up earlier.

10 MR. KAROTKIN: Thank you, sir. Number 4 is the motion
11 of the debtors for authorization to pay prepetition obligations
12 to critical vendors. The only objection, Your Honor, was filed
13 by BAE Systems. I think that counsel for BAE Systems is here
14 today. I think, despite what they filed, their -- I think
15 their objection now, what counsel indicated this morning, is
16 that this order should not be entered on a final basis until
17 they are determined to be a critical vendor, which I think is
18 completely inappropriate. But they can speak for themselves
19 and I'm happy to respond.

20 THE COURT: All right.

21 Let me hear from them.

22 MR. CHASIN: Thank you, Your Honor. Tod Chasin of
23 Buchanan Ingersoll, for BAE and FADEC. Unfortunately,
24 counsel's statement is not the position stated in our limited
25 objection or to counsel at sidebar today.

1 THE COURT: All right, well, I don't want to hear
2 about sidebar. I've read your objection; it's three pages.
3 And I understand the objection to be that you want to know the
4 specific identity of critical vendors and that's important to
5 you to understand your own position.

6 MR. CHASIN: Well, Your Honor, the application as
7 originally filed contained nothing as to who the vendors were,
8 how much they would be paid and under what terms. The
9 committee has filed --

10 THE COURT: Well --

11 MR. CHASIN: -- or agreed with it.

12 THE COURT: To be fair to the debtors, I don't think
13 that's the case. As I recall that motion, which I spent a lot
14 of time looking at before the first-day hearing, it contained a
15 variety of categories of critical vendors that are sought to be
16 paid, broken down by the function. And I believe it did have
17 some estimates as to what the payments were going to be. So,
18 again, I understand you to say you want to hear ABC company and
19 that -- I understand that as an objection, but I just want to
20 be fair as to what the record was. There was a -- sort of an
21 extensive explanation of what the categories were and why they
22 were necessary.

23 MR. CHASIN: Understood, Your Honor. And I don't wish
24 to burden the record either. The committee entered into an
25 agreement with the debtor; we concur with that. As far as our

1 own particular claim, the debtor had requested information from
2 us; we're in the process of --

3 THE COURT: All right, well, I'm going to stop you
4 before we get to your claim. What I want to hear about is the
5 objection. So, again, this is not addressing any particular
6 claim and it's saying 'We want to be able to pay critical
7 vendors.' And I suppose it would be an objection to say that
8 'We want to be' -- 'there's some procedure for naming us a
9 critical vendor,' but I don't want to get into your -- unless
10 you can tell me why it's relevant. So let me just hear about
11 your objection to the motion.

12 MR. CHASIN: Fair enough, Your Honor. You know, the
13 objection as stated was, as Your Honor stated, limited to the
14 absence of a list; it was not counsel's characterization. To
15 the contrary --

16 THE COURT: All right, don't worry about what they
17 said. Just tell me what you say and then we'll be --

18 MR. CHASIN: A demand for treatment of our particular
19 claim. And I'm quite prepared to simply stand on the objection
20 and, again, not burden the record.

21 THE COURT: All right. Then that's fine. I will take
22 you up on your generous offer, unless there's something else
23 other than the identification of specific critical vendors that
24 you have an objection to.

25 MR. CHASIN: No, Your Honor.

1 THE COURT: All right. Thank you.

2 Most megacases that I've seen have not identified
3 specific vendors. I've seen some identify vendors by category,
4 which is something that the debtors did here, and it was
5 something that I was acutely interested in because, obviously,
6 the payment of critical vendors is a very sensitive issue in
7 large cases. But given the explanation about the need for
8 those vendors to keep the airline flying and the agreement
9 between the debtors and the committee about expenditures, I
10 will overrule the objection and grant the request for relief.

11 MR. KAROTKIN: Thank you, Your Honor. Number 6 on the
12 agenda, Your Honor --

13 THE COURT: Did we skip 5?

14 MR. KAROTKIN: Oh, I'm sorry.

15 THE COURT: I don't know if that's an ominous note? I
16 hope not.

17 MR. KAROTKIN: Oh, I'm sorry. Yeah. Well, Your
18 Honor, maybe I can just do number 5, although I think -- is the
19 motion of the debtors for authorization pursuant to Section 365
20 of the Bankruptcy Code, to reject certain aircraft engine
21 leases. It's my understanding, Your Honor, that all of the
22 objections have been resolved and the resolutions are reflected
23 in the proposed order that you have.

24 THE COURT: That was my understanding as well from
25 communications with chambers. All right.

1 MR. KAROTKIN: And I think counsel is here; to the
2 extent there's any disagreement, they can speak up.

3 THE COURT: All right. I see someone lurking in the
4 wings, so let's hear from that party.

5 MR. WEINTRAUB: Good morning, Your Honor. Again,
6 William Weintraub of Friedman Kaplan Seiler & Adelman. I'm not
7 here to object; I just want to make sure that we've reached an
8 agreement with the debtor after the redline was submitted to
9 the Court. So I want to make sure that the order that is
10 submitted is the one that I agreed to on the 20th.

11 THE COURT: All right. I would imagine that's the
12 intent.

13 MR. HAHN: Your Honor, Richard Hahn of Debevoise &
14 Plimpton, special aircraft counsel to the debtors. Yes, I can
15 confirm that the order that was submitted yesterday reflects
16 resolution of all three of the objections.

17 THE COURT: All right.

18 Anyone else want to speak to this particular motion?
19 I see a gentleman making his way to the podium.

20 MR. EDELMAN: Your Honor, Michael Edelman, Vedder
21 Price. I just want to confirm on the record, we work with the
22 debtors. We represented Bank of American with respect to its
23 aircraft, Anchorage and four others -- and on four others we
24 represent parties with minority interest in the aircraft of the
25 debtors. We sent a revised markup to the rejection motion, and

1 the debtors were very cooperative and we worked together to
2 work out all the objections. We thought there were many in the
3 original motion but, with the revised order, we're -- we think
4 it's a good order --

5 THE COURT: All right.

6 MR. EDELMAN: -- and we consent to it.

7 THE COURT: Thank you.

8 All right. Anyone else?

9 (No response)

10 THE COURT: All right. With those agreements, and I
11 did see the substantial -- considerable changes to the order
12 and the backline, which I assume were all the ones that are
13 being talked about today, so I will grant that motion with the
14 order as submitted to me.

15 MR. KAROTKIN: Thank you, sir. Now number 6?

16 THE COURT: Yes.

17 MR. KAROTKIN: Number 6 is the motion of the debtors
18 for an order authorizing them to enter into agreements under
19 Section 1110 of the Bankruptcy Code and stipulations to extend
20 time to comply with Section 1110 and to file redacted
21 stipulations. There were two responses filed: one by GECAS;
22 one by U.S. National Bank. It's my understanding that those
23 have either been withdrawn or resolved. And the --

24 THE COURT: Oh, all right.

25 MR. KAROTKIN: -- proposed order reflects that as

1 well.

2 THE COURT: Let me just clarify that the last I had
3 heard was GECAS had been resolved but U.S. Bank National
4 Association had not; but I'm happy to hear that it has been.
5 But I don't know if there's anyone here from U.S. Bank to
6 clarify that for the record. I see someone making their way
7 forward.

8 MR. GOLDMAN: Yes, Your Honor. Ira Goldman of Shipman
9 & Goodwin for U.S. Bank National Association. And we can
10 confirm that the order reflects agreement.

11 THE COURT: How is the issue of confidentiality of
12 these stips resolved? I assume that that remains -- that
13 confidentiality provision remains; is that correct?

14 MR. GOLDMAN: Yes, that was not changed.

15 THE COURT: All right.

16 All right, I think that that is a sensible solution
17 given how it was handled by Judge Glenn in Mesa Airlines, Judge
18 Beatty in Delta, and Judge Wedoff in United. So with that
19 resolution, I will grant the motion.

20 MR. KAROTKIN: Thank you, sir. Number 7 is the
21 debtors' proposed order with respect to notice and case
22 management procedures. I believe the only objection to that,
23 Your Honor, related to the Sabre motion to modify the stay --
24 we've resolved the Sabre motion to modify the stay, so I
25 believe that, as a result, they've withdrawn their objection to

1 number 7. And I know counsel from Cleary is here and can
2 confirm that. And we can -- we have submitted to Your Honor a
3 proposed order with respect to number 8, which is the Sabre
4 motion to modify the stay. So those two sort of go hand in
5 hand.

6 THE COURT: Work together. Okay.

7 MR. KAROTKIN: Yes.

8 THE COURT: All right.

9 Is somebody here who wants to address that on behalf
10 of Sabre?

11 MS. SCHWEITZER: Good morning, Your Honor. Lisa
12 Schweitzer from Cleary Gottlieb, for Sabre. The debtors are
13 correct that if in fact the relief were granted and the stay
14 were lifted for -- as a result of Sabre's motion, and the
15 proposed order were granted, we would be amenable to
16 withdrawing our objection to the case management order.

17 THE COURT: And that has been worked out; that is,
18 number 8 has been worked out?

19 MS. SCHWEITZER: Yeah. The order, I understand, has
20 been submitted to Your Honor, and the committee and the debtors
21 were -- and we have all consented to the form of order.

22 THE COURT: All right.

23 All right, number 8 is fine. I just had -- and,
24 again, I realize you modeled this after, I think, something
25 that I had done in another case. I wanted to tweak one

1 provision in the cash management order and bring another one to
2 folks' attention, just a vehicle. And the one to bring to
3 folks' attention is telephonic appearances. I am -- I consider
4 myself fairly accommodating about telephonic appearances, but
5 there are procedures in here to make telephonic appearances,
6 which means advance notice, which is not the morning of the
7 hearing; there's enough things going on. So I'd ask that folks
8 comply with those procedures about getting advanced clearance
9 for telephonic appearances. We really don't want to be doing
10 those things as we're trying to get ready for hearings, and
11 that's why they are set up that way. So if folks don't, they
12 do run the risk of being asked to come down to the courthouse,
13 so -- which isn't the worst thing in the world, but I'd ask
14 that people pay attention to those. We did get a lot of last-
15 minute requests to appear on the phone.

16 And the second is as to paragraph 27, which deals with
17 agreements to extend time. The language in the proposed order
18 says that if an extension is agreed upon, the movant shall
19 provide oral notice of the extension to chambers, and I want to
20 tweak that to say "shall obtain approval from chambers". I did
21 see that there was a change in here that relates to replies
22 being done, I think, three days before the hearing, and that
23 was worked out with the committee. And I think that that's a
24 useful thought, because I want to make -- again, consistent
25 with my opening comment, I want to make sure that I have enough

1 time to read everything substantive, give it consideration. If
2 you all work it out after that, that's fine; I won't complain
3 about that.

4 So what is important is to keep chambers in the loop.
5 Again, I think we'll be fairly accommodating about that. If
6 you say you're trying to work things out, we're all in favor of
7 that. But at the same time, I sort of know what I should shift
8 my attention to and what I should hold off on working on. So
9 I'd ask that folks continue to work together in terms of
10 scheduling, but you've got to keep chambers in the loop. And,
11 again, I would hate to have a situation where someone said
12 'Well, you know, we filed at the last second but everybody' -
13 'we thought it was okay' and, you know, I haven't read it. So
14 I'd ask that that change be made to the order and that folks be
15 mindful of that, just so you can get the appropriate
16 substantive consideration that you're entitled to.

17 MR. KAROTKIN: Okay, we will revise paragraph 27 --

18 THE COURT: Yes.

19 MR. KAROTKIN: -- to reflect that, and submit a
20 revised order to Your Honor.

21 THE COURT: All right. Thank you.

22 MR. KAROTKIN: I believe that concludes the matters on
23 the agenda, Your Honor.

24 THE COURT: All right, anything else that anyone wants
25 to address before we finish for the year, knock wood?

1 All right, sir.

2 I see somebody has a hand raised.

3 So you've got to find a microphone.

4 MR. TABASHNIK: There, or --

5 THE COURT: Any microphone will do --

6 MR. TABASHNIK: Thank you, Your Honor.

7 THE COURT: -- as long as you have one. Just, sir, if
8 you would just let me know your name --

9 MR. TABASHNIK: Yes, of course.

10 THE COURT: -- so we can get it for the record.

11 And --

12 MR. TABASHNIK: Of course.

13 THE COURT: -- and what your business is.

14 MR. TABASHNIK: Okay. Of course. Good morning, Your
15 Honor. My name is Simon Mark Tabashnik, also known as Mark
16 Tabashnik. And I am representing myself in propria persona.
17 I'm also a nonsubstantial shareholder in American Airlines.

18 THE COURT: All right, sir, what I --

19 MR. TABASHNIK: Yes?

20 THE COURT: -- what I want to explain to you before
21 you start, because this --

22 MR. TABASHNIK: Yes.

23 THE COURT: -- may apply to your remarks, I don't know
24 if you were here at the beginning of the hearing; I'm trying to
25 set up a procedure where everybody can get their motions and

1 requests heard. But one of the things that's important in
2 court is that essentially I have some notice of what -- if
3 anyone's requesting any relief, that essentially has to be
4 noticed out to folks so that they can respond; the debtors can
5 respond if it relates to the debtors. There are various other
6 folks who are interested parties.

7 MR. TABASHNIK: Of course.

8 THE COURT: And so I don't know if you've submitted
9 anything to the Court, or not, a written document or not?

10 MR. TABASHNIK: Well, I'd like to explain, Your Honor.

11 THE COURT: All right. If I remember correctly, you
12 had requested an equity committee; is that right?

13 MR. TABASHNIK: That's correct, Your Honor.

14 THE COURT: All right. And I think I mentioned that
15 early -- you were one of the pleadings I mentioned early on
16 first thing --

17 MR. TABASHNIK: I wasn't here earlier.

18 THE COURT: Oh, all right. Well, Mr. Tabashnik, I
19 think we actually have addressed your request, but let me
20 explain to you what was said at the beginning of the hearing
21 and we can take it from there.

22 MR. TABASHNIK: Okay.

23 THE COURT: You had sent a letter requesting an equity
24 committee.

25 MR. TABASHNIK: That's correct.

1 THE COURT: And the way this works in this courthouse
2 is that's something that's considered in the first instance by
3 the U.S. Trustee's Office.

4 MR. TABASHNIK: I understand.

5 THE COURT: And so they have your request and they
6 have solicited comments; I think that was explained by Mr.
7 Masumoto from the U.S. Trustee's Office. And they will
8 consider that in the first instance. So right now there's
9 nothing for me to do. Certainly there could be something for
10 me to do pertaining to your request later on, after the U.S.
11 Trustee does what it's going to do and makes a decision. But
12 that request, in the first instance, I don't rule on. The U.S.
13 Trustee looks at your request and makes a decision.

14 So, Mr. Masumoto, I don't know if you want to add
15 anything.

16 MR. MASUMOTO: That's correct, Your Honor. We did get
17 Mr. Tabashnik's earlier request and, as Mr. Miller had
18 indicated, we solicited the responses both from the debtors and
19 the creditors' committee. We had set today as the final date
20 for responses. We have already received the debtors' response
21 and we're awaiting the committee's response. In the meantime,
22 prior to receiving the committee's response, we received a
23 second e-mail communication -- well, an e-mail communication
24 from Mr. Tabashnik responding to the debtors' response and
25 requesting additional time to evaluate the response. We were

1 in the process of communicating with Mr. Tabashnik to advise
2 him that he should also expect a response by the creditors'
3 committee and that he may want to consider that before
4 responding to both the debtors' and the committee's response.

5 THE COURT: All right. That sounds sensible.

6 So what I think that means, sir, is, for purposes of
7 today, there's nothing for me to look at.

8 MR. TABASHNIK: Okay.

9 THE COURT: It's going to be addressed by the U.S.
10 Trustee's Office. And then certainly you, like any other
11 citizen, has a right to file a motion, an appropriate motion.
12 And what I said early on is that, as those motions come in,
13 what I'm going to do is tee them up for hearing like any other
14 motion in the case and so that everybody gets their day in
15 court, and we'll handle it that way.

16 MR. TABASHNIK: I appreciate that. I just wasn't
17 here --

18 THE COURT: Absolutely.

19 MR. TABASHNIK: -- earlier this morning. I had
20 some --

21 THE COURT: No, that's fair enough.

22 MR. TABASHNIK: -- other obligations.

23 THE COURT: Absolutely. That's fine. And so -- but I
24 do want to explain, as you can see, even without you here, it's
25 something I take very seriously and want to make sure this is a

1 procedure to address these sorts of things in this case.

2 MR. TABASHNIK: Is there any way at this point that I
3 can respond to the letter from Debtors' counsel?

4 THE COURT: No, because it's not -- again, the U.S.
5 Trustee makes that decision in the first instance, so it's not
6 in front of me. So it doesn't make any sense to give me the
7 response. What I think Mr. Masumoto was saying is any response
8 that you want to make to the debtors or the eventual committee
9 submission, you can respond to that. You've sent it to the
10 U.S. Trustee's Office; they'll make a decision. And, again,
11 there could be some motion that you want to file at some point
12 down the line, and then at that point when I have a motion in
13 front of me, that's when we can have a conversation about the
14 circumstance.

15 MR. TABASHNIK: All right. That's fine. Thank you
16 for your consideration, Your Honor.

17 THE COURT: Absolutely. My pleasure.
18 Anything else?

19 MR. MILLER: No, Your Honor. Just to wish Your Honor
20 a Merry Christmas and a Happy New Year.

21 THE COURT: Well, thank you very much. Happy Holidays
22 to you all.

23 IN UNISON: Thank you, Your Honor.

24 (Whereupon these proceedings were concluded at 11:27 AM)

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I N D E X

RULINGS

	Page	Line
Stipulations relating to claimants in connection with an accident that occurred several years ago, approved.	32	18
Stipulation and agreement and order between American Airlines and Morgan Stanley, approved.	33	3
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, granted.	43	5

		Page	Line
1			
2	RULINGS (cont'd.)		
3			
4	Motion of Debtors for Entry of Order	44	17
5	Pursuant to 11 U.S.C. Sections 105(a) and		
6	363(c) (i) Authorizing the Debtors to Pay		
7	and Honor Prepetition Obligations to		
8	Customers and to Otherwise Continue Customer		
9	Programs and Practices in the Ordinary Course		
10	of Business, and (ii) Authorizing and		
11	Directing the Disbursement Banks to Honor and		
12	Process Related Checks and Transfers, granted.		
13			
14	Motion of Debtors for Entry of Order	44	24
15	Pursuant to 11 U.S.C. Sections 105 and		
16	363(b) Authorizing Payment of Prepetition		
17	(i) Claims of Independent Contractors and		
18	(ii) Claims Related to Improvement Projects,		
19	granted.		
20			
21	Motion of Debtors for Entry of Order	45	10
22	Pursuant to 11 U.S.C. Sections 105 and		
23	363(b) Authorizing Payment of Certain		
24	Prepetition (i) Shipping and Delivery		
25	Charges, granted.		

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RULINGS (cont'd.)

Page Line

Motion of Debtors for Entry of Order 45 20

Pursuant to 11 U.S.C. Sections 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, granted.

Motion of Debtors for Entry of Order 46 9

Pursuant to 11 U.S.C. Section 365(a) and
Fed. R. Bankr. P. 6006 Approving Assumption
of Certain Executory Credit Card and Payment
Agreements, granted, except as to the
co-branded Citibank credit card agreement
and certain related agreements.

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RULINGS (cont'd.)

Page Line

Motion of Debtors for Entry of Order 46 20

Pursuant to 11 U.S.C. Sections 105(a), 362,
363, and 553 (i) Authorizing, But Not
Directing, Fuel Supply Parties to Apply
Prepetition Prepayments and Credits to
Prepetition and Postpetition 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, granted.

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RULINGS (cont'd.)

Page Line

Motion of Debtors for Entry of Order (i) 47 5
Pursuant to 11 U.S.C. Sections 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. Sections 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. Section 362
Modifying the Automatic Stay to the Extent
Necessary to Effectuate the Requested Relief,
granted.

		Page	Line
1	RULINGS (cont'd.)		
2			
3	Motion of Debtors for Entry of Order	47	13
4	Pursuant to 11 U.S.C. Sections 105(a), 363,		
5	and 364(c) (i) Authorizing, But Not		
6	Directing, Debtors to Enter Into, Modify,		
7	Continue Performance Under, and Provide		
8	Credit Support Under, Derivative Contracts,		
9	and (ii) Scheduling Final Hearing, granted.		
10			
11	Motion of Debtors for Entry of Order	47	21
12	Pursuant to 11 U.S.C. Sections 363, 364 and		
13	365 Authorizing Debtors to (a) Continue and		
14	Renew Their Letter of Credit and Surety		
15	Bond Programs, (b) Continue Corporate Credit		
16	Card Program, and (c) Assume a Certain		
17	Executory Contract, granted.		
18			
19	Second Omnibus Motion of Debtors for Entry	48	4
20	of Order Pursuant to 11 U.S.C. Section		
21	Section 365(a) and 554(a) Authorizing (i)		
22	Rejection of Certain Unexpired Leases of		
23	Nonresidential Real Property and (ii)		
24	Abandonment of Certain Property of the Estate,		
25	granted.		

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RULINGS (cont'd.)

	Page	Line
Motion of Debtors for An Order Authorizing and Establishing Procedures for Approval of Certain Postpetition Aircraft Purchases from the Boeing Company and Certain Related Sale Leaseback or Financing Transactions, granted.	48	17
Motion of Debtors for Entry of Order Pursuant to 11 U.S.C. Sections 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, granted.	52	21

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RULINGS (cont'd.)

Page Line

Motion of Debtors for Entry of Order

66 5

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, adjourned to

January 27, 2012.

Motion of Debtors for Entry of Order

69 10

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, granted.

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RULINGS (cont'd.)

	Page	Line
Debtors' First Omnibus Motion for Authorization Pursuant to Section 365 of the Bankruptcy Code and Bankruptcy Rule 6006 to Reject Certain Aircraft and Engine Leases, granted.	71	13
Motion for an Order Authorizing the Debtors to (i) Enter Into Agreements Under Section 1110(a) of the Bankruptcy Code, (ii) Enter into Stipulations to Extend the Time to Comply with Section 1110 of the Bankruptcy Code and (iii) File Redacted Section 1110(b) Stipulations, granted.	72	19

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

I, Clara Rubin, certify that the foregoing transcript is a true and accurate record of the proceedings.

Clara Rubin

Digitally signed by Clara Rubin
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CLARA RUBIN (CET**D-491)

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Date: December 23, 2011