

Hearing Date and Time: December 12, 2013 11:00 a.m.
Reply Deadline: December 5, 2013 4:00 p.m.

**PLEASE CAREFULLY REVIEW THIS OBJECTION TO DETERMINE
WHETHER THIS OBJECTION AFFECTS YOUR CLAIM(S)**

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Special Aircraft Attorneys for
Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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	:	
In re	:	Chapter 11 Case No.
	:	
AMR CORPORATION, et al.,	:	11-15463 (SHL)
	:	
Debtors.	:	(Jointly Administered)
	:	
-----	X	

NOTICE OF DEBTORS' 118th OMNIBUS OBJECTION
TO CLAIM NOS. 6502 AND 6503
(Aircraft Owner Trustee Claims, Amounts Not Due)

PLEASE TAKE NOTICE that a hearing on the annexed 118th Omnibus Objection to Claims, dated November 12, 2013 (the "**Objection**"), of AMR Corporation and its related debtors, as debtors and debtors in possession (collectively, the "**Debtors**"), will be held before the Honorable Sean H. Lane, United States Bankruptcy Judge, in Room 701 of the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**"), One Bowling Green, New York, New York 10004, on **December 12, 2013 at 11:00 a.m. (Eastern Time)**, or as soon thereafter as counsel may be heard.

**PARTIES RECEIVING THIS NOTICE SHOULD REVIEW
THE FIRST PAGE OF THE OBJECTION TO SEE IF
THEIR NAME AND/OR CLAIM(S) ARE LISTED.**

PLEASE TAKE FURTHER NOTICE that any responses to the Objection (the “**Responses**”) must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, and shall be filed with the Bankruptcy Court (a) by registered users of the Bankruptcy Court’s case filing system, electronically in accordance with General Order M-399 (which can be found at <http://nysb.uscourts.gov>) and (b) by all other parties in interest, on a 3.5 inch disk, in text-searchable portable document format (PDF) (with a hard copy delivered directly to Chambers), in accordance with the customary practices of the Bankruptcy Court and General Order M-399, to the extent applicable, and served in accordance with General Order M-399 and on (i) the special aircraft attorneys for the Debtors, Debevoise & Plimpton LLP, 919 Third Avenue, New York, New York 10022 (Attn: Jasmine Ball, Esq.), (ii) the attorneys for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Stephen Karotkin, Esq.), (iii) the Debtors, c/o AMR Corporation, 4333 Amon Carter Boulevard, MD 5675, Fort Worth, Texas 76155 (Attn: Kathryn Kooreny, Esq.), and (iv) the attorneys for the statutory committee of unsecured creditors, Skadden, Arps, Slate, Meagher & Flom LLP, 155 North Wacker Drive, Chicago, Illinois 60606 (Attn: John Wm. Butler, Jr., Esq.) and Four Times Square, New York, New York 10036 (Attn: Jay M. Goffman, Esq.), so as to be received no later than **December 5, 2013 at 4:00 p.m. (Eastern Time)** (the “**Response Deadline**”).

PLEASE TAKE FURTHER NOTICE that if no Responses are timely filed and served with respect to the Objection, the Debtors may, on or after the Objection Deadline, submit to the Bankruptcy Court an order substantially in the form of the proposed order annexed to the Objection, which order may be entered with no further notice or opportunity to be heard.

Dated: New York, New York
November 12, 2013

By: /s/ Jasmine Ball
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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
In re : **Chapter 11 Case No.**
: **AMR CORPORATION, et al.,** : **11-15463 (SHL)**
: **Debtors.** : **(Jointly Administered)**
-----X

DEBTORS' 118th OMNIBUS OBJECTION TO CLAIM NOS. 6502 AND 6503
(Aircraft Owner Trustee Claims, Amounts Not Due)

**THIS OBJECTION SEEKS TO DISALLOW AND EXPUNGE CERTAIN FILED
PROOFS OF CLAIM OF A SINGLE CLAIMANT. THE CLAIMANT RECEIVING
THIS OBJECTION SHOULD LOCATE ITS NAME AND CLAIMS BELOW.**

This Objection Relates to:

Claim Nos.: 6502 and 6503 (each a "Claim" and together, the "Claims")¹
Classification: Unsecured
Filed by: Wilmington Trust Company, not in its individual capacity
but as owner trustee (the "Claimant")
Tail Number(s): N7531A and N7532AA
(each an "Aircraft" and together, the "Aircraft")

¹ Each ground for objection on pages 6-9 hereof applies to each claim.

AMR Corporation and its related debtors, as debtors and debtors in possession (collectively, the “**Debtors**”), hereby submit this objection (the “**Objection**”) to the above-referenced Proofs of Claim, and seek entry of an Order pursuant to section 502(b)(1) of Title 11 of the United States Code (the “**Bankruptcy Code**”), disallowing or reducing the Claims for the reasons stated herein.

I. Background and Jurisdiction

1. On November 29, 2011, each of the Debtors commenced with this Court a voluntary case under chapter 11 of the Bankruptcy Code. The Debtors’ plan of reorganization has tentatively been confirmed but has not taken effect pending the resolution of other matters.

2. The Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334 and Rule 3007 of the Federal Rules of Bankruptcy Procedure. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The Claims arise out of leveraged lease financing transactions. The typical features of a leveraged lease are described in Part II, and the Claims are described more fully in Part III. The grounds for objection to the Claims are set forth in Parts IV and V.

II. The Components of Leveraged Leases

4. A leveraged lease is a tax-driven financing structure. A typical leveraged lease transaction includes the following features:²

(a) The parties enter into a master agreement (called a “**Participation**

² As to the typical features of leveraged lease transactions and their purposes, *see generally* *Northwestern Mutual Life Ins. Co. v. Delta Air Lines, Inc. (In re Delta Air Lines, Inc.)*, 608 F.3d 139, 142-143 (2d Cir. 2010); *In re Northwest Airlines Corp.*, 393 B.R. 337, 340-341 (Bankr. S.D.N.Y. 2008); *Philip Morris Capital Corp. v. Kmart Corp.*, 2007 U.S. Dist. LEXIS 79531, *1-5 (N.D. Ill. 2007); *Gen’l Foods Credit Corp. v. United Air Lines, Inc. (In re UAL Corp.)*, 2007 U.S. Dist. LEXIS 5422, *1-6 (N.D. Ill. 2007).

Agreement”) that, among other things, specifies the roles of the parties and identifies the other agreements that are to be executed.

(b) The entity that is to be treated as the owner of an aircraft for income tax purposes (the “**Owner Participant**”) establishes a trust (the “**Owner Trust**”) to acquire the aircraft and to borrow some of the money needed to do so. A bank typically serves as the trustee (the “**Owner Trustee**”) of the Owner Trust, and the Owner Participant is the beneficial owner of the Owner Trust.

(c) The Owner Trust finances its acquisition of aircraft through (i) an equity contribution from the Owner Participant and (ii) borrowings from one or more lenders (the “**Lenders**”). In some transactions, a pass through trustee is used to facilitate the financing. The pass through trust purchases notes issued by the Owner Trust, which it acquires with the proceeds received from selling pass through certificates to investors. Those pass through certificates represent beneficial interests in the pass through trust.

(d) The Owner Trust enters into an aircraft lease (the “**Lease**”) with a lessee. Basic rent payments are calculated in amounts that are sufficient to amortize the debt payments to the Lenders, and sometimes to provide a cash return – referred to as “equity free cash” – for the Owner Participant.

(e) To provide collateral for the financing, the Owner Trust enters into a trust indenture or other security agreement (the “**Indenture**”), pursuant to which it grants a security interest in the aircraft and assigns the relevant Lease and recoveries thereunder to a trustee (the “**Loan Trustee**”) for the benefit of the Lenders. The Loan Trustee receives the lease rentals, deducts debt payments and any other amounts due to the Lenders or to the Loan Trustee itself, and distributes the excess (if any) to the Owner Trustee. The

Indenture entitles the Loan Trustee to control the exercise of remedies upon the occurrence of an event of a default.

5. Leveraged lease transactions provide significant income tax benefits to Owner Participants. The Owner Trust is a “grantor trust” whose existence is ignored for income tax purposes. As a result, the Owner Participant in a leveraged lease transaction is entitled to take accelerated depreciation deductions based on the entire acquisition price of an aircraft. Those tax deductions are offset by taxable income that the Owner Participant must recognize over the life of the transaction, because rental payments (including the portion of the rental payments that are used to repay the outstanding principal amounts of the borrowed funds) must be treated as taxable income to the Owner Participant. However, the timing difference between the accelerated tax deductions and the offsetting taxable income that will be incurred upon the receipt of future rent payments is of significant benefit to the Owner Participant or to the consolidated tax group of which the Owner Participant is a member.

6. Leases in leveraged lease transactions typically provide for the recovery of a minimum “stipulated loss value” or “termination value” (“**SLV**”) as a result of the exercise of remedies following a default by the Lessee. SLV is determined by reference to a schedule attached to the Lease. SLV is an amount that declines over time and that is calculated (i) to permit the payoff of the remaining debt, (ii) to allow the Owner Participant to earn an agreed-upon return through the date of termination, and (iii) to compensate the Owner Participant for the adverse tax consequences of a foreclosure or other sale following a default. The amounts actually recovered through the sale or other disposition of an aircraft following a Lease default are deducted from SLV in determining the amount owed by the Lessee.

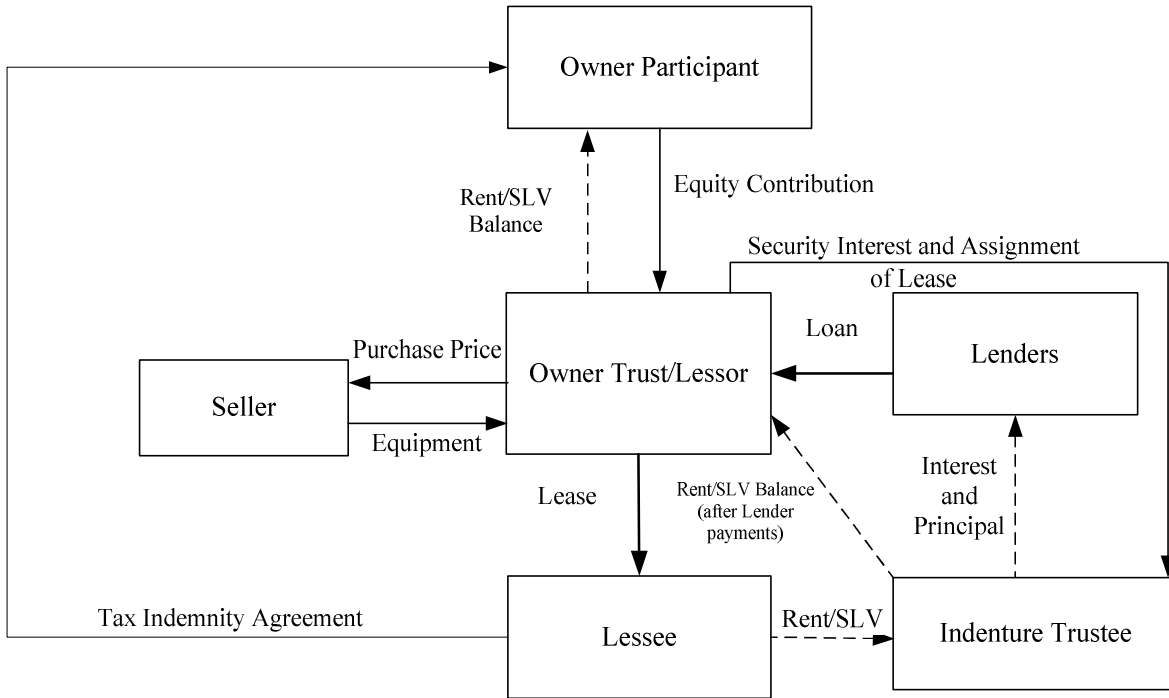
7. Lessees in leveraged lease transactions usually enter into Tax Indemnity

Agreements (“TIAs”) with Owner Participants. TIAs differ significantly in the matters for which they provide coverage and the circumstances in which they apply. As a general matter, TIAs provide indemnification to an Owner Participant if the Owner Participant incurs a tax “Loss.” However, the definition of the types of tax consequences that qualify as a “Loss” differs from one TIA to another. TIAs also typically provide that an Owner Participant is only entitled to indemnity if a Loss results from certain particular, specified causes.

8. TIAs apply in many circumstances, including many instances in which SLV is recoverable. Since the SLV computations already include the amounts necessary to compensate Owner Participants for their tax losses, TIAs typically provide that no indemnity is owed under the TIA if SLV is payable, though the language of such exclusions differs significantly from one TIA to another. TIAs also typically specify other causes of “Losses” that are excluded from coverage and for which no indemnity is provided.

9. A diagram of a typical leveraged lease structure is set forth below:

Leveraged Leases



III. The Claims

10. The Claims were filed by Wilmington Trust Company, not in its individual capacity but solely as owner trustee (the “**Claimant**”), which is the Owner Trustee in the leveraged lease financing transactions relating to the Aircraft. The Claims are substantially identical to each other. The relevant portions of the operative documents that govern those Claims are substantially similar.

11. Each of the Claims asserts an amount pursuant to the terms of the Lease for a “Liquidated Damages Claim,” the nature of which is not identified in the Claims.

12. Each Claim also asserts that an unliquidated and contingent amount is owed pursuant to the “General Indemnity Provisions” of the underlying Participation Agreements. Again, the nature of such amount is not identified in the Claims.

13. Each Claim is objectionable to the extent it seeks any “Liquidated Damages Claim” for the reasons set forth in Part IV. The remainder of each Claim is objectionable for the

reasons set forth in Part V.

IV. The Liquidated Damages Claims Should Be Withdrawn or Disallowed and Expunged

A. *The Claimant is Not the Party Entitled to Assert Claims Under the Lease.*

14. The Claimant has no right to collect the amounts allegedly due and owing under the Leases. All rights to collect payments due and owing under each Lease, including the rights to assert claims for stipulated loss value or termination value, were assigned to an Indenture Trustee, and such Indenture Trustee has entered into a settlement of such claims for stipulated loss value or termination value or other amounts allegedly due and owing under the related Lease with the Debtors. Set forth below are the allowed claims granted to the Indenture Trustees, or transferee of such Indenture Trustees, related to such Lease claims.

<u>Claim Number</u>	<u>Aircraft FAA Registration Number</u>	<u>Allowed Lease Related Claim With Respect to Aircraft</u>	<u>Amount of Allowed Lease Related Claim With Respect to Aircraft</u>
6502	N7531A	13193	\$6,829,736
6503	N7532A	7435	\$7,089,380

The Claimant therefore does not have the right to assert such Claims and each Claim should be disallowed and expunged to the extent that the Claimant seeks recovery of any amounts or damages under the Lease.

V. Objections to the General Indemnity Portion of the Claims

15. The general indemnity portions of the Claims are objectionable for the following reasons.

A. *Fees and Expenses*

16. The Claims seek to recover fees and expenses incurred by the Claimant. Claimant contends that it is entitled to the reimbursement of such fees and expenses pursuant to the

“General Indemnity Provisions” in the governing Participation Agreements.

17. The Claims seek fees and expenses but has not specified the actual amount of such fees and expenses that the Claimant seeks. The Claims for fees and expenses are therefore unliquidated and should be disallowed unless and until the amount of such claims are specified and unless such amounts are determined to be proper.

18. Moreover, the fees and expenses sought by the Claimant are not supported by any information to verify that such fees and expenses (a) were actually incurred in connection with matters for which the Claimant is entitled to recover fees and expenses, (b) were actually paid by Claimant, and (c) were reasonable and appropriate. Among other grounds, the Debtors object to the Claims pursuant to section 502(b)(1) of the Bankruptcy Code and Bankruptcy Rule 3001(c), which provides in pertinent part that “[w]hen a claim . . . is based on a writing, the original or duplicate shall be filed with the proof of claim.” The Claims should be disallowed and expunged to the extent that they seek recovery for fees and expenses unless such documentation is provided and unless such documentation demonstrates that the Claims for fees and expenses are valid and reasonable in amount.

19. In addition, the Claimant has asserted Claims with respect to multiple Aircraft. To the extent that Claimant contends that it is entitled to recover fees and expenses with respect to a number of separate transactions, the total of such claims cannot exceed the amount of fees and expenses that the Claimant actually has incurred. The Claims should be disallowed to the extent that they seek fees and expenses that are also covered by other claims filed by the same Claimant, unless and to the extent that such fees and expenses are allocated proportionately among the claims or otherwise adjusted to prevent double-counting or excessive claims.

B. General Indemnity

20. The Claims also assert rights to recover “losses,” including liabilities, obligations,

damages and penalties, under the “General Indemnity Provision” in the agreements that govern the transactions out of which the Claims arise.

21. The Claims do not identify the nature or amount of the “losses” sought, the circumstances under which they were incurred or the manner in which the General Indemnity provisions allegedly provide coverage for such “losses”. The Claims should be disallowed and expunged to the extent that they seek recovery of losses unless appropriate documentation is provided and unless such documentation demonstrates that these portions of the Claims are valid.

RESERVATIONS OF OTHER OBJECTIONS

22. The Debtors reserve all other objections to the Claims that they may have, including without limitation any further objection that becomes apparent in the course of discovery or in the course of litigating the foregoing objections.

WHEREFORE the Debtors respectfully request that the Claims be disallowed and expunged (to the extent not withdrawn by the Claimant); that, in the alternative, the Claims be reduced; and that the Court grant such other and further relief as may be just and proper.

Dated: New York, New York
November 12, 2013

By: /s/ Jasmine Ball
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and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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:
In re : **Chapter 11 Case No.**
:
AMR CORPORATION, et al., : **11-15463 (SHL)**
:
Debtors. : **(Jointly Administered)**
:
----- X

ORDER GRANTING DEBTORS' 118th OMNIBUS OBJECTION TO CLAIMS
(Aircraft Owner Trustee Claims, Amounts Not Due)

Upon the 118th omnibus objection to claims, dated November 12, 2013 (the “**118th Omnibus Objection to Claims**”),³ of AMR Corporation and its related debtors, as debtors and debtors in possession (collectively, the “**Debtors**”), pursuant to section 105(a) of the Bankruptcy Code, Bankruptcy Rule 3007(d), and the Claim Objection Procedures Order [ECF No. 4654], seeking entry of an order disallowing and expunging the Claims on the grounds that the claims are not due and payable, all as more fully described in the 118th Omnibus Objection to Claims; and due and proper notice of the 118th Omnibus Objection to Claims having been provided, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the 118th Omnibus Objection to Claims (the “**Hearing**”); and upon the record of the Hearing and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the 118th Omnibus Objection to Claims is in the best interests of the Debtors, their estates, creditors, and all parties in interest, and that the

³ Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Debtors’ 118th Omnibus Objection to Claims.

legal and factual bases set forth in the 118th Omnibus Objection to Claims establish just cause for the relief granted; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the relief requested in the 118th Omnibus Objection to Claims is granted to the extent provided herein; and it is further

ORDERED that, pursuant to section 502(b) of the Bankruptcy Code, the claims set forth in the 118th Omnibus Objection to Claims are disallowed and expunged; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from or related to this Order.

Dated: New York, New York
_____, 2013

United States Bankruptcy Judge