

BUSINESS REORGANIZATION AND CREDITORS' RIGHTS

Alert

November 2011

American Airlines Files for Bankruptcy

Earlier today AMR Corporation, its subsidiary American Airlines, Inc., and 18 other affiliates ("Debtors") filed petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York in Manhattan.¹ The case was assigned to Bankruptcy Judge Sean H. Lane. The Debtors have asked the Court to consolidate all 20 cases for procedural purposes under the caption *In re: AMR Corporation*, Case No. 11-15463.

As of September 30, 2011, the Debtors and their non-debtor affiliates report consolidated assets of approximately \$24.7 billion and consolidated liabilities of approximately \$29.6 billion. As of November 25 they had \$4.1 billion of unrestricted cash and short-term investments. The Debtors' pre-petition debt is comprised primarily of funded debt (i.e., bonds and notes) but also includes amounts due to airports, municipalities and trade creditors.

The Debtors maintain that their bankruptcy filing is the result of, among other things, the competitive advantages achieved by their peer airlines in Chapter 11. According to the Debtors, "AMR has been the only major network carrier that has not sought the relief afforded by chapter 11 to restructure operating costs and liabilities." While cost-cutting efforts to avoid bankruptcy provided "an opportunity to return to prosperity and success with competitive costs," such efforts were ultimately insufficient in the face of the "dramatically improved balance sheets and dramatically reduced costs" achieved by AMR's major competitors post-bankruptcy.

As is typical in most large Chapter 11 cases, the Debtors filed an array of "first day" motions with their petitions. They sought Bankruptcy Court authority to pay the claims of critical trade vendors, pay accrued wages and other claims of employees and continue to honor certain customer programs (e.g., mileage award programs). For some creditors, the first-day motions are ministerial and of little concern, but for other others certain of the relief requested by the Debtors may have more significance. Notably absent from the first-day filings is a request for approval of "DIP financing."

We intend to monitor this bankruptcy closely. If you would like to discuss the AMR cases, please contact any of the attorneys in our Business Reorganization and Creditors' Rights Group. ♦

Endnotes

1 The Debtors are: AMR Corporation; American Airlines, Inc.; American Airlines Realty (NYC) Holdings, Inc.; AMR Eagle Holding Corporation; Americas Ground Services, Inc.; PMA Investment Subsidiary, Inc.; SC Investment, Inc.; American Eagle Airlines, Inc.; Executive Airlines, Inc.; Executive Ground Services, Inc.; Admirals Club, Inc.; Business Express Airlines, Inc.; Reno Air, Inc.; AA Real Estate Holding GP LLC; AA Real Estate Holding L.P.; American Airlines Marketing Services LLC; American Airlines Vacations LLC; American Aviation Supply LLC; and American Airlines IP Licensing Holding, LLC.

If you would like more information about this alert, please contact one of the following attorneys or call your regular Patterson contact.

David W. Dykhouse	212.336.2850	dwdykhouse@pbwt.com
Daniel A. Lowenthal	212.336.2720	dalowenthal@pbwt.com
Brian P. Guiney	212.336.2305	bguiney@pbwt.com

IRS Circular 230 disclosure: Any tax advice contained in this communication (including any attachments or enclosures) was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed in this communication. (The foregoing disclaimer has been affixed pursuant to U.S. Treasury regulations governing tax practitioners.)

This alert is for general informational purposes only and should not be construed as specific legal advice.

To subscribe to any of our publications, call us at 212.336.2186, email info@pbwt.com, or sign up on our website, www.pbwt.com/resources/publications. To unsubscribe, please send an email to info@pbwt.com with the subject: **unsubscribe**.

Patterson Belknap Webb & Tyler LLP

1133 Avenue of the Americas New York, NY 10036-6710 212.336.2000 www.pbwt.com
This publication may constitute attorney advertising in some jurisdictions. ©2011 Patterson Belknap Webb & Tyler LLP 11/11 #0655