



# **Aircraft Mechanics Fraternal Association**

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## **ATA Bankruptcy Update**

One of the most important issues that have arisen since the beginning of the Bankruptcy Court proceedings involves the proposed transaction with AirTran Airways.

ATA and AirTran Airways executed a commitment letter, agreeing to negotiate an asset acquisition agreement. In addition, ATA filed proposed bid procedures that provide that ATA is willing to consider offers to enter into one or more transactions in addition to, or in place of, the AirTran transaction for the transfer of all, or any substantial part of ATA's assets.

The proposed bid procedures set forth certain requirements for the contents of any bid. These included, for example, a requirement that any bid must include a good faith deposit in an amount equal to ten percent of the bid value. **However, the proposed bid procedures did not include any requirement that the bidder include a statement of its intent to preserve the jobs of ATA employees. As a result, we filed a detailed objection to the bid procedures.**

We submitted in our objection that the proposed bid procedures failed to satisfy one of the legislative purposes of Chapter 11 reorganization – **namely the preservation of jobs** – by not requiring that bids include a statement of the bidder's intent to preserve the jobs of ATA employees. Further, we stated that the AirTran agreement to merely undertake “**good faith efforts**” to employ Debtor's employees lacks the necessary specificity to determine AirTran's commitment to job preservation.

As a result of our objection, ATA filed revised bid procedures, which contain the following two new requirements:

1. Qualified Bids should include a statement of the intent of the Qualified Bidder with respect to offering employment to employees of the Debtors; and
2. If there is a bid that includes the transfer of ATA's Chicago Midway Airport Lease, the City of Chicago, in deciding whether to consent to the transfer, may consider whether a Qualified Bidder has committed to maintain a level of employment at Midway and a level of utilization of the Midway gates equal to or greater than the levels that AirTran has committed to.

The proposed bid procedures must be approved by the Bankruptcy Court. Hearings on the bid procedures motion continue on Thursday, November 18, 2004.

The judge heard other motions that do not significantly impact upon the AMFA members:

The first motion pertained to National City Bank. The attorney for National City Bank requested that Judge Lorch allow the bank to pay certain vendors out of a number of bank accounts and honor checks drawn on these same accounts. He based this request on the fact that the total

amount evidenced in a letter of credit was six million dollars (\$6,000,000.00) and the outstanding amounts due and payable, to these vendors was far less than this amount. As a result, Judge Lorch granted the Bank's motion and authorized ATA to pay these vendors.

The next item pertained to a specific vendor, Alter Electronics. The Company's attorneys informed Judge Lorch that Alter Electronics has threatened to seize ATA's assets, including aircraft, in the U.K. The Company's attorneys received correspondence from Alter Electronics notifying them that any ATA aircraft entering the U.K. will be confiscated. Unfortunately, Alter Electronics also happens to be the sole source provider of many of ATA's engine parts, still under warranty, and ATA has been unable to find another service provider who is capable of performing the same services and maintenance.

Judge Lorch expressed concern and asked questions relating to how Alter Electronics could confiscate ATA's assets. He specifically wanted to know whether U.K. authorities have jurisdiction over aircraft flying into U.S. military facilities in England.

In addition, Judge Lorch wanted to know how much was currently owing to Alter Electronics. When it was determined that the outstanding balance owed, by ATA to Alter Electronics, was only one hundred and eighteen thousand dollars (\$118,000.00), Judge Lorch stated that this was a non-issue and authorized ATA to pay the vendor.

The next motion on the agenda dealt with the Illinois Department of Alcoholic Beverages issuing a notice prohibiting ATA from selling alcohol in the state of Illinois. ATA's counsel cited a statute which states that if a debtor is in arrears for more than thirty (30) days, area vendors are not allowed to sell alcohol to that debtor. In response to the notice, ATA's attorneys prepared a motion to stay enforcement of the statute and expressed their concern that the notice could have an adverse impact upon ATA's business operations. ATA currently has a very low inventory of liquor and without being able to meet the demand presented by their clientele for such beverages, a decline in passenger interest may result, which will inevitably cause an overall loss in revenue.

As a result, counsel for ATA asked for an emergency order from the court. The hearing to decide this matter was postponed until Thursday, November 18, 2004 at 10:30 am.

We will continue to monitor these proceedings and make any submissions that are necessary to protect the members' interests where possible. We will continue to keep you updated.

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