HEARING DATE AND TIME: September 20, 2012 at 10:00 a.m. (Eastern Time)
OBJECTION DEADLINE: September 13, 2012 at 4:00 p.m. (Eastern Time)

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

DEBTORS' OBJECTION TO JOINT MOTION OF MANUFACTURERS AND TRADERS TRUST COMPANY, AS INDENTURE TRUSTEE, AND MARATHON ASSET MANAGEMENT, LP, PURSUANT TO 11 U.S.C. § 105(a) AND RULES 3007, 7016, AND 9014 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, FOR ENTRY OF AN ORDER ESTABLISHING PRELIMINARY ADJUDICATION PROCEDURES FOR SPECIAL FACILITIES REVENUE BOND GUARANTY CLAIMS

TO THE HONORABLE SEAN H. LANE
UNITED STATES BANKRUPTCY JUDGE:

AMR Corporation and its related debtors, as debtors and debtors in possession (collectively, the "**Debtors**") respectfully submit this objection to the joint motion (the "**Motion**")[1] filed by Manufacturers and Traders Trust Company ("**M&T**") and Marathon Asset

[1] Capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Motion.

Management, LP ("**Marathon**" and collectively, with M&T, the "**Movants**")[2] seeking the establishment of adjudication procedures (the "**Procedures**") for certain special facilities revenue bond guaranty claims (collectively, the "**DFW/AFW Guaranty Claims**"), and respectfully represent:

1. The Motion should be denied. The Procedures proposed by the Movants, among other things, would require the Debtors and the Committee to file any objections to the DFW/AFW Guaranty Claims – as well as any other guaranty-related claims that the Debtors believe raise similar factual issues as the DFW/AFW Guaranty Claims – by no later than October 19, 2012. The Movants cite no basis to force the Debtors to begin adjudicating the DFW/AFW Guaranty Claims ahead of thousands of other claims asserted in the Debtors' chapter 11 cases other than to note that the bar date passed in July of this year, and "the time is ripe" for starting to adjudicate the DFW/AFW Guaranty Claims. Motion at 5.

2. Neither the Bankruptcy Code nor the Bankruptcy Rules impose any deadline for a debtor to file an objection to a proof of claim nor require this Court to impose such a deadline at any point during the debtor's chapter 11 case – let alone where, as here, only several weeks have passed since the claims bar date. *See* Fed R. Bank. P. 3007 (no time limit imposed on objections to claims); *see also In re Kolstad*, 928 F.2d 171, 174 (5th Cir.), *cert. denied*, 502 U.S. 958 (1991) ("There is no bar date or deadline for filing objections."); *In re Consolidated Pioneer Mfg.*, 178 B.R. 222, 225 (B.A.P. 9th Cir. 1995), *aff'd*, 91 F.3d 151 (9th Cir. 1996) ("Unlike a proof of claim, which must be filed before the bar date, an objection to a

[2] This Objection shall not constitute an admission by the Debtors that Marathon has the independent right (outside of those bestowed on M&T, as Marathon's indenture trustee), pursuant to its applicable indentures, to file the Motion and seek the relief asserted therein. Nor should this Objection be construed as an admission as to the factual or legal allegations made by the Movants concerning the merits of the DFW/AFW Guaranty Claims, which issues are not the subject of the Motion or currently before the Court.

proof of claim may be filed at any time."). Section 105 of the Bankruptcy Code, cited by the Movants, similarly fails to provide the statutory basis for forcing the Debtors to begin liquidating the DFW/AFW Guaranty Claims ahead of the claims of other creditors or by a specific deadline. Section 105 complements other sections of the Bankruptcy Code and does not, by itself, provide for any substantive relief. *See In re Dairy Mart Convenience Stores, Inc.*, 351 F.3d 86, 91 (2d Cir. 2003) (noting that section 105(a) does not afford any substantive rights and acknowledging that section 105(a) "does not operate on a stand-alone basis").[3]

3. Although the Movants also assert that the Procedures are necessary to avoid potentially duplicative litigation, there is nothing to suggest that the Debtors intend to adjudicate or resolve the DFW/AFW Guaranty Claims, similar claims, or any other claims filed in their chapter 11 cases in an inefficient manner. The Debtors are currently in the process of evaluating the thousands of claims that were filed in their chapter 11 cases and will seek to resolve or adjudicate such claims in the time-frame and process that they determine are in the best interests of their estates. Indeed, cognizant of economic and judicial resources, on September 6, 2012, the Debtors filed a motion for an order approving claim objection procedures (ECF No. 4330) to enable them to file omnibus objections to certain types of claims, to ease the administrative burden on the Debtors and the Court that would result if the Debtors were required to object to claims on an individual basis. To the extent the Debtors object to the DFW/AFW Guaranty Claims and/or other similar claims, the Debtors may seek to streamline the resulting litigation. Denying the Motion at this juncture does not foreclose that possibility. The

[3] *See also In re United Health Care Organization,* 210 B.R. 228, 232 (S.D.N.Y. 1997) ("As this language indicates, section 105 is intended to assure that bankruptcy courts may take whatever actions are necessary to further the purposes of the substantive provisions of the Bankruptcy Code. Yet there are limits to the relief that may be granted under section 105. As one court stated, '[t]hat statute does not authorize the bankruptcy courts to create substantive rights that are otherwise unavailable under applicable law, or constitute a roving commission to do equity.'" (quoting *United States v. Sutton,* 786 F.2d 1305, 1308 (5th Cir. 1986)).

Movants' desire for a streamlined litigation process, however, should not force the Debtors (and the Committee) to begin filing substantive objections to the DFW/AFW Guaranty Claims and others by October 19, 2012, when the claims resolution process is still in its infancy.[4]

4. Further, the Movants have not demonstrated that they would be prejudiced if the Debtors did not file objections to the DFW/AFW Guaranty Claims on the fast-track timeline requested in the Motion. Successful liquidation of the DFW/AFW Guaranty Claims would not result in an expedited recovery for the Movants. That a determination concerning the DFW/AFW Guaranty Claims may increase or decrease the aggregate amount of unsecured claims is not unique to the Movants as determinations concerning many other unsecured claims asserted against the Debtors could have similar effects on the general unsecured claims pool. In sum, the Movants cannot articulate any basis for leap-frogging over other creditors and requiring early liquidation of the DFW/AFW Guaranty claims.

5. Finally, granting the relief requested in the Motion may have the domino effect of leading other creditors to seek early adjudication of their claims on individual and expedited time tables. The Debtors would then be forced to divert their resources from managing the claims process in an orderly manner and formulating their chapter 11 plan to administering piecemeal adjudication of claims. The Debtors submit that they are in the best

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[4] The Movants compare the DFW/AFW Guaranty Claims to certain leveraged lease claims asserted in *Delta Air Lines, Inc.* where "claims procedures were established to deal with leveraged lease claims raising issues similar to those raised by the special revenue finance bond claims at issue here." Motion, at 12. First, although the Movants concede the Motion does not seek any substantive relief, the leveraged lease claims referenced in the *Delta Air Lines* case are not "similar" to those at issue with respect to the DFW/AFW Guaranty Claims; nor is the result concerning the merits of the leveraged lease claims in *Delta Air Lines* binding here. In *Delta Air Lines*, some of the issues asserted by the debtors in connection with the leveraged lease claims dealt with stipulated loss value and payments required under tax indemnity agreements covering tax losses. These are not the issues present here. Second, whether the bankruptcy court in *Delta Air Lines* entered an order governing resolution of the leveraged lease claims is irrelevant to the relief sought here. The *Delta Air Lines* case does not stand for the proposition that a court should, if requested by a creditor, force a debtor to begin liquidating or to make determinations concerning the creditor's claims ahead of others asserted in the debtor's chapter 11 case.

position to evaluate the claims asserted against them and to determine the appropriate time and manner to resolve or otherwise address such claims. [5]

WHEREFORE, the Debtors respectfully request the Court overrule the Motion and grant such other and further relief as is just.

Dated: New York, New York
September 13, 2012

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[5] The Movants cite examples of bankruptcy orders that approved claims resolution procedures, but in each of the cases cited by the Movants, the request for special claim resolution procedures was made by the debtors – not by a subset of creditors. *See* Motion at 12 (citing *In re Mesa Air Group, Inc.*, Case No. 10-10018 (MG) (Bankr. S.D.N.Y. Jul. 7, 2010) (granting debtor's motion for claims resolution procedures applicable to all claims filed or scheduled in its case); *In re Lehman Bros. Holdings, Inc.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Mar. 31, 2010) (same); *In re Motors Liquidation Co.*, Case No. 09-50026 (REG) (Bankr. S.D.N.Y. Oct. 6, 2009) (same); *In re Delta Air Lines, Inc.*, Case No. 05-17923, (ASH) (Bankr. S.D.N.Y. Oct. 12, 2006) (joint motion filed by debtors and unsecured creditors' committee)).