UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

IN RE:	§	
	§	**Case No. 08-03675-BHL11**
ATA AIRLINES, INC.,	§	
	§	
Debtor.		

VICTORVILLE AEROSPACE, LLC'S LIMITED OBJECTION TO DEBTOR'S MOTION UNDER BANKRUPTCY CODE SECTIONS 105 AND 363 TO ESTABLISH SOLICITATION AND BID PROCEDURES FOR THE SALE OF CERTAIN L1011 AIRCRAFT, FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS AND ENCUMBRANCES (DOCKET NO. 950)

Victorville Aerospace, LLC ("VAL"), a secured creditor herein, by counsel, files this *Limited Objection to Debtor's Motion Under Bankruptcy Code Sections 105 and 363 to Establish Solicitation and Bid Procedures for the Sale of Certain L1011 Aircraft, Free and Clear of Liens, Claims, Interests and Encumbrances* (the "Motion") (Docket No. 950), and in support, states as follows:

Background

1. Debtor ATA Airlines, Inc. ("Debtor") filed the Motion seeking to establish certain bidding procedures related to a proposed sale of the following L1011 aircraft:

(a) Lockheed L1011-500 (Tail No. 162AT; Serial No. 1220) ("Aircraft 162");

(b) Lockheed L1011-500 (Tail No. 163AT; Serial No. 1229) ("Aircraft 163"); and

(c) Lockheed L1011-500 (Tail No. 164AT; Serial No. 1238) ("Aircraft 164")

(the foregoing aircraft hereinafter are referred to collectively as the "Aircraft").

2. VAL is a California limited liability company doing business in California.

3. VAL operates as a maintenance, repair and overhaul ("MRO") facility for commercial aircraft, with its primary business being heavy maintenance of commercial aircraft,

such as: Boeing B747, B757, B767, B737; McDonald Douglas, DC-10 and MD-80; Lockheed L-1011; and Airbus A300 and 320 aircraft. Victorville leases several hangars from which it operates, located at Southern California Logistics Airport ("SCLA") in Victorville, California. Accordingly, VAL is, and all times relevant hereto was, in the business of repairing, maintaining and modifying large civil aircraft and their associated engines and appliances at its facility in Victorville, California.

4. On September 1, 2008 (the "Petition Date"), VAL and its parent, VAL Holdings, LLC, commenced Chapter 11 reorganization cases under the United States Bankruptcy Code. Those cases are being jointly administered under case number 08-35790 in the United States Bankruptcy Court for the Southern District of Texas-Houston Division ("VAL Bankruptcy"). VAL continues to operate its business and manage its properties as a debtor in possession and no trustee or examiner has been appointed in the VAL Bankruptcy, nor has any creditors' committee or other official committee been appointed pursuant to section 1102 of the Bankruptcy Code.

5. On or about March 17, 2007, VAL and Debtor executed an Aircraft Services General Terms Agreement No. 07-0027, pursuant to which Debtor requested and authorized VAL to perform maintenance on, and storage of, various aircraft owned by Debtor. On or about December 7, 2007, the Aircraft Services Terms Agreement was amended to provide for specific maintenance and storage for Aircraft 164, which services included, without limitation, substantial and major engine inspections and maintenance. The Aircraft Services Terms Agreement was again amended on or about February 25, 2008 to provide for maintenance and storage for Aircraft 162 and was amended yet again on April 21, 2008 to provide for storage of Aircraft 163 (as amended, referred to hereafter as the "Agreement").

6. VAL provided the maintenance and service required under the Agreement.

7. VAL continues to retain possession of, and provide storage of, the Aircraft.

8. Except for an initial deposit of $75,000, Debtor has failed to pay for the work and storage provided by VAL under the Agreement.

9. As of April 2, 2008, the date that Debtor commenced the instant bankruptcy case ("Petition Date"), the unpaid amounts due under the Agreement with respect to the Aircraft was approximately $407,594.76, with pre-petition unpaid amounts of $404,535.10[1] (I calculate $404,865.82) owing with respect to Aircraft 164 and $1,059.66[2] owing with respect to Aircraft 162. As of the Petition Date, Debtor had no unpaid charges with respect to Aircraft 163 but has since incurred such charges for which it has not paid Debtor.

10. VAL has possession of the Aircraft.

11. As the result of the non-payment of the amounts due under the Agreement, VAL holds a possessory lien on the Aircraft for services rendered and unpaid pursuant to California state law. See Cal. Civil Code §§ 1856 and 3051.

12. Prior to the Petition Date, on March 27, 2008, VAL commenced a lawsuit in the Superior Court of San Bernardino County, Victorville District, California against Debtor in which VAL seeks to, *inter alia*, foreclose its possessory liens against Aircraft 164 and Aircraft 162 (the "State Court Litigation").

13. VAL's possessory liens upon the Aircraft are first, prior and superior to all other liens, claims and encumbrances upon the Aircraft.

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[1]This amount includes late fees of $13,581.82. Post-petition late fees related to Aircraft N164, through September 25, 2008, were an additional $36,944.55. VAL reserves the right to assert all or a portion of these fees or any other charges under the terms of the Agreement as permitted by the Bankruptcy Code.

[2] This amount includes late fees of $15.66. Additional post-petition late fees and charges for Aircraft N162, through September 25, 2008, were an additional $5,530.86. VAL reserves the right to assert all or a portion of these fees or any other charges under the terms of the Agreement as permitted by the Bankruptcy Code.

14. Additionally, VAL is entitled to interest on its claim together with reasonable costs and fees as provided by 11 U.S.C. §506(b).

15. On November 11, 2008, Debtor filed the Motion pursuant to which it seeks to establish a bidding procedure for sale of the Aircraft and which ultimately contemplates a sale of the Aircraft free and clear of all liens, claims, interests and encumbrances.

16. As set forth above, VAL has possession of, and a claim and lien in and against, the Aircraft.

17. VAL objects to the Motion to the extent that Debtor or any other creditor or party in interest seeks to avoid, extinguish or otherwise impair VAL's first priority liens and claims in and against the Aircraft.[3]

18. VAL objects to the sale of the Aircraft unless its lien position is protected and the procedures make clear, and any order with respect to the sale, provides that VAL's possessory liens shall attach to the proceeds of the sale in the same order, and with the same force and effect, as VAL's liens have upon the Aircraft and as if the proceeds were in the possession of VAL.

[3] Since the Petition Date, Debtor has incurred charges for additional storage of the Aircraft. Such charges and any other charges for post-petition services rendered are administrative expense claims pursuant 11 U.S.C. §503(b) and VAL reserves the rights to assert such charges. Moreover, such charges are secured by VAL's possessory liens on the Aircraft.

WHEREFORE, Victorville respectfully requests that the Court deny the Motion and for such other and further relief as the Court deems appropriate.

Respectfully submitted,

/s/ Christine K. Jacobson
Christine K. Jacobson [IN BAR 16756-49]
Michael W. Hile [IN BAR 8565-82]
KATZ & KORIN, PC
334 North Senate Avenue
Indianapolis, Indiana 46204-1708
317-464-1100; 317-464-1111-fax
mhile@katzkorin.com
cjacobson@katzkorin.com

Attorneys for Victorville Aerospace, LLC