ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	)	Chapter 11
	)	
TRANS WORLD AIRLINES, INC., et al.[1]	)	Case No. 01-0056 (PJW)
	)	
Debtors.	)	(Jointly Administered)

In re	)	Chapter 11
	)	
TRANS WORLD AIRLINES, INC., et al.,	)	Case No. 01-0056 (PJW)
	)	
Debtors.	)	(Jointly Administered)
	)	
WELLS FARGO BANK NORTHWEST, N.A., in its Capacity as Indenture Trustee, f/k/a First Security Bank, N.A.	)	
	)	
Plaintiff,	)	
	)	
v.	)	Adv. Pro No. 01-3259
	)	
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, TRANS WORLD AIRLINES, INC., Debtor and Debtor-in-Possession, AMR FINANCE, INC., JOHN DOES 1 THROUGH 100, and JANE DOES 1 THROUGH 100,	)	
	)	
Defendants.	)	

Hearing Date: October 12, 2001 at 10:30 a.m.
Objections Deadline: October 9, 2001 at 4:00 p.m.

MOTION FOR APPROVAL OF SETTLEMENTS BY AND AMONG THE DEBTORS, AMERICAN AIRLINES, INC., THE ICAHN ENTITIES, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, AND WELLS FARGO BANK NORTHWEST, N.A.

[1] The Debtors are the following entities: Trans World Airlines, Inc., Ambassador Fuel Corporation, LAX Holding Company, Inc., Mega Advertising Inc., Northwest 112th Street Corporation, The TWA Ambassador Club, Inc., Trans World Computer Services, Inc., Transcontinental & Western Air, Inc., TWA Aviation, Inc., TWA Group Inc., TWA Standards & Controls, Inc., TWA Stock Holding Company, TWA-D.C. Gate Company, Inc., TWA-LAX Gate Company, Inc., TWA Logan Gate Co., Inc., TWA-NY/NJ Gate Company, Inc., TWA-Omnibus Gate Company, Inc., TWA-San Francisco Gate Company, Inc., TWA-Hangar 12 Holding Company, Inc., Ozark Group, Inc., TWA Nippon, Inc., TWA Employee Services, Inc., TWA Getaway Vacations, Inc., Trans World Express, Inc., International Aviation Security Inc., Getaway Management Services, Inc., The Getaway Group (U.K.) Inc.

F/K/A FIRST SECURITY BANK, N.A., SOLELY IN ITS CAPACITY AS INDENTURE TRUSTEE FOR THE 11½% AND 12% SENIOR SECURED NOTES AND FOR SHORTENED NOTICE PURSUANT TO RULES 9019 AND 2002 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE

The above-captioned debtors and debtors in possession (collectively, the "Debtors") by and through their counsel, Kirkland & Ellis, hereby file this Motion for Approval of Settlement By and Among the Debtors, American (as defined herein), the Icahn Entities (as defined herein), the Official Committee of Unsecured Creditors (the "OCUC") and Wells Fargo Bank Northwest, N.A. f/k/a First Security Bank, N.A., Solely in its Capacity as Indenture Trustee for the 11½% and 12% Senior Secured Notes and for Shortened Notice pursuant to Rules 9019 and 2002 of the Federal Rules of Bankruptcy Procedure, and in support thereof state as follows:[2]

Background

1. On January 10, 2001 (the "Petition Date"), the Debtors filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"), thereby becoming debtors and debtors in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. The Debtors' cases are being jointly administered pursuant to an order of the Court.

2. The Debtors consist of Trans World Airlines, Inc. ("TWA"), a Delaware corporation, and twenty-six of its wholly-owned, direct or indirect subsidiaries.

3. On March 12, 2001, the Court authorized the Debtors to sell substantially all of their assets, free and clear of liens, claims, and encumbrances to TWA Airlines LLC, a wholly-

[2] Capitalized terms not otherwise defined herein shall have the same meaning as ascribed to them in the United

owned subsidiary of American Airlines, Inc. (together with TWA Airlines LLC, "American"), pursuant to an asset purchase agreement (as amended and modified, the "APA") that provides, inter alia, for American's purchase of substantially all of the Debtors' assets, the assumption of a significant portion of the Debtors' obligations (including, without limitation, certain retiree medical benefit obligations), and offers to hire the vast majority of the Debtors' 20,000 employees.

4. The sale of substantially all of the Debtors' assets to American closed on April 9, 2001 (the "Sale").

The 11½% and 12% Notes

5. Wells Fargo Bank Northwest, N.A. f/k/a First Security Bank, N.A. ("Wells Fargo") is the Indenture Trustee for the following secured notes issued by TWA:

(a) 12% Senior Secured Notes due 2002 having an original principal amount of $50,000,000 and issued pursuant to that indenture dated as of March 31, 1997 (the "12% Notes"); and

(b) 11½% Senior Secured Notes due 2004 having an original principal amount of $140,000,000 pursuant to that indenture dated as of December 9, 1997 (the "11½% Notes," collectively with the 12% Notes, the "Senior Secured Notes").

In this Motion and all related documents, any and all references to Wells Fargo shall mean Wells Fargo, not individually, but solely in its capacity as Indenture Trustee for the Senior Secured Notes.

6. The indebtedness evidenced by the 12% Notes was allegedly secured pursuant to certain related agreements entered into by TWA, specifically: (a) the Acquired Slot Trust

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States Bankruptcy Code.

Agreement dated as of March 31, 1997; and (b) the Pledge and Security Agreement, dated as of March 31, 1997 (collectively, the "12% Notes Security Agreement").

7. Pursuant to the 12% Notes Security Agreement, TWA purported to grant security interests in, among other things, the following property (the "12% Notes Collateral"): (a) certain take-off and landing slots located at LaGuardia Airport, John F. Kennedy International Airport and O'Hare Airports; (b) ground equipment at various domestic TWA facilities; and (c) stock of certain wholly-owned subsidiaries of TWA (the "TWA Subsidiaries").

8. Wells Fargo has asserted that its security interests in the 12% Notes Collateral were properly perfected by, among other things: (a) certain filings with the Federal Aviation Administration Slot Registry; (b) the filing of various UCC Financing Statements and (c) the physical possession of the pledged stock of the TWA Subsidiaries.

9. The indebtedness evidenced by the 11½% Notes was allegedly secured pursuant to certain related agreements entered into by TWA, specifically: (a) the Acquired Slot Trust Agreement dated as of December 9, 1997 and (b) the Pledge and Security Agreement dated as of December 9, 1997 (collectively, the "11½% Notes Security Agreement").

10. Pursuant to the 11½% Notes Security Agreement, TWA purported to grant security interests to Wells Fargo in, among other things, the following property (the "11½% Notes Collateral"): (a) thirty slots at Washington National Airport and (b) spare parts located at various domestic TWA facilities.

11. Wells Fargo has asserted that its security interests in the 11½% Notes Collateral was perfected by: (a) certain filings with the Federal Aviation Administration Slot Registry; and (b) the filing of certain UCC Financing Statements.

The Escrow Accounts

12. As set forth above, upon the Sale to American, the alleged liens, claims, and encumbrances of various creditors, including Wells Fargo, attached to the proceeds of the Sale. In connection with the Sale, and in accordance with Section 363 of the Bankruptcy Code, TWA established a series of escrow accounts to which the purported liens, claims, or encumbrances of various secured creditors would attach.

13. Pursuant to that certain Stipulation and Order, dated as of March 12, 2001 (the "Stipulation"), TWA set aside a portion of the proceeds from the Sale in an amount estimated to be sufficient to satisfy in full the alleged secured claims of Wells Fargo against the 12% Notes Collateral and the 11½% Notes Collateral (collectively, the "Notes Collateral"), for the benefit of the holders of the Senior Secured Notes, if such claims were satisfied on or before December 31, 2001.

14. Specifically, on or about April 9, 2001, and pursuant to the Stipulation, TWA funded the following amounts into an escrow account at Citibank, N.A. (the "Escrow Agent"): (a) $58,891,324.71 on account of the 12% Notes and (b) $167,294,850.52 on account of the 11½% Notes (collectively, the "Escrow Funds").

15. Pursuant to the Stipulation, the Escrow Funds was required to be substantially in excess of Wells Fargo's payoff amount as of April 9, 2001 in order to adequately protect Wells

Fargo while the Debtors and the OCUC had an opportunity to conduct due diligence regarding the Senior Secured Notes, including without limitation, allowance, perfection and valuation issues.

16. Specifically, the Escrow Funds include, for both issuances of the Senior Secured Notes (as applicable): (a) all alleged principal; (b) all alleged accrued, unpaid interest as of April 9, 2001; (c) all alleged interest to accrue between April 9, 2001 and December 31, 2001; (d) all alleged default interest to accrue between April 9, 2001 and December 31, 2001; (e) an alleged prepayment premium under the 11½% Notes equal to 5.75% of principal, i.e., $8.05 million (the "Prepayment Premium"); (f) alleged amounts for various fees and expenses incurred by Wells Fargo and its professionals (which are TWA's obligations under the 12% Notes and 11½% Notes indentures); (g) alleged amounts for anticipated reasonable fees of Wells Fargo and its professionals through December 31, 2001; and (h) a cushion of $1,000,000. By placing such funds in the Escrow Accounts, the Debtors have not and do not concede that any claim to such funds is necessarily valid or proper, including without limitation Wells Fargo' claims for the Prepayment Premium and default interest.

17. As of April 9, 2001, the "overfunded" portions of the Escrow Funds contained in the Escrow Funds was approximately $5.6 million and $13.75 million respectively for the 12% Notes and the 11½% Notes (i.e., the amount of funds that would be available for the benefit of the Debtors' estates if Wells Fargo's alleged claims, plus all claimed actual and accrued interest, prepayment penalties, reasonable fees and expenses, minus the $1 million cushion, were paid in full as of that date) (collectively, the "Cushion Amount").

The "Negative Interest Spread" Suffered by TWA

18. Although as of April 9 (and as of the date hereof) there remains an Cushion Amount in the Escrow Funds, that Cushion Amount reduces each day because of a "negative interest spread" -- the difference between the interest rate earned on the Escrow Funds and the coupon rates which allegedly will accrue and become payable to Wells Fargo if it is ultimately determined that the Senior Secured Note claims are valid, perfected, enforceable and fully secured.

19. Since April 9, the Escrow Funds has been invested in accordance with TWA's court-approved investment guidelines; specifically, the funds are invested in short term money market instruments backed by United States government securities. The interest rate on such investments has trended downward since the Escrow Funds were established due to cuts in benchmark interest rates by the Federal Reserve Bank and is currently just above 3%.

20. However, to the extent that the Senior Secured Notes are fully secured, Wells Fargo alleges that it would be entitled to the coupon rate of interest under the relevant indenture. Wells Fargo, however, also claims to be entitled to continuing interest (to the extent applicable) at the default rate, and not just at the coupon rate.

21. As a result, the Cushion Amount diminishes from the negative interest spread at the rate of approximately $1.37 million per month, or approximately $44,500 per day, assuming that the interest and other components of Wells Fargo's claim is allowed in full (which the Debtors do not concede).

The Debtors' and the OCUC's Investigations Concerning Wells Fargo's Claims

22. Since the Escrow Funds were established, both the Debtors and the OCUC have been working to investigate perfection, allowance, valuation and enforceability issues relating to the Senior Secured Notes in a most diligent and speedy process.

23. Among the issues which the Debtors and/or the OCUC preliminarily have investigated are: (a) whether takeoff and landing slots can be validly pledged as security for indebtedness; (b) whether the values previously assigned to the spare parts inventory were overstated; (c) whether TWA had a disproportionately high percentage of non-serviceable parts in its spare parts inventory; (d) whether TWA's ground equipment has the value ascribed to it by Wells Fargo; (e) whether the amount of the spare parts inventory had substantially diminished during the weeks and months leading up to the Debtors' bankruptcy filing; (f) whether certain spare parts were removed from locations designated by the 11½% Notes indenture; (g) whether the value of the Notes Collateral exceeds the amount of the claims under the Senior Secured Notes; (h) to what extent the claims under the Senior Secured Notes should be allowed; (i) whether the alleged default interest and the Prepayment Premium constitute improper penalties under applicable law; and (j) even if Wells Fargo's claims are oversecured, what should be the appropriate rate of postpetition interest at which such claims accrue, both before and after the establishment of the Escrow Funds on April 9.

24. To investigate these questions, TWA and its professionals, as well as the OCUC and its professionals, including a valuation expert specializing in aircraft parts and aviation-related assets such as those pledged to secure the Senior Secured Notes, have carefully scrutinized the legal and valuation issues identified above, as well as other matters. In conducting that investigation, numerous source documents and records have been exchanged and reviewed, on-site

visits to examine the collateral have taken place and various discussions have been undertaken with former TWA personnel to gain a full understanding of the issues involved. Mindful of the negative interest spread, both the Debtors and the OCUC have attempted to analyze these complex issues in as expedited a fashion as possible.

25. Both the Debtors and the OCUC believe that there may be valid grounds for challenging the perfection of Wells Fargo's alleged claims and alleged security interests in certain of the Notes Collateral. The Debtors and the OCUC also believe that there are substantial bases to assert that Wells Fargo is undersecured with respect to certain assets contained in the Senior Secured Notes Collateral. In addition, the Debtors and the OCUC believe that there are bases for objecting to the allowance of Wells Fargo's claims for alleged default interest, the Prepayment Premium, and other interest alleged to have accrued postpetition.

26. Notwithstanding the foregoing, both the Debtors and the OCUC believe that Wells Fargo could assert significant defenses to any challenges that might be brought. Moreover, both the Debtors and the OCUC believe that adjudication of these issues would require lengthy, complicated and expensive litigation which would have no certainty of success and would take many months to resolve. Any appeals taken from such a judgment could further delay a final disposition of this matter.

27. On May 16, 2001, Wells Fargo filed a Complaint for Declaratory Relief, styled Wells Fargo Bank Northwest, N.A. in its capacity as Indenture Trustee, f/k/a First Security Bank, N.A. vs. the Official Committee of Unsecured Creditors, Trans World Airlines, Inc., AMR Finance, Inc., John Does 1 - 100, and Jane Does 1 - 100, bearing caption number Adv. Pro No. 01-

3259 (the "Complaint") and thereby initiated an adversary proceeding seeking a declaration from this Court declaring that Wells Fargo's liens and security interests in the Senior Secured Notes Collateral are valid, perfected, enforceable and fully-collateralized (the "Adversary Proceeding").

28. Both TWA and the OCUC have filed answers and counterclaims to the Complaint. Both TWA and the OCUC have denied that the Notes Collateral allegedly securing Wells Fargo's claims are valid and fully perfected and enforceable. Among other things, TWA and the OCUC have denied that the value of the Notes Collateral, particularly the spare parts, ground equipment, and slots, exceeds the amount of Wells Fargo's claims and instead have claimed that the Senior Secured Notes are undersecured. Moreover, TWA and the OCUC denied that Wells Fargo was entitled to default interest and the Prepayment Premium because they constitute improper penalties that are not allowed under applicable law. The OCUC also denied that the Senior Secured Notes could be secured at all by slots because as a matter of law slots were not the Debtors' property and therefore could not be pledged. Wells Fargo, among other things, denies each of these allegations and certain other allegations raised in TWA's and the OCUC's answers and counterclaims.

29. AMR Finance, Inc. (together with American, "American"), another defendant in the Adversary Proceeding, also filed an answer and counterclaims to the Complaint.

30. Since TWA and the OCUC filed their answers and counterclaims, the parties have engaged in significant, expensive, and protracted discovery concerning the disputed matters in the Adversary Proceeding.

31. As of September 1, 2001, (a) alleged principal amounts outstanding under the 11½% and 12% Notes are $140,000,000 and $50,000,000, respectively, (b) alleged accrued non-default interest under the 11½% and 12% Notes are $11,448,888.89 and $5,500,000.00, respectively, (c) alleged accrued default interest under the 11½% and 12% Notes are $195,436.00 and $350,000, and (d) Wells Fargo's alleged attorneys fees and costs and trustee's fees and costs under the 11½% and 12% Notes total approximately $1,505,219.

The Proposed Settlement With Wells Fargo

32. Mindful of the negative interest spread that is eroding the Cushion Amount on a daily basis (assuming Wells Fargo is entitled to be paid all components of its claim in full, which the Debtors do not concede), coupled with the significant costs to the Debtors' estate to challenge the Senior Secured Notes claims, the Debtors and the OCUC have determined that it is in the best interests of the estate and its creditors to reach an expedited resolution of the claims of Wells Fargo to preserve as much of the Cushion Amount as possible. Toward that end, the Debtors, the OCUC and Wells Fargo have engaged in good faith, arms' length negotiations to attempt to reach a comprehensive resolution of all claims arising with respect to the Senior Secured Notes.

33. Recently, the parties (other than American) reached an agreement in principle to settle the Complaint and any and all claims arising with respect to the Senior Secured Notes, subject to the approval of this Court, pursuant to a proposed settlement agreement (the "Settlement Agreement," a copy of which is attached hereto as Exhibit A) the key terms of which are set forth below:

(a) As a result of the settlement pursuant to the Settlement Agreement, and solely for the purposes thereof, the Notes Collateral will be deemed to have exactly sufficient value to permit Wells Fargo to receive, and therefore Wells Fargo will accept, in full and complete satisfaction of any claims it may assert on behalf of holders of the Senior Secured Notes, an amount equal to: (i) all principal and accrued non-defaul interest under the Senior Secured Notes through and including the date upon which an order approving the settlement (the "Settlement Order") is entered and such funds are disbursed to Wells Fargo; (ii) all reasonable fees, costs, and expenses incurred by Wells Fargo and its professionals in the amount of $1,102,357.06 with respect to the 11½% Notes and $402,862.45 with respect to the 12% Notes; and (iii) the alleged Prepayment Premium plus $75,000 of default interest under the Notes (collectively, the "Prepayment Premium Funds"), solely for the purposes of and subject to the provisions set forth below.

(b) On the date that is the later of (i) the date of the payment to Wells Fargo referenced above and (ii) the date that the Committees and any member thereof withdraw all currently pending appeals in the Debtor's Chapter 11 cases, Wells Fargo shall irrevocably assign and transfer the Prepayment Premium Funds to a trustee mutually acceptable to the Debtors and the OCUC on behalf of the OCUC and for the benefit of certain creditors (the "PPPF Trustee"), to hold, distribute, and/or pay such Funds as set forth below and in accordance with the Settlement Order and applicable trust and escrow documents; provided, however, that to the extent applicable, this paragraph shall not apply to the release of any appeals of the Icahn Entities (as defined below).

(c) In consideration of the above, Wells Fargo agrees to waive any and all additional claims (including, but not limited to, default interest and any other prepayment penalties and redemption premia) arising in connection with the Senior Secured Notes other than with respect to its rights to assert its contingent claims to compensation and indemnity under the 11 1/2% Notes and 12% Notes indentures for fees, costs, and expenses incurred after October 1, 2001, and such contingent claims shall be deemed to constitute an oversecured claim; provided, however, that the Debtors reserve all of their rights to dispute and/or challenge the treatment of (and distribution, if any, on account of) such contingent claims.

(d) Any funds remaining in the Escrow Accounts after disbursements to Wells Fargo and the irrevocable assignment and transfer of the Prepayment Premium Funds, as set forth above, shall be transferred to the Debtors' estate accounts.

(e) Upon the date that the Settlement Order becomes an order not subject to appeal, reversal, stay, modification, or amendment, the Complaint and any counterclaims thereto (including those of American) shall be dismissed with prejudice; provided, however, that: (i) the approval of the Settlement Agreement and the Settlement Order is without prejudice to the right of American and certain other non-settling parties to object to any plan of liquidation proposed in the Debtors' cases, and the Settlement Order does not represent, nor shall it constitute, approval of any such plan; and (ii) the dismissal of any counterclaims of American is without prejudice to any claims that American may have with respect to its debtor in possession loan to the Debtors and related agreements.

The Proposed Agreement with the Committees

34. The proposed settlement with Wells Fargo is related in part to a global settlement (to which Wells Fargo and American are not parties) resolving many of the significant issues in these cases between the Debtors, the OCUC, and others in these Chapter 11 cases. Recently, on or about August 1, 2001, the Debtors, the OCUC, the ad hoc committee of holders of TWA's 11 3/8% Senior Notes due 2006 (the "Ad Hoc Committee," together with the OCUC, the "Committees"), and certain members of the Committees entered into a Lockup, Voting, and Consent Agreement Concerning Terms of Proposed Settlement Including Joint Liquidating Plan of Reorganization (as amended from time to time, the "Lockup Agreement"). In the Lockup Agreement, the parties thereto (collectively, the "Lockup Parties") reached an agreement regarding

certain aspects of the Debtors' Chapter 11 cases, and the key provisions of that agreement are as follows:[3]

(a) Within two days after the earlier of (i) the date that the Settlement Order becomes an order not subject to appeal, reversal, stay, modification or amendment and (ii) and the date that the Earmarked Funds (as defined below) are delivered into irrevocable trust for the benefit of certain creditors as set forth below: (A) the Committees and any members thereof shall withdraw with prejudice all currently pending appeals and no longer challenge in any way, through litigation or otherwise, the TWA-American transaction; and (B) the Debtors shall submit an order (the "Rothschild Order") to the court for entry, pursuant to which the OCUC withdraws with prejudice its objection to the immediate allowance and payment of the recapitalization fee of and as voluntarily reduced by Rothschild, Inc. (and the OCUC agrees not to oppose entry of such Order); provided, however, that to the extent applicable, this paragraph shall not apply to the release of any appeals of the Icahn Entities.

(b) The Debtors and the OCUC shall file a joint liquidating plan of reorganization to be materially consistent with the Lockup Agreement (and the term sheet attached thereto), and the Lockup Parties (to the extent so required under the Lockup Agreement) shall, among other things, support and vote their claim(s) (other than claims held in a representative capacity) in favor of such liquidating plan of reorganization; provided, however, that nothing in the Lockup Agreement shall otherwise restrict any party's performance of any party's fiduciary duty.

(c) On the earliest of the date (the "Distribution Date") that (i) a plan consistent with the Lockup Agreement becomes effective, (ii) the Debtors' Chapter 11 cases are converted to cases under Chapter 7, (iii) the Lockup Agreement is terminated, or (iv) the Debtors and the Committees mutually agree upon, or as soon as reasonably practicable thereafter, the Prepayment Premium Funds (minus the payments previously made from such Funds as set forth herein) shall be distributed by a plan administrator, in the event of confirmation of a

[3] This description of the key terms of the Lockup Agreement is subject to and limited by the terms of the Lockup Agreement and all amendments thereto and all restatements thereof.

liquidating plan of reorganization, or a person designated by the mutual agreement of the Debtors and the OCUC as fund administrator, in the event of conversion of the Debtors' Chapter 11 cases or otherwise (in either case solely as agent for the purposes of such distribution) as follows: (A) $3.75 million (the "HSBC Funds") shall be paid to HSBC Bank USA ("HSBC"), as successor indenture trustee under the Indenture, dated as of March 3, 1998, between the Debtors and First Security Bank, N.A., as amended from time to time (the "HSBC Indenture") for redistribution to the Holders of TWA's $150,000,000 11 3/8% Senior Notes due 2006 (the "11 3/8% Notes") in accordance with the HSBC Indenture; and (B) $2.95 million (plus interest income earned thereon, if any, plus income earned on the HSBC Funds, if any minus amounts paid, if any, plus any distribution on account of the HSBC Claim, all as set forth or defined below) (the "Unsecured Creditor Funds") shall be paid on a pro rata basis to holders of allowed prepetition general unsecured Claims[4] (which for purposes of the settlements set forth in this Motion shall not include any intercompany claims of the Debtors) having the ranking provided by 11 U.S.C. § 726(a)(2) ("Unsecured Claims") against the Debtors other than to holders of the 11 3/8% Notes ("Unsecured Non-Bondholder Claims"), after consideration of amounts necessary to be withheld on account of disputed claims. In the period prior to such distribution, the HSBC Funds and the Unsecured Creditor Funds (plus interest income earned thereon and interest on the HSBC Funds, which shall be included in such Funds) (collectively, the "Earmarked Funds") shall each be held by the PPPF Trustee (or such other trustee, agent or other designee jointly designated by the Debtors and the OCUC) in irrevocable trust for distribution as set forth in the Settlement Order and applicable trust and/or escrow documents. The irrevocable trust and escrow holding the Earmarked Funds, however, shall not be held by Wells Fargo, nor shall such Funds be or constitute property of the Debtors' estates after the assignment and transfer of such Funds by Wells Fargo as set forth above.

(d) Upon the PPPF Trustee's receipt of the Prepayment Premium Funds, the OCUC shall irrevocably instruct the PPPF Trustee to allocate and pay (no later than five days after the PPPF Trustee's receipt of such Funds) to HSBC an amount to be mutually agreed upon between HSBC, the Debtors, and the OCUC (such agreement not to be

[4] "Claims" shall have the meaning ascribed to it in the United States Bankruptcy Code.

unreasonably withheld) or approved by the Court (but in no event greater than $500,000) (the "HSBC Fee") on account of HSBC's reasonable fees and expenses under the HSBC Indenture and under 11 U.S.C. § 503(b) (the "HSBC Claim"); provided, however, that (i) to the extent that the HSBC Claim is not paid in full, HSBC shall be entitled to an allowed administrative expense claim on account of the amount of the unpaid portion of the HSBC Claim, and (ii) the Debtors shall not object to the HSBC Claim.

(e) On the Distribution Date (and promptly thereafter as reasonably practicable), that portion of the Earmarked Funds that represents interest earned thereon shall be distributed in equal amounts to (a) HSBC, as indenture trustee under the HSBC Indenture, for redistribution to the holders of the 11 3/8% Notes in accordance with the HSBC Indenture and (b) holders of Unsecured Non-Bondholder Claims, to be paid on a pro rata basis after consideration of amounts necessary to be withheld on account of disputed claims. Upon and to the extent of HSBC's receipt of the HSBC Fee as set forth in Paragraph 34(d) above, HSBC shall irrevocably assign and transfer the HSBC Claim in the amount of the HSBC Fee (which shall then be an allowed administrative expense claim) to an entity designated by the OCUC, for the benefit of the holders of Unsecured Non-Bondholder Claims.

(e) Any funds (other than the Earmarked Funds) distributed by a plan administrator to holders of Unsecured Non-Bondholder Claims shall be distributed solely to holders of such Claims; provided, however, that in the event that holders of Unsecured Non-Bondholder Claims receive at least 2.5% of their Claims (such percentage computation to include distributions of the Earmarked Funds and the HSBC Claim but not to include distributions on account of interest payments set forth herein), then the plan administrator shall pay any further distributions to holders of all Unsecured Claims on a pro rata basis.

The Proposed Settlement With the Icahn Entities

35. The above-referenced proposed settlements also relate in part to a proposed settlement (to which Wells Fargo and American are not parties) of the general unsecured prepetition claim (the "Icahn Claim") of Lowestfare.com, LLC and Lowestfare.com, Inc. (collectively and

together with Karabu Corporation, High River Limited Partnership, and any related entities, the "Icahn Entities") filed in the Debtors' Chapter 11 Cases. The Icahn Claim, which is in "an amount no less than $1 billion," is based in part on TWA's court-approved rejection of the Karabu Ticket Program Agreement with Karabu Corporation, dated June 15, 1995 (the "Karabu Contract") on March 12, 2001, and TWA's alleged prepetition breach of that Contract. After good faith and arms' length negotiations, the Debtors and the Icahn Entities have reached a settlement of the Icahn Claim as follows:

(a) Upon the PPPF Trustee's receipt of the Prepayment Premium Funds, the OCUC shall irrevocably instruct the PPPF Trustee to allocate and pay to the Icahn Entities (no later than five days after the PPPF Trustee's receipt of such Funds) $925,000 (plus interest earned thereon, which shall be included in such $925,000) of the Prepayment Premium Funds (the "Icahn Funds") , to induce the Icahn Entities to enter into such settlement.

(b) The Debtors and the Icahn Entities shall consent to the entry of an order allowing the Icahn Claim (and any other general unsecured claim of the Icahn Entities), solely for purposes of voting for a plan of liquidation and distribution, in the total amount of $750 million.

(c) Pursuant to the proposed settlement with the Icahn Entities, the Icahn Entities agree not to vote any of their Claim(s) against a plan of reorganization proposed by the Debtors and/or the OCUC.

(d) Pursuant to the proposed settlement with the Icahn Entities, in the event that there is an election of a Chapter 11 or Chapter 7 trustee in the Debtors' bankruptcy cases, the Icahn Entities agree that they will vote any of their Claims in favor of one or more trustees in the same proportion as all other creditors entitled to vote for such trustee(s).

36. The proposed settlement of the Icahn Claim also relates in part to a settlement (to which Wells Fargo, the Debtors, the OCUC, and the Ad Hoc Committee are not parties) between

American and the Icahn Entities concerning certain claims for reimbursement for certain reprotection costs allegedly incurred when passengers holding airline tickets purchased on Lowestfare.com for travel on TWA were "reprotected" by other airlines after certain TWA flights were cancelled (the "FIM Receivables"). American and the Icahn Entities have reached an agreement regarding the FIM Receivables as follows:

(a) Prior to the entry of the Settlement Order, American and the Icahn Entities shall execute a mutual release (the form of which will be mutually and reasonably agreed upon between American and the Icahn Entities) providing for the waiver and release of American's and the Icahn Entities' claims against each other with respect to the FIM Receivables and any right to collect amounts in connection with such Receivables from each other and from any other entities (the "FIM Release"). The FIM Release shall not be immediately effective but shall become effective upon the date that the Settlement Order is entered. The execution of the FIM Release by American and the Icahn Entities shall be a condition precedent to the Court's entry of the Settlement Order.

Effect of Settlement if Settlement Order is Not Final and Remains Subject to Appeal

37. In the event that the Settlement Order remains subject to appeal, reversal, stay, modification or amendment on the sixteenth day after the date that the Settlement Order is entered, then, upon written facsimile notice (given within ten days after the expiration of such sixteen day period) by any of the following parties: Wells Fargo, the Debtor, the OCUC, the Icahn Entities or American (collectively, the "Settling Parties") to all of the other Settling Parties (at the addresses listed on the Notice of Settlement Motion providing publication notice of this Motion) terminating the Settlement Agreement and all related settlements, then upon two business days after the delivery of such written notice coupled with no revocation of such notice, the Settlement Agreement and all

related settlements referenced herein shall be null and void, and none of the Settling Parties shall thereafter be prejudiced by positions taken with respect to supporting such Settlement Order and the settlements contemplated therein; provided, however, that any one of the Settling Parties, in its sole discretion, may at any time waive any of the conditions concerning consummating the Settlement Agreement and all related settlements set forth in this paragraph, without notice, without leave or order of court, and without any formal action other than proceeding to consummate the Settlement Agreement and all related settlements.

Relief Requested

38. The Debtors respectfully request that this Court, pursuant to 11 U.S.C. § 363 and Federal Rule of Bankruptcy Procedure 9019, enter the proposed Settlement Order attached hereto approving the Debtors' settlement of the Complaint and the Adversary Proceeding and the Debtors' proposed settlement with the Icahn Entities, within the context of the Debtors' global settlement of various issues with the Committees and other entities in the Debtors' Chapter 11 cases, all in accordance with the terms set forth herein. The Debtors further request that the proposed Settlement Order attached hereto be entered in its entirety or not at all, except to the extent that the affected parties otherwise agree.

Basis for Relief Requested

39. Bankruptcy Rule 9019 authorizes this Court to approve a compromise settlement entered into by a debtor. The decision whether to accept or reject a compromise lies within the sound discretion of the Bankruptcy Court. In re Neshaminy Office Bldg. Assocs., 62 B.R.

798, 803 (E.D. Pa. 1986). Approval of a compromise settlement is appropriate if it is in the "best interests of the estate." Id.

40. In reviewing a motion for approval of a settlement, bankruptcy courts must "assess and balance the value of the claim that is being compromised against the value to the estate of the acceptance of the compromise proposal." In re Martin, 91 F.3d 389, 393 (3rd Cir. 1996). This requires court consideration of the following criteria: (a) the probability of success in litigation; (b) the likely difficulties in collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (d) the paramount interest of the creditors. Id. see also In re Pennsylvania Truck Lines, Inc., 150 B.R. 595, 598 (E.D. Pa. 1992), aff'd, 8 F.3d 812 (3d Cir. 1993); In re Grant Broadcasting of Philadelphia, Inc., 71 B.R. 390, 395 (Bankr. E.D. Pa. 1987).

41. The settlement need not be the best that the debtor could have achieved, but only must fall "within the reasonable range of litigation possibilities." In re Penn Central Transp. Co., 596 F.2d 1102, 1114 (3d Cir. 1979). In making its determination, a court should not substitute its own judgment for that of the debtor. Neshaminy Office, 62 B.R. at 803. Moreover, it is not necessary for the court to conduct a "mini trial" of the facts or the merits underlying the dispute. Grant Broadcasting, 71 B.R. at 396. See also In re A & C Properties, 784 F.2d 1377, 1384 (9th Cir.), cert. denied, 479 U.S. 854 (1986). Rather, the court need only consider those facts that are necessary to enable it to evaluate the settlement and to make an informed and independent judgment about the settlement. Penn Central, 596 F.2d at 1114; In re Energy Cooperative, Inc., 886 F.2d 921, 924-25 (7th Cir. 1989).

42. The Debtors and the OCUC believe that the settlement, as described above, is in the best interests of TWA's estate and its creditors because: (a) it results in an immediate savings to the estate of approximately $8.53 million (consisting of $8.05 million on account of Wells Fargo's compromised Prepayment Premium claim and approximately $475,000 on account of Wells Fargo's compromised claim for default interest); (b) it preserves to the greatest extent possible estate assets of approximately $11.3 million -- the Cushion Amount calculated as of September 30, 2001 and assuming payment of all amounts alleged to be due by Wells Fargo -- for the benefit of and distribution to creditors; (c) it provides a source of recovery (which might not otherwise exist) for general unsecured creditors in the amount of approximately $6.7 million, even if the Debtors' Chapter 11 Cases convert to ones under Chapter 7; and (d) it avoids the uncertainty and expense of litigation over the validity, priority and extent of the alleged liens of Wells Fargo.

43. Further, the Debtors and the OCUC believe that there is a probability that the litigation with Wells Fargo may be unsuccessful, thereby supporting a settlement as contemplated above. Probably the most significant issue in the litigation concerns whether the value of the Notes Collateral -- specifically TWA's slots, spare parts, and ground equipment -- exceeds the amount of Wells Fargo's claims. Although the OCUC's expert is in the process of valuing the Notes Collateral, Wells Fargo's experts and TWA's own prepetition appraisals of such Collateral indicate that Wells Fargo's claims are oversecured.[5]

[5] The Debtors and the OCUC fully reserve their rights with respect to all aspects of valuation or any other issues related to Wells Fargo's claims.

44. Although it is possible that a larger recovery could ultimately be obtained if the Debtors and/or the OCUC were successful in challenging Wells Fargo's alleged liens and security interests, both the Debtors and the OCUC believe that the uncertainties and complexities inherent in any such litigation and the substantial probability that such litigation might prove unsuccessful, in whole or in part, weighs heavily in favor of the settlement as proposed.

45. Moreover, given the complex issues inherent in this litigation, the Debtors and the OCUC believe that the litigation with Wells Fargo would not be resolved for many months, if not years. As stated above, if Wells Fargo ultimately is found to be oversecured, which the Debtors do not concede, then each day that this litigation continues, there is approximately $61,500 less in funds in the Debtors' estates available to pay administrative, priority, and unsecured creditors (approximately $44,500 of which is on account of the negative interest spread, assuming that Wells Fargo's claimed interest was allowed in full).[6] Moreover, pursuant to the Stipulation, in the event that this litigation is not resolved by December 31, 2001, the Debtors will be required to place additional funds in the Escrow Funds to adequately protect Wells Fargo's interests for an additional period of time. If the Debtors fail to place additional funds in the Escrow Funds, then the funds in the Escrow Funds are turned over to Wells Fargo.

46. The Debtors and the OCUC also believe that the proposed settlement with the Icahn Entities is in the best interest of the Debtors' estates and their creditors. The Debtors, with the assistance of their financial advisor, Rothschild, Inc., and the OCUC have evaluated the Icahn Claim and, under all of the facts and circumstances of the Debtors' Chapter 11 cases and the contemplated

inter-dependent settlements, believe that based on all of such facts and circumstances, the settlement with the Icahn Entities providing for (a) the allowance of the Icahn Claim (for voting and distribution purposes only) in the stipulated amount of such claim and (b) the irrevocable assignment, transfer, and payment of the Icahn Funds by the PPPF Trustee to the Icahn Entities, is reasonable. The Debtors' conclusion is based, among other things, on the likelihood that if litigated, the Icahn Claim would be found to be valid in some significant and material amount, and that the costs attendant to litigating the exact amount of the Icahn Claim will be prohibitively expensive given the amount of funds anticipated to be available for distribution to the Debtors' administrative expense, priority, and general unsecured creditors. For example, the above settlement with Wells Fargo may result in approximately $2.95 million being available for the benefit of the Debtors' general unsecured creditors, but the costs to engage in expensive, protracted litigation over the Icahn Claim (including appeals) could total or exceed $2.95 million. Moreover, given the likely distribution to the majority of the Debtors' general prepetition unsecured creditors of, at most, one or two cents on the dollar, even if the Debtors were successful in significantly reducing the amount of the Icahn Claim, it would only result in a di minimus increase in the distribution to other general prepetition unsecured creditors. Finally, if the Icahn Claim were litigated, any distributions to the Debtors' general prepetition unsecured creditors would be significantly delayed during that litigation to account for appropriate holdbacks in the event that the Icahn Claim was allowed in full.

[6] Coupon interest accrued the Senior Secured Notes in the amount of approximately $61,500 per day.

Notice

47. In accordance with this Court's Order Pursuant to Fed. R. Bankr. P. 2002 (A) Approving Form and Manner of Notice and Service of Motion to Approve Proposed Settlement Agreement, (B) Scheduling a Hearing on the Motion to Approve Proposed Settlement, and (C) Approving Form of Notice and Manner of Service, dated September 26, 2001, notice of this Motion has been given to (a) the United States Trustee; (b) counsel to the debtor in possession lender; (c) counsel to the statutory committee of unsecured creditors; (d) all parties who have filed requests for notice pursuant to Fed. R. Bankr. P. 2002; (e) all parties to the Adversary Proceeding; (f) all holders of record under the Senior Secured Notes; (g) counsel to the authorized representative of the Ad Hoc Committee; and (h) all beneficial owners of the Senior Secured Notes whose identity is known to Wells Fargo; (i) all broker-dealers who hold the Senior Secured Notes in street name; (j) all entities who have filed administrative expense, priority, and unsecured Claims in the Debtors' Chapter 11 Cases as of August 24, 2001; and (k) counsel to the Icahn Entities. In light of the nature of and the reasons for the relief requested, the Debtors submit that no further notice is required.

WHEREFORE, TWA respectfully requests this Court enter an Order, substantially in the form attached hereto: (a) authorizing TWA and the Debtors to enter into the settlements described herein pursuant to Bankruptcy Rule 9019 and Section 363 of the Bankruptcy Code on the terms and conditions set forth above; and (b) granting such other relief as this Court deems just and just and proper.

DATED: September 26, 2001

Respectfully submitted,

KIRKLAND & ELLIS
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and

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Co-counsel for the Debtors and Debtors in Possession

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	)	Chapter 11
	)	
TRANS WORLD AIRLINES, INC., et al.[1]	)	Case No. 01-0056 (PJW)
	)	
Debtors.	)	(Jointly Administered)

In re	)	Chapter 11
	)	
TRANS WORLD AIRLINES, INC., et al.,	)	Case No. 01-0056 (PJW)
	)	
Debtors.	)	(Jointly Administered)
	)	
WELLS FARGO BANK NORTHWEST, N.A., in its Capacity as Indenture Trustee, f/k/a First Security Bank, N.A.	)	
	)	
Plaintiff,	)	
	)	
v.	)	Adv. Pro No. 01-3259
	)	
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, TRANS WORLD AIRLINES, INC., Debtor and Debtor-in-Possession, AMR FINANCE, INC., JOHN DOES 1 THROUGH 100, and JANE DOES 1 THROUGH 100,	)	
	)	
Defendants.	)	

SETTLEMENT AGREEMENT

[1] The Debtors are the following entities: Trans World Airlines, Inc., Ambassador Fuel Corporation, LAX Holding Company, Inc., Mega Advertising Inc., Northwest 112th Street Corporation, The TWA Ambassador Club, Inc., Trans World Computer Services, Inc., Transcontinental & Western Air, Inc., TWA Aviation, Inc., TWA Group Inc., TWA Standards & Controls, Inc., TWA Stock Holding Company, TWA-D.C. Gate Company, Inc., TWA-LAX Gate Company, Inc., TWA Logan Gate Co., Inc., TWA-NY/NJ Gate Company, Inc., TWA-Omnibus Gate Company, Inc., TWA-San Francisco Gate Company, Inc., TWA-Hangar 12 Holding Company, Inc., Ozark Group, Inc., TWA Nippon, Inc., TWA Employee Services, Inc., TWA Getaway Vacations, Inc., Trans World Express, Inc., International Aviation Security Inc., Getaway Management Services, Inc., The Getaway Group (U.K.) Inc.

THIS SETTLEMENT AGREEMENT is entered into as of the ___ day of September, 2001 (the "Settlement Agreement") among Trans World Airlines, Inc., ("TWA") on behalf of itself and twenty-six of its direct and indirect subsidiaries, all of whom are currently debtors in possession in the above captioned bankruptcy cases (collectively, the "Debtors"), the Official Committee of Unsecured Creditors, AMR Finance, Inc., and Wells Fargo Bank Northwest, N.A. f/k/a First Security Bank, N.A., ("Wells Fargo") as indenture trustee for TWA's $50,000,000 12% Senior Secured Notes due 2002 ("the 12% Notes") and $140,000,000 11½% Senior Secured Notes due 2004 (the "11 1/2% Notes") (collectively, the "Parties").

1. The Parties agree to settle their claims in the above-captioned adversary proceeding entitled Wells Fargo Bank Northwest, N.A. in its capacity as Indenture Trustee, f/k/a First Security Bank, N.A. vs. the Official Committee of Unsecured Creditors, Trans World Airlines, Inc., AMR Finance, Inc., John Does 1 - 100, and Jane Does 1 - 100, bearing caption number Adv. Pro No. 01-3259, pending in the above-captioned cases, on the terms materially contained in the form of Order (the "Settlement Order") annexed hereto as Exhibit A, subject to the Court's approval of such Order.

2. TWA will file a motion (the "Settlement Motion") materially in the form annexed hereto as Exhibit B for approval of the Settlement Order. The other Parties will support the Settlement Motion.

3. TWA will file a motion materially in the form annexed hereto as Exhibit C for approval of the form and method of notice of the hearing on the Settlement Motion.

4. This Settlement Agreement may be signed in counterparts, each of which shall be an original, but all of which together shall constitute the same agreement.

5. This Settlement Agreement shall become null and void under the conditions set forth in the Settlement Order. This Settlement Agreement shall become voidable by any of the Parties if the Settlement Order is not entered on or before October 15, 2001.

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement as of the date first written above.

TRANS WORLD AIRLINES, INC., on behalf of itself and the Debtors

By:_____
Its:_____
Printed Name:_____

WELLS FARGO BANK NORTHWEST, N.A, in its capacity as Indenture Trustee

By:_____
Its:_____
Printed Name:_____

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By:_____
Its:_____
Printed Name:_____

AMR FINANCE, INC.

By:_____
Its:_____
Printed Name:_____

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	)	Chapter 11
	)	
TRANS WORLD AIRLINES, INC., et al.[1]	)	Case No. 01-0056 (PJW)
	)	
Debtors.	)	(Jointly Administered)

In re	)	Chapter 11
	)	
TRANS WORLD AIRLINES, INC., et al.,	)	Case No. 01-0056 (PJW)
	)	
Debtors.	)	(Jointly Administered)
	)	
WELLS FARGO BANK NORTHWEST, N.A., in its Capacity as Indenture Trustee, f/k/a First Security Bank, N.A.	)	
	)	
Plaintiff,	)	
	)	
v.	)	Adv. Pro No. 01-3259
	)	
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, TRANS WORLD AIRLINES, INC., Debtor and Debtor-in-Possession, AMR FINANCE, INC., JOHN DOES 1 THROUGH 100, and JANE DOES 1 THROUGH 100,	)	
	)	
Defendants.	)	
	)	

ORDER APPROVING SETTLEMENTS BY AND AMONG THE DEBTORS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, AMERICAN, THE ICAHN ENTITIES, AND WELLS FARGO BANK NORTHWEST, N.A. F/K/A FIRST SECURITY BANK, N.A., SOLELY IN ITS CAPACITY AS INDENTURE TRUSTEE FOR THE 11

[1] The Debtors are the following entities: Trans World Airlines, Inc., Ambassador Fuel Corporation, LAX Holding Company, Inc., Mega Advertising Inc., Northwest 112th Street Corporation, The TWA Ambassador Club, Inc., Trans World Computer Services, Inc., Transcontinental & Western Air, Inc., TWA Aviation, Inc., TWA Group Inc., TWA Standards & Controls, Inc., TWA Stock Holding Company, TWA-D.C. Gate Company, Inc., TWA-LAX Gate Company, Inc., TWA Logan Gate Co., Inc., TWA-NY/NJ Gate Company, Inc., TWA-Omnibus Gate Company, Inc., TWA-San Francisco Gate Company, Inc., TWA-Hangar 12 Holding Company, Inc., Ozark Group, Inc., TWA Nippon, Inc., TWA Employee Services, Inc., TWA Getaway Vacations, Inc., Trans World Express, Inc., International Aviation Security Inc., Getaway Management Services, Inc., The Getaway Group (U.K.) Inc.

½% AND 12% SENIOR SECURED NOTES AND FOR SHORTENED NOTICE PURSUANT TO RULES 9019 AND 2002 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE

Upon the motion (the "Motion")[2] of the above-captioned debtors and debtors in possession (collectively, the "Debtors"), for an Order Granting Motion for Approval of Settlement By and Among the Debtors, the Icahn Entities, the Official Committee of Unsecured Creditors (the "OCUC"), American (as defined herein), and Wells Fargo Bank Northwest, N.A. f/k/a First Security Bank, N.A., Solely in its Capacity as Indenture Trustee for the 11½% and 12% Senior Secured Notes and for Shortened Notice Pursuant to Rules 9019 and 2002 of the Federal Rules of Bankruptcy Procedure; and it appearing that the Court has jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and due notice of the Motion having been provided to the United States Trustee, the Debtors' debtor in possession lender, the OCUC, all parties to the Wells Fargo Adversary Proceeding, the authorized representative of the Ad Hoc Committee, all noteholders of record under the Senior Secured Notes, all beneficial owners of the Senior Secured Notes whose identity is known to Wells Fargo, all broker-dealers who hold the Senior Secured Notes in street name according to DTC lists (dated as of September 10, 2001) made available to Wells Fargo, all entities who have filed administrative expense, priority, and unsecured Claims in the Debtors' Chapter 11 cases on or before August 24, 2001, and all parties who have filed requests for notice under Fed. R. Bankr. P. 2002; and it appearing that the form and manner of notice of this Motion has been adequate, sufficient, and proper under the circumstances and that no other or

[2] Any term not defined herein shall have the meaning ascribed to it in the Motion.

further notice need be provided; and it further appearing that the relief requested in the Motion is the best interests of the Debtors and their estates and creditors; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND CONCLUDED THAT:

A. Wells Fargo is the Indenture Trustee for the following two series of secured notes issued by TWA: (i) $50,000,000 12% Senior Secured Notes due 2002 (the "12% Notes") allegedly secured by slots located at JFK International Airport, LaGuardia Airport and O'Hare Airport, various ground equipment, and a pledge of stock of four subsidiaries[3] (collectively, the "12% Collateral") pursuant to an indenture dated March 31, 1997 (the "12% Indenture"); and (ii) $140,000,000 11½% Senior Secured Notes due 2004 (the "11½% Notes," and with the 12% Notes, the "Senior Secured Notes") allegedly secured by slots located at Washington National Airport and spare parts at various locations throughout the United States (collectively, the "11 ½ % Collateral") pursuant to an indenture dated December 9, 1997 (the "11½% Indenture"). The 12% Collateral and the 11½% Collateral are collectively referred to herein as the "Notes Collateral." The holders of the Senior Secured Notes are collectively referred to herein as the "Noteholders."

B. On January 10, 2001, TWA and twenty-six of its direct and indirect wholly-owned subsidiaries commenced the above-captioned Chapter 11 cases (the "Chapter 11 Cases") by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the Court.

C. On January 10, 2001, the Debtors filed a motion (the "Sale Motion") seeking approval of an asset purchase agreement (the "Asset Purchase Agreement") with American Airlines, Inc. or its designee ("American"), pursuant to which American would purchase substantially all of the Debtors' assets, including the 12% Collateral and the 11½% Collateral, pursuant to Bankruptcy Code Section 363. The Debtors also obtained a debtor in possession loan from AMR Finance, Inc. ("AMR," sometimes collectively referred to with American as "American").

D. On March 1, 2001, Wells Fargo filed an objection to the Sale Motion on behalf of the Noteholders arguing, inter alia, that the Sale Motion cannot be approved because the requirements of Bankruptcy Code Section 363(f) were not satisfied (the "Objection").

E. By orders dated March 12, 2001, the Court approved TWA's sale of all of its assets to American and also approved a stipulation between TWA and Wells Fargo resolving the Objection (the "Stipulation"). Pursuant to the Stipulation, the Debtors established two escrow accounts, one for the 12% Notes (the "12% Escrow") and one for the 11½% Notes (the "11½% Escrow," and with the 12% Escrow, the "Escrow Accounts"), the purpose of which was to preserve the parties' positions while the Debtors and the OCUC investigated the validity, extent, and priority of the liens allegedly securing the Senior Secured Notes. The Debtors funded the Escrow Accounts with amounts estimated to be sufficient to pay all amounts claimed by Wells Fargo on behalf of the Noteholders (if such claims were satisfied on or before December 31, 2001), including, among other things, alleged principal, pre and postpetition interest through December 31, 2001 (including alleged

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[3] The stock of the following four subsidiaries were allegedly pledged to Wells Fargo for the benefit of the 12% Notes: (i) LAX Holding Company, Inc., (ii) TWA-LAX Gate Company, Inc., (iii) TWA-San Francisco Gate

default interest), prepayment premia and reasonable fees and expenses of Wells Fargo (i.e, $58,891,324.71 for the 12% Notes, and $167,294,850.52 for the 11½% Notes).

F. On May 16, 2001, Wells Fargo filed the Adversary Proceeding against TWA, the OCUC, and AMR, among others, and sought a declaratory judgment that Wells Fargo possesses (i) an allowed, first priority, fully secured claim as the indenture trustee of the 12% Notes, and (ii) an allowed, first priority, fully secured claim as indenture trustee of the 11½% Notes.

G. TWA, the OCUC, and American filed answers and counterclaims to the Complaint. Both TWA and the OCUC have denied that the Notes Collateral allegedly securing Wells Fargo's claims are valid and fully perfected and enforceable. Among other things, TWA and the OCUC have denied that the value of the Notes Collateral, particularly the spare parts, ground equipment, and slots, exceeds the amount of Wells Fargo's claims and instead have claimed that the Senior Secured Notes are undersecured. Moreover, TWA and the OCUC denied that Wells Fargo was entitled to default interest and the Prepayment Premium because they constitute improper penalties that are not allowed under applicable law. The OCUC also denied that the Senior Secured Notes could be secured at all by slots because as a matter of law slots were not the Debtors' property and therefore could not be pledged. Wells Fargo, among other things, denies each of these allegations and certain other allegations raised in TWA's and the OCUC's answers and counterclaims.

Company, Inc., and (iv) TWA-Omnibus Gate Company, Inc.

H. Since TWA and the OCUC filed their answers and counterclaims, the parties have engaged in significant, expensive, and protracted discovery concerning the disputed matters in the Adversary Proceeding.

I. The Debtors, the OCUC, Wells Fargo, and American have entered into the Settlement Agreement, which the Debtors believe (together with this Settlement Order) is in the best interests of the Debtors, their creditors and their estates. The Settlement Agreement resolves all issues arising out of the Adversary Proceeding as well as all issues relating to any proofs of claim filed by Wells Fargo on behalf of the Noteholders.

J. The Settlement Agreement is related in part to a global settlement (to which Wells Fargo and American are not parties) resolving many of the significant issues in these cases between the Debtors, the OCUC, and others in these Chapter 11 cases. On or about August 1, 2001, the Debtors, the OCUC, the ad hoc committee of holders of TWA's 11 3/8% Senior Notes due 2006 (the "Ad Hoc Committee," together with the OCUC, the "Committees"), and certain members of the Committees entered into a Lockup, Voting, and Consent Agreement Concerning Terms of Proposed Settlement Including Joint Liquidating Plan of Reorganization (as amended from time to time, the "Lockup Agreement"), pursuant to which the parties thereto (collectively, the "Lockup Parties") reached an agreement regarding certain aspects of the Debtors' Chapter 11 cases.

K. The Settlement Agreement is also related in part to certain settlements, to which the Icahn Entities are parties, which provide, among other things, for (i) the allowance of the Icahn Claim in the amount of $750 million and (ii) the mutual release of certain claims by and against the Icahn Entities relating to FIM Receivables, all as set forth more fully in the Motion.

L. The terms of this Order represent an agreement that was negotiated in good faith and at arms' length, with all parties thereto represented by counsel.

M. A motion was filed on September 21, 2001 seeking approval of the form and manner of the notice of a hearing on the proposed settlement set forth herein. This Court granted such motion by order dated September 26, 2001 (the "Procedures Order").

For all of the foregoing and after due deliberation, the Court ORDERS, ADJUDGES AND DECREES:

1. The Motion is granted in its entirety.

2. The Settlement Agreement and all related proposed settlements described in the Motion are fair and reasonable and in the best interests of the Debtors, their estates, and their creditors. The Debtors are authorized to enter into the Settlement Agreement and all related proposed settlements described in the Motion for which the Debtors seek authorization to consummate.

3. The terms of the Settlement Agreement and all related proposed settlements described in the Motion for which the Debtors seek authorization to consummate, are hereby approved, and all parties are directed to comply with the relevant terms thereof.

4. Notice of the hearing on the Motion was given in accordance with this Court's Procedures Order, and such notice to all creditors and parties in interest, including without limitation the parties to the Settlement Agreement, all Noteholders, and all beneficial owners of the Senior Secured Notes, is sufficient.

5. On the date that this Order becomes an order not subject to appeal, reversal, stay, modification, or amendment, the Complaint and all counterclaims filed by any party in the Wells Fargo Adversary Proceeding (Adv. Pro. No.01-3259) are dismissed with prejudice, and the claims of the Noteholders arising out of the Chapter 11 Cases or the Adversary Proceeding against the Debtors, the OCUC, or Wells Fargo are dismissed with prejudice, and all Noteholders, solely in their capacity as such, will release and be permanently barred thereafter from pursuing any claims, demands, rights liabilities and causes of action of every nature and description whatsoever, known or unknown, choate or inchoate, asserted or that might have been asserted against the Debtors, the OCUC or Wells Fargo and any of their past and present officers, directors, agents, servants, sureties, attorneys, employees, members, parents, associates, shareholders, subsidiaries, divisions, affiliates, insurers and all predecessors and successors, assigns or legal representatives arising out of the Senior Secured Notes, the Chapter 11 Cases, the Adversary Proceeding or the Settlement Agreement; provided, however, that: (a) the release of the claims of the Icahn Entities, solely in their capacity as Noteholders, shall not affect any other claims of the Icahn Entities against American (other than as specifically set forth in Paragraph 21 below); (b) the approval of the Settlement Agreement and this Settlement Order is without prejudice to the right of American and certain other non-settling parties to object to any plan of liquidation proposed in the Debtors' Chapter 11 cases, and this Settlement Order does not represent, nor shall it constitute, approval of any such plan; and (c) the dismissal of any counterclaims of American is without prejudice to any claims that American may have with respect to its debtor in possession loan to the Debtors and related agreements.

6. Within two business days after the date that this Order becomes an order not subject to appeal, reversal, stay, modification, or amendment, the Escrow Agent for the 12% Escrow shall release (a) $50,000,000 in principal plus $5,950,000.09 in accrued non-default interest (if such payment is made on September 28) from the 12% Escrow to Wells Fargo, on behalf of the 12% Noteholders, in full satisfaction (subject to the interest adjustments noted in Paragraph 8 below) of the claims of the 12% Noteholders against the Debtors' estates and (b) $402,862.45 to Wells Fargo on account of Wells Fargo's reasonable fees and expenses through October 1, 2001 arising out of the Chapter 11 Cases and the Adversary Proceeding on behalf of the 12% Noteholders.

7. Within two business days after the date that this Order becomes an order not subject to appeal, reversal, stay, modification or reconsideration, the Escrow Agent for the 11½% Escrow shall release (a) $140,000,000 in principal plus $12,656,388.87 in accrued non-default interest (if such payment is made on September 28) from the 11½% Escrow to Wells Fargo, on behalf of the 11½% Noteholders, in full satisfaction (subject to the interest adjustments noted in Paragraph 8 below) of the claims of the 11½% Noteholders against the Debtors' estates and (b) $1,102,357.06 to Wells Fargo on account of Wells Fargo's fees and expenses arising out of the Chapter 11 Cases through October 1, 2001 and the Adversary Proceeding on behalf of the 11½% Noteholders.

8. If such payments as described in Paragraphs 6 and 7 above are not paid on or before September 28, 2001, there shall be paid to Wells Fargo combined per diem interest of $61,388.89 (consisting of $16,666.67 per diem interest for the 12% Notes and $44,722.23 per diem interest for the 11 1/2% Notes) on the Senior Secured Notes for each day thereafter until payment.

9. On the date that is the later of: (a) the date of the payment of funds to Wells Fargo referenced above and (b) the date that the Committees and any members thereof withdraw with prejudice all currently pending appeals in the Debtors' Chapter 11 Cases, Wells Fargo shall irrevocably assign and transfer the Prepayment Premium Funds to a trustee mutually acceptable to the Debtor and the OCUC, on behalf of the OCUC and for the benefit of certain creditors (the "PPPF Trustee"), to hold, distribute, and/or pay such Funds as set forth below and in accordance with other provisions in this Settlement Order and applicable trust and escrow documents; provided, however, that this paragraph, to the extent applicable, shall not apply to any appeals of the Icahn Entities.

10. After the payments and the irrevocable assignment and transfer referenced above, the Escrow Accounts shall be forever released and the escrow agreements entered in connection therewith shall be no longer of any force or effect. Any funds remaining in the Escrow Accounts after disbursements to Wells Fargo and the irrevocable assignment and transfer of the Prepayment Premium Funds, as set forth above, shall be transferred to the Debtors' estate accounts.

11. In consideration of the above, Wells Fargo shall waive any and all additional claims (including, but not limited to, any alleged default interest, prepayment penalties, and redemption premia) arising in connection with the Senior Secured Notes, other than with respect to its rights to assert its contingent claims to compensation and indemnity under the 11 1/2% and 12% Notes indentures for fees, costs, and expenses incurred after October 1, 2001, and such contingent claims shall be deemed to constitute an oversecured claim; provided, however, that the Debtors reserve all of their rights to dispute and/or challenge the treatment of (and distribution, if any, on account of) such contingent claims.

12. Within two days after the earlier of (i) the date that the Settlement Order becomes an order not subject to appeal, reversal, stay, modification or amendment and (ii) the date that the Earmarked Funds (as defined below) are delivered into irrevocable trust for the benefit of the holders of Unsecured Claims (as defined below), the Debtors shall submit the Rothschild Order (as defined in the Motion) to the court for entry.

13. On the earliest of the date (the "Distribution Date") that (i) a liquidating plan of reorganization consistent with the Lockup Agreement becomes effective, (ii) the Debtors' Chapter 11 Cases are converted to cases under Chapter 7, (iii) the Lockup Agreement is terminated, or (iv) Debtors and the OCUC mutually agree upon, or as soon as reasonably practicable thereafter, the Prepayment Premium Funds (minus the payments previously made from such Funds as set forth herein) shall be distributed by the Plan Administrator (as defined in the Lockup Agreement), in the event of confirmation of a liquidating plan of reorganization, or a person designated by the mutual agreement of the Debtors and the OCUC as fund administrator, in the event of conversion of the Debtors' Chapter 11 Cases or otherwise (in either case, solely as agent for the purposes of such distribution), as follows: (a) $3.75 million (the "HSBC Funds") shall be paid to HSBC Bank USA ("HSBC"), as successor indenture trustee under the Indenture, dated as of March 3, 1998, between the Debtors and First Security Bank, N.A., as amended from time to time (the "HSBC Indenture") for redistribution to the Holders of TWA's $150,000,000 11 3/8% Senior Notes due 2006 (the "11 3/8% Notes") in accordance with the HSBC Indenture; and (b) $2.95 million (plus interest income, if any, earned thereon, plus income earned on the HSBC Funds, if any, minus amounts paid, if any, plus any distribution on account of the HSBC Claim, as specifically set forth in Paragraph 15 below)

(the "Unsecured Creditor Funds") shall be paid on a pro rata basis to holders of Unsecured Non-Bondholder Claims, after consideration of amounts necessary to be withheld on account of disputed claims. In the period prior to such distribution, the HSBC Funds and the Unsecured Creditor Funds (plus interest income earned thereon and interest on the HSBC Funds, which shall be included in such Funds) (collectively, the "Earmarked Funds") shall be held by the PPPF Trustee (or such other trustee, agent, or other designee jointly designated by the Debtor and the OCUC) in irrevocable trust for distribution as set forth in this Settlement Order and applicable trust and/or escrow documents. The irrevocable trust holding the Earmarked Funds, however, shall not be held by Wells Fargo, nor shall such Funds be, or constitute, property of the Debtors' estates or the Post-Confirmation Estate (as defined in the Lockup Agreement) after the assignment and transfer of such Funds by Wells Fargo.

14. Upon the PPPF Trustee's receipt of the Prepayment Premium Funds, the OCUC shall irrevocably instruct the PPPF Trustee to allocate and pay (no later than five days after the PPPF Trustee's receipt of such Funds) to HSBC an amount to be mutually agreed upon among HSBC, the Debtors, and the OCUC (such agreement not to be unreasonably withheld) or approved by the Court (but in no event greater than $500,000) (the "HSBC Fee") on account of HSBC's reasonable fees and expenses under the HSBC Indenture and under 11 U.S.C. § 503(b) (the "HSBC Claim"); provided, however, that (a) to the extent that the HSBC Claim is not paid in full, HSBC shall be entitled to an allowed administrative expense Claim on account of the amount of the unpaid portion of the HSBC Claim, and (b) the Debtors shall not object to the HSBC Claim.

15. On the Distribution Date (and promptly thereafter as reasonably practicable), that portion of the Earmarked Funds that represents interest earned thereon (which shall be included in such Earmarked Funds and which shall not constitute property of the Debtors' estates or Post-Confirmation Estate, as defined in the Lockup Agreement) shall be distributed in equal amounts to (a) HSBC, as indenture trustee under the HSBC Indenture, for redistribution to the holders of the 11 3/8% Notes in accordance with the HSBC Indenture and (b) holders of Unsecured Non-Bondholder Claims, to be paid on a pro rata basis after consideration of amounts necessary to be withheld on account of disputed claims. Upon and to the extent of HSBC's receipt of the HSBC Fee as set forth in Paragraph 14 above, HSBC shall irrevocably assign and transfer the HSBC Claim in the amount of the HSBC Fee (which shall then be an allowed administrative expense claim) to an entity designated by the OCUC, for the benefit of holders of Unsecured Non-Bondholder Claims.

16. Any funds (other than the Earmarked Funds) distributed by a plan administrator to holders of Unsecured Non-Bondholder Claims shall be distributed solely to holders of such claims other than holders of the 11 3/8% Notes; provided, however, that in the event that holders of Unsecured Non-Bondholder Claims receive at least 2.5% of their Claims (such percentage computation to include distributions of the Earmarked Funds and the HSBC Claim but not to include distributions on account of the interest payments set forth in this Settlement Order), then the plan administrator shall pay any further distributions to holders of all Unsecured Claims on a pro rata basis.

17. HSBC, as indenture trustee under the HSBC Indenture, has acted in good faith and exercised its duties under the HSBC Indenture with reasonable care and skill as a prudent person would under similar circumstances.

18. Wells Fargo, as Indenture Trustee for the Senior Secured Notes, has acted with good faith and exercised its duties under the 12% Indenture and the 11½% Indenture with reasonable care and skill as a prudent person would under similar circumstances. Furthermore, pursuant to the 11 1/2% and 12% Notes indentures, Wells Fargo is authorized to compromise its claims with respect to valuation of the Notes Collateral in the Settlement Agreement by agreeing that the value of the Notes Collateral is equal to the principal plus accrued non-default interest and fees and expenses due under the 12% Notes and the 11 1/2% Notes. As a result, Wells Fargo is hereby discharged from it duties and any further liability to the Noteholders arising out of the 12% Indenture and the 11½% Indenture with respect to the claims of such Noteholders against the Debtors in these Chapter 11 Cases or the Adversary Proceeding, other than those duties and liabilities with respect to distribution under the relevant Indenture.

19. Upon the PPPF Trustee's receipt of the Prepayment Premium Funds, the OCUC shall irrevocably instruct the PPPF Trustee to allocate and pay to the Icahn Entities (no later than five days after the PPPF Trustee's receipt of such Funds) $925,000 (plus interest earned thereon, which shall be included in such $925,000) of the Prepayment Premium Funds (the "Icahn Funds") to induce the Icahn Entities to enter into such settlement.

20. The Icahn Claim (and any other Unsecured Non-Bondholder Claim of the Icahn Entities) is allowed, solely for purposes of voting for a plan of liquidation and distribution, in

the total amount of $750 million. In accordance with the Lockup Agreement, the Icahn Entities shall not vote any of their Claim(s) against a plan of reorganization proposed by the Debtors and/or the OCUC. In accordance with the Lockup Agreement, in the event that there is an election of a Chapter 11 or Chapter 7 trustee in the Debtors' bankruptcy cases, the Icahn Entities will vote their Claim(s) in favor of one or more trustees in the same proportion as all other creditors entitled to vote for such trustee(s).

21. The FIM Release (as defined in the Motion), which shall have been executed in a form mutually and reasonably agreed upon between American and the Icahn Entities, and the execution of which shall be a condition precedent to the entry of this Settlement Order, shall become effective upon the date that the Settlement Order is entered.

22. In the event that the Settlement Order remains subject to appeal, reversal, stay, modification or amendment on the sixteenth day after the date that the Settlement Order is entered, then, upon written facsimile notice (given within ten days after the expiration of such sixteen day period) by any of the following parties: Wells Fargo, the Debtor, the OCUC, the Icahn Entities or American (collectively, the "Settling Parties") to all of the other Settling Parties (at the addresses listed on the Notice of Settlement Motion providing publication notice of this Motion) terminating the Settlement Agreement and all related settlements, then upon two business days after the delivery of such written notice coupled with no revocation of such notice, the Settlement Agreement and all related settlements referenced herein shall be null and void, and none of the Settling Parties shall thereafter be prejudiced by positions taken with respect to supporting such Settlement Order and the settlements contemplated therein; provided, however, that any one of the Settling Parties, in its sole

discretion, may at any time waive any of the conditions concerning consummating the Settlement Agreement and all related settlements set forth in this paragraph, without notice, without leave or order of court, and without any formal action other than proceeding to consummate the Settlement Agreement and all related settlements.

23. This Court retains exclusive jurisdiction to interpret and enforce the provisions of this Order in all respects and further to hear and determine all matters arising from the construction or implementation of this Order or the Settlement Agreement and any and all disputes between the Parties or relating to the claims of the Noteholders in the Chapter 11 Cases or the Adversary Proceeding or arising out of the Settlement Agreement.

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24. The Debtors, the OCUC and the members thereof, the authorized representative of the Ad Hoc Committee, HSBC, and the Icahn Entities agree (subject to any limitations set forth in the Lockup Agreement) that this Settlement Order, to the extent inconsistent with the Lockup Agreement (and the Term Sheet attached thereto, including without limitation Sections 2.5, 5.1, 7.1, 7.2, 7.3, 7.4, 25.1, 26.1, and 27.1 of said Term Sheet) shall amend and supersede said Term Sheet as though fully restated in said Term Sheet.

Dated: Wilmington, Delaware
This ___ day of _____, 2001

_____
United States Bankruptcy Judge

AGREED TO A SET FORTH BELOW:

TRANS WORLD AIRLINES, INC et al.,
Debtors and Debtors in Possession

_____
By:_____
Its:_____
Printed Name:_____

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS

_____
By:_____
Its:_____
Printed Name:_____

MOSES MARX, solely in his capacity as duly authorized representative of the Ad Hoc Committee of Holders of 11 3/8% Senior Notes Due 2006

_____
By:_____
Its:_____
Printed Name:_____

HSBC BANK USA, as Indenture Trustee

_____
By:_____
Its:_____
Printed Name:_____

LOWESTFARE.COM, INC.

_____

By:_____
Its:_____
Printed Name:_____

LOWESTFARE.COM LLC.

_____

By:_____
Its:_____
Printed Name:_____

KARABU CORPORATION

_____

By:_____
Its:_____
Printed Name:_____

HIGH RIVER LIMITED PARTNERSHIP

_____

By:_____
Its:_____
Printed Name:_____

AMERICAN AIRLINES, INC., by and on behalf of itself, AMR FINANCE, INC., AND TWA AIRLINES LLC

_____

By:_____
Its:_____
Printed Name:_____

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ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re	)	Chapter 11
	)	
TRANS WORLD AIRLINES, INC., et al.,[1]	)	Case No. 01-00056 (PJW)
	)	(Jointly Administered) Hearing: 10/12/01 10:30am
Debtors.	)	Objections: 10/9/01 4:00 pm

NOTICE OF MOTION FOR ORDER APPROVING SETTLEMENT BY AND AMONG THE DEBTORS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, AMERICAN AIRLINES, INC., THE ICAHN ENTITIES, AND WELLS FARGO BANK NORTHWEST, N.A. F/K/A FIRST SECURITY BANK, N.A., SOLELY IN ITS CAPACITY AS INDENTURE TRUSTEE FOR THE 11½% AND 12% SENIOR SECURED NOTES AND FOR SHORTENED NOTICE PURSUANT TO FED. R. BANKR. P. 9019 AND 2002

TO: HOLDERS OF TRANS WORLD AIRLINES, INC.'S 11 1/2% AND 12% SENIOR SECURED NOTES, HOLDERS OF TRANS WORLD AIRLINES, INC.'S 11 3/8% SENIOR NOTES, ALL ENTITIES WHO HAVE TIMELY FILED ADMINISTRATIVE EXPENSE, PRIORITY, AND GENERAL UNSECURED CLAIMS IN THE ABOVE-CAPTIONED BANKRUPTCY CASES, AND CERTAIN OTHER INTERESTED PARTIES

PLEASE TAKE NOTICE that a hearing (the "Settlement Hearing") to consider the Motion dated September 26, 2001 (the "WF Settlement Motion") of the above-captioned debtors and debtors in possession (collectively, "TWA" or the "Debtors"), for entry of an order approving a settlement (the "WF Settlement") by and among the Debtors, the Official Committee of Unsecured Creditors (the "OCUC"), American Airlines, Inc. and AMR Finance, Inc. (collectively, "American"), and Wells Fargo Bank Northwest, N.A. f/k/a First Security Bank, N.A., solely in its capacity as Indenture Trustee ("Wells Fargo") for the 11 ½% and 12% Senior Secured Notes pursuant to Fed. R. Bankr. P. 9019 and 2002, with respect to the adversary proceeding captioned Wells Fargo Bank Northwest, N.A. in its capacity as Indenture Trustee, f/k/a First Security Bank, N.A. vs. the Official Committee of Unsecured Creditors, Trans World Airlines, Inc., AMR Finance, Inc., John Does 1 - 100, and Jane Does 1 - 100, Adv. Pro No. 01-3259 (EIK) (the "Adversary Proceeding") and related matters, filed in the above-captioned bankruptcy case pending in the United States Bankruptcy Court for the District of Delaware (the "Court") by Wells Fargo on behalf of the holders of Trans World Airlines, Inc.'s $50,000,000 12% Senior Secured Notes due 2002 issued pursuant to an indenture dated March 31, 1997 (the "12% Notes") and $140,000,000 11½% Senior Secured Notes due 2004 issued pursuant to an indenture dated December 9, 1997 (the "11½% Notes," and with the 12% Notes, the "WF Senior Secured Notes"), concerning the proposed resolution of the rights of the holders of the WF Senior Secured Notes (the "WF Secured Noteholders") is scheduled for October 12, 2001 at 10:30 a.m., prevailing Eastern Time, before the Honorable Peter J. Walsh, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware (the "Court"), Marine Midland Plaza, 824 Market Street, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE that at the Settlement Hearing, the Court will consider the Debtors' request to enter into the WF Settlement, a related settlement agreement disposing of the Adversary Proceeding (the "Settlement Agreement"), and certain related settlements (collectively, the "Settlements," which are described more fully in the WF Settlement Motion). The purpose of the Settlement Hearing will be, among other things, to determine if the Settlements are fair and equitable as required by 11 U.S.C. § 363 and Fed. R. Bankr. P. 9019. The Court may adjourn or continue the Settlement Hearing without further notice. Copies of the WF Settlement Motion, the Settlement Agreement, a proposed order approving such WF Settlement Motion and Settlement Agreement (the "WF Settlement Order") (a) may be inspected at the Office of the Clerk of the Court at the address set forth in the preceding paragraph, (b) may be obtained by written request made to the Debtor's counsel, Pachulski, Stang, Ziehl, Young & Jones, P.C., Attention: Laura Davis Jones, Esq., 919 Market Street, 16th Floor, P.O. Box 8705, Wilmington, Delaware, 19899-8705, Telephone: (302) 652-4100, Facsimile: (302) 652-4400, or (c) may be viewed at the Court's website address: www.deb.uscourts.gov.

PLEASE TAKE FURTHER NOTICE that any objection to the relief requested in the WF Settlement Motion must be in writing, must conform to the Federal Rules of Bankruptcy Procedure, the Delaware local rules and orders of the Court, must set forth the nature of the objectors' claims against or interests in the Debtors' estates, the basis for the objection and the specific grounds therefor, and must be filed with the Clerk of the Court at the address set forth above, and served so as to be received on or before 4:00 p.m., prevailing Eastern Time, on October 9, 2001 by the Office of the United States Trustee for the District of Delaware (844 King Street, Suite 2313, Wilmington, Delaware 19801, Attn: Mark Kenney, Esq.) and to the counsel at the addresses set forth in the table

[1] The Debtors are the following entities: Trans World Airlines, Inc., Ambassador Fuel Corporation, LAX Holding Company, Inc., Mega Advertising Inc., Northwest 112th Street Corporation, The TWA Ambassador Club, Inc., Trans World Computer Services, Inc., Transcontinental & Western Air, Inc., TWA Aviation, Inc., TWA ›up Inc., TWA Standards & Controls, Inc., TWA Stock Holding Company, TWA-D.C. Gate Company, Inc., TWA-LAX Gate Company, Inc., TWA Logan Gate Co., , TWA-NY/NJ Gate Company, Inc., TWA-Omnibus Gate Company, Inc., TWA-San Francisco Gate Company, Inc., TWA-Hangar 12 Holding Company, Inc., Ozark Group, Inc., TWA Nippon, Inc., TWA Employee Services, Inc., TWA Getaway Vacations, Inc., Trans World Express, Inc., International Aviation Security Inc., Getaway Management Services, Inc., The Getaway Group (U.K.) Inc.

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below (collectively, the "Notice Parties"), and any entity objecting to the WF Settlement Motion that has not complied with the requirements of this paragraph may not be heard at the Settlement Hearing. Replies, if any, to objections and responses to the WF Settlement Motion shall be filed with the Court and served so as to be received on or before 4:00 p.m. prevailing Eastern Time on October 11, 2001 by the Notice Parties. **IF YOU DO NOT OPPOSE THE PROPOSED SETTLEMENTS YOU NEED NOT APPEAR AT THE HEARING OR FILE PAPERS WITH THE COURT.**

To co-counsel for the Debtors: Kirkland & Ellis 200 E. Randolph, Suite 5400 Chicago, Illinois 60601 Attention: James H.M. Sprayregen, Esq.	To co-counsel for the Debtors: Pachulski, Stang, Ziehl, Young & Jones, P.C. 919 North Market Street, 16th Floor P.O. Box 8705 Wilmington, DE 19899-8705 Attention: Laura Davis Jones, Esq.	To co-counsel for Wells Fargo: Pillsbury Winthrop LLP One Battery Park Plaza New York, New York 10004 (212) 858-1000 Attention: Leo T. Crowley, Esq.
To co-counsel for Wells Fargo: Pillsbury Winthrop LLP 650 Town Center Drive Seventh Floor Costa Mesa, California 92626-7122 Attention: Craig A. Barbarosh, Esq.	To co-counsel for Wells Fargo: Greenberg Traurig, LLP The Brandywine Building 1000 West Street, Suite 1540 Wilmington, Delaware Attention: Scott D. Cousins, Esq.	To counsel for the OCUC: Blank Rome Comisky McCauley LLP 1201 Market Street, Suite 2100 Wilmington, Delaware 19801 Attention: Bonnie Glanz Fatell, Esq.
To counsel for the OCUC: Blank Rome Comisky McCauley LLP One Logan Square Philadelphia, PA 19103 Attention: Thomas Biron, Esq.	To counsel for the OCUC: Blank Rome Tenzer Greenblatt LLP The Chrysler Building 405 Lexington Avenue New York, NY 10174 Attention: Michael Z. Brownstein, Esq.	To co-counsel for AMR: Weil, Gotshal & Manges, LLP 767 Fifth Avenue New York, NY 10153 Attention: Alan B. Miller, Esq.
To co-counsel for AMR: Richards, Layton & Finger One Rodney Square P.O. Box 551 Wilmington, Delaware 19899 Attention: Mark D. Collins, Esq.	To counsel for the Icahn Entities: Berlack, Israels & Liberman LLP 120 West 45th Street New York, NY 10036 Attention: Edward S. Weisfelner, Esq.	To counsel for the authorized representative of the Ad Hoc Committee: Kelley, Drye & Warren LLP 101 Park Avenue New York, New York 10178 Attention: Robert Schenfeld, Esq.

PLEASE TAKE FURTHER NOTICE THAT if the WF Secured Noteholders have questions about the WF Settlement, they may contact: Wells Fargo Bank Northwest, N.A., c/o Wells Fargo Corporate Trust Services, Attention: Lisa A. Miller, MAC No. N9303-120, Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Telephone: (612) 667-1916, Facsimile: (612) 667-9825. **DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.**

Background and Summary of the Proposed Settlements with Respect to the WF Senior Secured Notes

The following is a brief description of the background and summary of the proposed WF Settlement. Such description is fully qualified by and subject to the more detailed and fuller description contained in the WF Settlement Motion, the WF Settlement Agreement, and the proposed WF Settlement Order approving the WF Settlement Motion, which shall control in the event of any discrepancy or inconsistency with this Notice. All capitalized terms not defined herein with respect to the WF Senior Secured Notes shall have the same meaning as in the WF Settlement Motion.

Wells Fargo is the Indenture Trustee for the WF Senior Secured Notes, and any references to Wells Fargo herein is solely in its capacity as such. The 12% Notes are allegedly secured by slots located at JFK International Airport, LaGuardia Airport and O'Hare Airport, various ground equipment and a pledge of stock of four subsidiaries of TWA (collectively, the "12% Collateral"), and the 11½% Notes are allegedly secured by slots located at Washington National Airport and spare parts at various locations throughout the United States (collectively, the "11½% Collateral," and together with the 12% Collateral, the "WF Notes Collateral").

On January 10, 2001, TWA and twenty-six of its direct and indirect wholly-owned subsidiaries commenced the above-captioned Chapter 11 cases (the "Chapter 11 Cases") by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the Court. On January 10, 2001, the Debtors filed a motion (the "Sale Motion") seeking approval of an asset purchase agreement (the "Asset Purchase Agreement") with American Airlines, Inc. or its designee ("American"), pursuant to which American would purchase substantially all of the Debtors' assets, including the 12% Collateral and the 11½% Collateral, pursuant to Bankruptcy Code Section 363. The Debtors also obtained a debtor in possession loan from AMR Finance, Inc. ("AMR").

On March 1, 2001, Wells Fargo filed an objection to the Sale Motion on behalf of the WF Secured Noteholders arguing, inter alia, that the Sale Motion cannot be approved because the requirements of Bankruptcy Code Section 363(f) were not satisfied (the "Objection"). By orders dated March 12, 2001, the Court approved TWA's sale of all of its assets to American and also approved a tipulation between TWA and Wells Fargo resolving the Objection (the "Stipulation"). Pursuant to the Stipulation, the Debtors established two escrow accounts, one for the 12% Notes (the "12% Escrow") and one for the 11½% Notes (the "11½% Escrow," and with the 12% Escrow, the "WF Escrow Accounts"), the purpose of which was to preserve the parties' positions while the Debtors and OCUC investigated the validity, extent, and priority of the liens allegedly securing the WF Senior Secured Notes. The Debtors funded the WF Escrow Accounts with amounts sufficient to pay all amounts allegedly due to the WF Secured Noteholders, including, inter alia, alleged principal, pre and postpetition interest, redemption premium and fees and expenses of Wells Fargo (i.e, $58,891,324.71 for the 12% Notes, and $167,294,850.52 for the 11½% Notes).

On May 16, 2001, Wells Fargo filed the Adversary Proceeding against TWA, the OCUC, and American, among others, and sought a declaratory judgment that Wells Fargo possesses (i) an allowed, first priority, fully secured claim as the indenture trustee of the 12% Notes, and (ii) an allowed, first priority, fully secured claim as indenture trustee of the 11½% Notes. TWA, the OCUC, and American filed answers and counterclaims in the Adversary Proceeding denying virtually all of Wells Fargo's material allegations and requests for relief. Among other things, TWA and the OCUC have denied that the value of the WF Notes Collateral, particularly the spare parts, ground equipment, and slots, exceeds the amount of Wells Fargo's claims and instead have claimed that the WF Senior Secured Notes are undersecured. Moreover, TWA and the OCUC denied that Wells Fargo was entitled to default interest and a prepayment premium because they constitute improper penalties that are not allowed under applicable law. The OCUC also denied that the WF Senior Secured Notes could be secured at all by slots because as a matter of law slots were not the Debtors' property and therefore could not be pledged. Wells Fargo, among other things, denies each of these allegations and certain other allegations raised in TWA's and the OCUC's answers and counterclaims.

The parties to the Adversary Proceeding have engaged in prolonged arm's length settlement negotiations and have reached an agreement in principle that they believe is fair and equitable and in the best interests of the Debtors' estates and its creditors, including the WF Secured Noteholders. The WF Settlement provides for payment by TWA to Wells Fargo on behalf of the WF Secured Noteholders for the principal amount of the WF Senior Secured Notes, plus accrued interest at the coupon rates on each series of WF Senior Secured Notes until the date of payment, plus Wells Fargo's reasonable fees and expenses incurred as Indenture Trustee, in full satisfaction of the WF Secured Noteholders' claims against the Debtors' estates. The proposed date of payment is no earlier than September 28, 2001 (although the actual date may vary), which means that if payment is made on September 28, (i) the holders of the 12% Notes will receive their proportionate share of $50,000,000.00 in principal and $5,950,000.09 in accrued interest, and (ii) the holders of the 11½% Notes will receive their proportionate share of $140,000,000.00 in principal and $12,656,388.87 in accrued interest. If such payment is not made on or before September 28, 2001, TWA will pay to Wells Fargo additional per diem interest of $61,388.89 (consisting of $16,666.67 per diem interest for the 12% Notes and $44,722.23 for the 11½% Notes) until the date of payment. The WF Settlement Order also provides that, in consideration of, among other things, the payments made pursuant to the WF Settlement and subject to certain exceptions set forth in the WF Settlement Order, (a) all claims and counterclaims asserted in the Chapter 11 Cases and Adversary Proceeding relating to the WF Senior Secured Notes shall be dismissed with prejudice, and (b) all WF Secured Noteholders solely in their capacity as such will release and be permanently barred thereafter from pursuing any claims, demands, rights, liabilities and causes of action of every nature and description, known or unknown, choate or inchoate, asserted or that might have been asserted against the Debtors or Wells Fargo and any of their past and present officers, directors, agents, servants, sureties, attorneys, employees, parents, associates, shareholders, subsidiaries, divisions, affiliates, insurers and all predecessors and successors, assigns or legal representatives arising out of the Chapter 11 Cases, the Adversary Proceeding or the WF Settlement Agreement.

The WF Settlement relates in part to a global resolution (to which Wells Fargo and American are not parties) of various issues among the Debtors, the OCUC, and the ad hoc committee (the "Ad Hoc Committee," together with the OCUC, the "Committees") of holders of TWA's $150,000,000 11 3/8% Senior Notes due 2006 (the "11 3/8% Notes"), and certain other entities controlled by Carl Icahn (the "Icahn Entities"), and such global resolution is partially incorporated into a Lockup, Voting, and Consent Agreement Concerning Terms of Proposed Settlement Including Joint Liquidating Plan of Reorganization (the "Lockup Agreement"). In furtherance thereof, the WF Settlement also provides for the allowance of the disputed $8.05 million prepayment premium under the 11½% Notes plus $75,000 of the disputed default interest under the Notes (collectively, the "Prepayment Premium Funds") for the sole purpose of the irrevocable assignment and transfer by Wells Fargo, on behalf of the holders of the 11½% Notes, of such Prepayment Premium Funds to a trustee (the "PPPF Trustee") for the benefit of the OCUC and on behalf of certain creditors, to be held and distributed as set forth in the WF Settlement Order. Ultimately, on the earliest of an effective date of a liquidating plan of reorganization, the date of a conversion of the Debtors' Chapter 11 Cases to Chapter 7, the termination of the Lockup Agreement, or a date mutually agreeable to the Debtors and the OCUC, the Prepayment Premium Funds (minus certain payments to be made by the PF Trustee to the Icahn Entities as described below) shall be distributed as follows: (1) $3.75 million to HSBC Bank USA ("HSBC"), as successor indenture trustee under the 11 3/8% indenture (the "11 3/8% Indenture"), for redistribution to holders of the 11 3/8% Notes in accordance with the 11 3/8% Indenture; and (2) $2.95 million (together with the $3.75 million described above, the "Earmarked Funds") to be paid pro rata to holders of Unsecured Non-Bondholder Claims (as that term is defined in the WF Settlement

Motion). The OCUC shall irrevocably instruct the PPPF Trustee to allocate and pay to HSBC certain amounts on account of its reasonable fees and expenses under the 11 3/8% Indenture, on terms and conditions set forth in the WF Settlement Order. Interest income of the Earmarked Funds shall be distributed at times and on the terms set forth in the WF Settlement Order, to be paid in equal amounts (a) to HSBC for further redistribution to holders of the 11 3/8% Notes and (b) pro rata to holders of Unsecured Non-Bondholder Claims. Upon and to the extent of HSBC's receipt of its reasonable fees and expenses, it shall assign its administrative expense claims in connection with the 11 3/8% Indenture for the benefit of holders of Unsecured Non-Bondholder Claims, on terms and conditions set forth in the WF Settlement Order. Any amounts remaining in the WF Escrow Accounts after such distributions will be released to the Debtors' estates. Any additional funds distributed to holders of Unsecured Claims shall be distributed solely to holders of Unsecured Non-Bondholder Claims; provided, however, that in the event that holders of Unsecured Non-Bondholder Claims receive at least 2.5% of such Claims (such percentage computation to include distributions of the Earmarked Funds but not distributions on account of interest payments set forth in the Settlement Order), then further distributions to holders of Unsecured Claims shall be made pro rata to all holders of Unsecured Claims (as that term is defined in the WF Settlement Motion), including holders of the 11 3/8% Notes.

In contemplation of the WF Settlement and the irrevocable assignment and transfer of the Prepayment Premium Funds, the Lockup Agreement provides for, among other things: (1) the dismissal of all currently pending appeals of the Committees (including the Ad Hoc Committee) and any members thereof (but not the Icahn Entities, to the extent applicable); (2) the resolution of certain contested matters pertaining to the allowance and payment of the recapitalization fee of the Debtors' investment banker, Rothschild, Inc. (the "Recapitalization Fee"); and (3) the agreement of each Committee member to support and not oppose a joint liquidating plan of reorganization proposed by the Debtors and the OCUC consistent with the Lockup Agreement.

The WF Settlement also relates in part to a proposed settlement (to which Wells Fargo, American, the OCUC, and the Ad Hoc Committee are not parties) of the general unsecured prepetition claim of the Icahn Entities (the "Icahn Claim"). The Icahn Claim, which is in "an amount no less than $1 billion," is based in part on TWA's court-approved rejection of the Karabu Ticket Program Agreement with Karabu Corporation, dated June 15, 1995 (the "Karabu Contract") on March 12, 2001, and TWA's alleged prepetition breach of the Karabu Contract. After good faith and arm's length negotiations, the Debtors and the Icahn Entities have reached a settlement of the Icahn Claim essentially as follows: (a) upon the PPPF receipt of the Prepayment Premium Funds, the OCUC shall irrevocably instruct the PPPF Trustee to allocate and pay (no later than five days after the PPPF Trustee's receipt of such Funds) $925,000 (the "Icahn Funds") of the Prepayment Premium Funds to the Icahn Entities; (b) the Debtors and the Icahn Entities will consent to the entry of an order allowing the Icahn Claim (and any other Unsecured Non-Bondholder Claim of the Icahn Entities), solely for purposes of voting for a plan of reorganization and distribution, in the total amount of $750 million; (c) the Icahn Entities agree not to vote their claim(s) against a plan of reorganization proposed by the Debtors and/or the OCUC; and (d) in the event that there is an election of a Chapter 11 or Chapter 7 trustee in the Debtors' bankruptcy cases, the Icahn Entities agree that they will vote their claims in favor of one or more trustees in the same proportion as all other creditors entitled to vote for such trustee(s).

The WF Settlement also relates in part to a proposed settlement (to which Wells Fargo and the Debtors are not parties) between American and the Icahn Entities concerning certain claims for reimbursement for certain reprotection costs incurred when passengers holding airline tickets purchased on Lowestfare.com for travel on TWA were "reprotected" by other airlines after certain TWA flights were cancelled (the "FIM Receivables"). American and the Icahn Entities have agreed in essence to execute a mutual release (to be mutually and reasonably agreed upon between American and the Icahn Entities) providing for the waiver and release of American's and the Icahn Entities' claims against each other with respect to the FIM Receivables and any right to collect such FIM Receivables from each other or from other entities, on terms and conditions set forth in the WF Settlement Order.

On certain conditions set forth more fully in the WF Settlement Motion, if the WF Settlement Order remains subject to appeal, reversal, stay, modification, or amendment after a certain period of time, then the WF Settlement Order shall be null and void upon notice by certain parties set forth therein.

Dated: September 26, 2001