

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	§	Chapter 11
	§	
TRANSWORLD AIRLINES, INC.,	§	Case No. 01-0056 (PJW)
<i>et al.</i> ,	§	
	§	(Jointly Administered)
Debtors.	§	
	§	Hearing Date: To be determined
	§	Objection Deadline: January 14, 2002

**LIMITED OBJECTION OF AIR CANADA, CONTINENTAL AIRLINES, INC.,
DELTA AIR LINES, INC., AND US AIRWAYS, INC. TO THE
JOINT MOTION OF THE DEBTORS, THE AIRLINE PILOTS ASSOCIATION,
INTERNATIONAL, AND THE INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS, AFL-CIO FOR APPROVAL OF
SETTLEMENTS RELATING TO DISPUTES ARISING UNDER STIPULATIONS
MODIFYING CERTAIN COLLECTIVE BARGAINING AGREEMENTS DATED
APRIL 6, 2001 [DOCKET NO. 2548]**

Air Canada, Continental Airlines, Inc., Delta Air Lines, Inc. and US Airways, Inc. (collectively, the “Objectors”), by and through their respective counsel, hereby submit this limited objection to the Joint Motion of the Debtors, The Airline Pilots Association, International And The International Association Of Machinists And Aerospace Workers, AFL-CIO For Approval Of Settlements Relating To Disputes Arising Under Stipulations Modifying Certain Collective Bargaining Agreements Dated April 6, 2001 (the “Motion”). In support of their objection, the Objectors state as follows:

1. By their Motion, movants seek an order approving settlements between the Debtors and the Air Line Pilots Association International (“ALPA”) and the International Association of Machinists and Aerospace Workers, AFL-CIO (“IAM”) (together with ALPA, the “Unions”) arising out of stipulations dated April 6, 2001, pursuant to which the Unions agreed to

certain modifications to the Debtors' collective bargaining agreements with the Unions. As part of the settlement with the Unions, the Debtors propose to pay to ALPA and IAM the fixed sums of \$985,000 and \$620,000 respectively, to settle claims relating to the payment of the post-petition fees and expenses of the Unions' professional advisors.

2. If the settlements are approved, these funds would be paid to the Unions outside of the Debtors' proposed plan of reorganization (the "Plan") and, pursuant to the Plan, would not be subject to disgorgement for the benefit of the Debtors' other creditors, including the Objectors, in the event that the Debtors' estates are administratively insolvent. The Objectors believe that payment of these claims would be inequitable and contrary to the equal distribution scheme established by chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") to pay these claims where there exists the possibility that the Debtors may be administratively insolvent and, therefore, unable to pay all of their administrative expense creditors, including the Objectors.

3. Each of the Objectors is a defendant in an administrative proceeding filed by TWA Airlines, LLC ("LLC") pending in this Court and captioned TWA Airlines, LLC v. Air Canada, et al., Adversary Proceeding No 01-4785. In that action LLC seeks to recover from various defendants, including the Objectors, millions of dollars received by those defendants pursuant to the normal clearinghouse operations of the Airlines Clearinghouse, Inc. ("ACH") and the International Air Transport Association, Inc. ("IATA").

4. Although the Objectors vigorously deny that LLC is entitled to the relief it seeks, in the event that LLC prevails on its claims, the Objectors' claims to the millions of dollars at issue would presumably be relegated to administrative claim status against the Debtors' estates.

5. Debtors' counsel has raised on several occasions the possibility that the Debtors' estates may be administratively insolvent. Given the uncertainty surrounding the Debtors' ability to pay their administrative expense creditors in full, payment of the amounts sought in the Motion would be unfairly prejudicial to all similarly situated creditors, including the Objectors. In particular, the satisfaction of the Unions' claims relating to the post-petition fees and expenses incurred by their professional advisors through the Court approved settlement of those claims would be highly dilutive of the claims of the thousands of other claimants, including the Objectors, that have no choice but to assert their post-petition claims in accordance with the procedures established by this Court for the presentation of such claims.

6. Accordingly, the Objectors request that the disbursement of funds to any parties in payment of any post-petition administrative claims of any nature, including those sought to be paid to the Unions in the Motion, be held in abeyance until it is determined that Debtors' estates are administratively solvent. In the alternative, to the extent the Court permits the payment of the settlement amounts, the Objectors request that it be made clear that those payments may be subject to disgorgement, at least in part, so that all administrative claimants are treated equally.

WHEREFORE, the Objectors respectfully request that the Court deny the Motion to the extent that it seeks authority to pay the settlement amounts requested or, in the alternative,

condition that payment on the possibility that a portion thereof may be subject to disgorgement in the event that the Debtors' estates are ultimately determined to be administratively insolvent.

MORRIS, NICHOLS, ARSHT & TUNNELL

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Dated: January 14, 2002