

1 [Settlement of Claim - American Airlines, Inc. - Assumption of Lease Obligations and
2 Allocation of Relocation Reimbursement Credits]

3 **Ordinance authorizing the settlement of the bankruptcy claim filed by the City and**
4 **County of San Francisco against American Airlines, Inc., and its affiliated entities in In**
5 **re: American Airlines, Inc., et al., Case No. 11-15463 SHS, United States Bankruptcy**
6 **Court for the Southern District of New York, pursuant to a Cure Stipulation; the Cure**
7 **Stipulation resolves the claim filed by the City and provides for American’s assumption**
8 **of its leases, permits, and related agreement related to American’s operations at San**
9 **Francisco International Airport; under the Cure Stipulation, the Airport will apply**
10 **certain credits owed by Airport related to American’s interim relocation from Terminal 3**
11 **Boarding Area E to Terminal 2 Boarding Area D to the amounts owed by American**
12 **under its leases, permits, and related obligations; further, the Airport will apply the**
13 **remaining amount of the relocation related credits to American’s future obligations;.**
14 **the Cure Stipulation further provides for American’s assumption of an agreement**
15 **related to environmental clean-up and monitoring costs at the Airport.**

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17 Be it ordained by the People of the City and County of San Francisco:

18 Section 1. Pursuant to Charter section 6.102(5), the Board of Supervisors hereby
19 authorizes the City Attorney to settle the City’s bankruptcy claim against American in the
20 Bankruptcy Case on the terms and conditions specified in the Cure Stipulation on file with
21 Clerk of the Board in File No._____.

22 Section 2. The material terms of the Cure Stipulation include American Airlines, Inc.
23 and its affiliated entities (together, “American”) agreeing to continue to perform its obligations
24 under and otherwise assume, pursuant to 11 U.S.C. § 365, its leases and agreements (the
25 “Leases”) with San Francisco International Airport (“Airport”). In satisfaction of American’s

1 cure obligations under the Leases, the Airport shall credit certain relocation reimbursement
2 costs, in the amount of \$1,033,477.49. The relocation reimbursement costs arose pursuant to
3 a Memorandum of Understanding between the Airport and American, dated March 15, 2010,
4 and the relocation reimbursement costs relate to American's interim relocation from Terminal
5 3 Boarding Area E to Terminal 2 Boarding Area D. The Airport will apply \$2,722,116.73, the
6 remainder of the \$3,755,594.22 relocation reimbursement amount (after reduction for the cure
7 amount), to future rental charges incurred by American under the Leases. In addition,
8 American will assume, pursuant to 11 U.S.C. § 365, the Settlement and Release Agreement
9 executed in August 2004. Under the Settlement and Release Agreement, American agrees to
10 reimburse the Airport, on a pay-as-you-go basis, 6.74% of future environmental clean-up and
11 monitoring costs incurred by the Airport after October 1, 2003. Further, the Cure Stipulation
12 provides that American shall have the option to co-locate in Terminal 2 and to eliminate the
13 Exclusive Use and Joint Use Space leased by US Airways in Terminal 1 and Boarding Area B
14 under the US Airways Lease Agreement (as defined in the Cure Stipulation). Finally,
15 American will replace its current surety bond with the City in the amount of \$5,086,449, with a
16 surety bond in the amount of \$3,861,387.00.

17 Section 4. The City's claim was filed with the appropriate claims administrator as
18 designated by the United States Bankruptcy Court of the Southern District of New York on
19 July 12, 2012, and amended on or about August 12, 2012. In its claim, the City asserted a
20 claim in the amount of \$1,067,677.49 for charges dues and owing pursuant to the Leases.
21 The City further asserted a claim in an unknown amount for environmental clean-up and
22 monitoring amounts that were due or that may become due pursuant to a Settlement and
23 Release Agreement, executed by American and the City on or about October 14, 2004.

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1 Under the Cure Stipulation, the City's claim is deemed withdrawn. .

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3 APPROVED AS TO FORM
AND RECOMMENDED:

RECOMMENDED:

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DENNIS J. HERRERA, City Attorney

San Francisco Airport Commission

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6 By: _____
David Serrano Sewell
7 Deputy City Attorney

By: _____
John L. Martin
Airport Director

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Secretary
Airport Commission

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