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BUSINESS

American Airlines Bankruptcy Advisers Seek \$400 Million for Fees, Expenses

Payment Recommended for 47 Professional Firms

By SARA RANDAZZO

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A fee examiner tasked with keeping costs down in the American Airlines bankruptcy recommended this week that a court approve nearly \$400 million in fees and expenses earned by professionals who he said engineered "perhaps the most efficient airline reorganization case on record."

Robert Keach, an attorney from Maine, made the request in a series of filings on Tuesday in U.S. Bankruptcy Court in Manhattan. Mr. Keach recommended paying \$371.7 million in fees and \$16.3 million in expenses to 47 professional firms, including lawyers, accountants, aircraft consultants and other advisers. A handful of firms who submitted fees after a deadline will be included in separate requests, he said.

The final fee and expense tallies cover work completed from the November 2011 inception of former American Airlines parent AMR Corp.'s Chapter 11 case through the approval of its bankruptcy-exit plan 23 months later.

"These Chapter 11 cases are among the most successful of all time," Mr. Keach said in a filing, pointing to the full repayment of the airline's secured and unsecured creditors as well as a return to equity holders, a rare outcome in a bankruptcy case.

American Airlines exited bankruptcy through a historic merger with US Airways Group Inc.—initially opposed and later cleared by the Justice Department—that created the world's largest airline. American also used its bankruptcy proceeding to negotiate deep concessions from its main labor unions, ultimately cutting about \$1 billion in annual labor costs.

AMR's lead bankruptcy counsel, Weil, Gotshal & Manges LLP, is set to earn the most on the assignment, with a \$77.4 million bill. Law firm Debevoise & Plimpton LLP, which served as aircraft counsel, logged \$54.1 million.

Four other advisers requested more than \$20 million: Deloitte Financial Advisory Services LLP, with \$36.2 million; financial adviser Rothschild Inc., with \$30.5 million; and law firms Skadden, Arps, Slate, Meagher & Flom LLP and Paul Hastings LLP, with \$28.9 million and \$27.4 million, respectively.

Mr. Keach worked with the professionals to trim several million dollars off the bills over the life of the case, according to court filings. Reductions stemmed from vague time entries, unapproved overhead

costs, excessive meal and hotel expenses, and other factors, Mr. Keach said in a filing. In at least one instance, he also made cuts for a professional invoicing in excess of 16 hours for one day of work.

The fact that he made reductions, Mr. Keach said in court documents, "does not suggest that anyone did anything wrong or overcharged or was 'caught'" but rather that the parties were able to exercise "commendable billing judgment."

Nancy Rapoport, a bankruptcy law professor at University of Nevada at Las Vegas who has served as a fee examiner in large Chapter 11 cases, said the appointment of Mr. Keach at the beginning of the case was crucial to keeping costs down. "These fees would have been way higher," if Mr. Keach hadn't created ground rules governing what could and couldn't be charged, Ms. Rapoport said.

For his work on the case, Mr. Keach is asking to be paid \$476,519. The assistance of his law firm, Bernstein, Shur, Sawyer & Nelson PA, cost an additional \$2.1 million.

U.S. Bankruptcy Judge Sean Lane is scheduled to weigh in on the fees at a July 1 hearing.

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