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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	Chapter 11 Case No.
	:	
AMR CORPORATION, <i>et al.</i> ,	:	11-15463 (SHL)
	:	
Debtors.	:	(Jointly Administered)
	:	
-----X		

**STIPULATION BETWEEN THE DEBTORS  
AND COMMISSIONER OF INTERNAL REVENUE  
AND AGREED ORDER TO MODIFY THE AUTOMATIC STAY**

This stipulation (the “**Stipulation**”) is entered into between AMR Corporation and its related debtors, as debtors and debtors in possession (collectively, the “**Debtors**” or “**American**”) and the Commissioner of Internal Revenue (the “**Commissioner**,” and together with the Debtors, the “**Parties**”).

**RECITALS:**

A. On November 29, 2011 (the “**Commencement Date**”), each of the Debtors commenced a voluntary case under chapter 11 of title 11, United States Code ( the “**Bankruptcy Code**”). The Debtors have continued to operate their business and their properties as debtors in

possession pursuant to section 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these chapter 11 cases.

B. On December 5, 2011, the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”) appointed the Official Committee of Unsecured Creditors (the “**UCC**”).

C. Information regarding the Debtors’ business, capital structure, and the circumstances leading to the commencement of these chapter 11 cases is set forth in the Affidavit of Isabella D. Goren Pursuant to Rule 1007-2 of the Local Bankruptcy Rules of the Southern District of New York, sworn to on November 29, 2011. (ECF No.4)

D. On April 14, 2011, the Commissioner issued a Notice of Deficiency to American proposing that American was liable for income tax withholding under section 1441 of the Internal Revenue Code (the “**IRC**”) with respect to a portion of the remuneration American paid to certain foreign flight attendants (the “**Flight Attendant Remuneration**”), which the Commissioner asserted was attributable to services they performed within the United States and was not exempt from income under IRC section 861. The Commissioner asserts that he issued the Notice of Deficiency as a protective, alternative position with respect to taxes owed on the Flight Attendant Remuneration, and that his primary position with respect to taxation of Flight Attendant Remuneration is set forth in paragraph E, below.

E. On April 25, 2011, the Commissioner assessed Federal income tax withholding (“**FITW**”) taxes against American pursuant to I.R.C. § 3403; Federal Insurance Contributions Act (“**FICA**”) taxes pursuant to I.R.C. § 3121(b); and Federal Unemployment Tax Act (“**FUTA**”) taxes pursuant to I.R.C. § 3306(c) (collectively, “Employment Taxes”) with respect to the Flight Attendant Remuneration, which the Commissioner asserted was wages for purposes of

these Employment Taxes. (The Flight Attendant Remuneration subject to FITW taxes differs from the amount of the Flight Attendant Remuneration subject to FICA and FUTA taxation.) American paid such tax assessments in full on May 9, 2011. To date, American has not filed a claim for refund with regard to these assessments and payments. Any claim for refund must be filed by May 9, 2013, pursuant to I.R.C. § 6511(a).

F. On July 7, 2011, American commenced *American Airlines, Inc. v. Commissioner of Internal Revenue*, No. 15957-11 (the “**Tax Court Action**”) in the United States Tax Court (the “**Tax Court**”) for a determination as to the applicability of section 1441 to the Flight Attendant Remuneration. On November 30, 2011, the Tax Court stayed the Tax Court Action due to the commencement of the Debtors’ chapter 11 cases. The Commissioner maintains that the assessment of the Employment Taxes and any claim by American for a refund cannot be litigated in the Tax Court.

G. On April 18, 2013, American filed a motion for entry of an order modifying the automatic stay to allow the Debtors to resolve certain tax issues (the “**Motion**”) (ECF No. []).

AND NOW, THEREFORE, the Parties stipulate and agree as follows:

1. The Recitals set forth above form an integral part of this Stipulation and are incorporated fully herein.
2. The automatic stay pursuant to section 362(a) of the Bankruptcy Code (the “**Automatic Stay**”) shall be modified solely to the limited extent necessary to allow American to pursue the Tax Court Action. The Commissioner specifically reserves its right to make any and all arguments in the Tax Court Action, including that the Tax Court Action should not proceed to trial unless and until American files a claim for refund of the assessed Employment Taxes and such claims for refund are finally adjudicated in the requisite federal court. Except as provided

herein, the provisions of the Automatic Stay, including, without limitation, those provisions prohibiting any act to collect, assess, or recover a claim that arose before the commencement of the Debtors' chapter 11 cases from the Debtors and/or assets or property of the Debtors' estates (as defined in section 541 of the Bankruptcy Code) shall remain in full force and effect.

3. Upon the Court's approval of this Stipulation, the Motion will be deemed withdrawn.

4. Nothing contained herein shall prejudice, or be deemed to prejudice, any other rights of the Parties and any rights, claims, defenses, obligations and challenges any party in interest may have with respect thereto.

5. This Stipulation may not be modified, amended, or vacated other than by a signed writing executed by the Parties or by order of the Court.

6. Each person who executes this Stipulation on behalf of a party hereto represents that he or she is duly authorized to execute this Stipulation on behalf of such party.

7. This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Evidence of execution of this Stipulation may be exchanged by fax or by electronic transmission of a scanned copy of the signature pages or by exchange of an originally signed document, each of which shall be as fully binding on the party as a signed original.

8. This Stipulation shall not be effective until approved by a final and non-appealable order of the Court.

9. The Parties hereby irrevocably and unconditionally agree that the Court shall retain exclusive jurisdiction to interpret, implement, and enforce the provisions of this Stipulation.

10. Notwithstanding the possible applicability of Bankruptcy Rule 4001(a)(3), the terms and conditions of this Stipulation shall be immediately effective and enforceable upon its entry.

Dated: New York, New York  
May 2, 2013

By: /s/ Emily Daughtry By: /s/ Stephen A. Youngman

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**APPROVED AND SO ORDERED**  
this **10th** day of **May**, 2013

**BY THE COURT:**

**/s/ Sean H. Lane**  
Sean H. Lane  
United States Bankruptcy Judge