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Attorneys for Debtors

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

IN RE: § Chapter 11
KITTY HAWK, INC., et. al §
Debtors § Case no. 400-42069-BJH and
§ Case nos. 400-42141 through
§ Case no. 400-42149
§
§ Jointly Administered Under
§ Case no. 400-42141-BJH
§
§ Hearing Date: Expedited Hearing Requested
§ Hearing Time: 1:15 p.m.
§ Location: Dallas, Texas

**MOTION TO MODIFY AND ASSIGN COLLECTIVE
BARGAINING AGREEMENT OF KITTY HAWK INTERNATIONAL**

Kitty Hawk, Inc. ("Kitty Hawk"), Kitty Hawk Air cargo, Inc., Kitty Hawk Charters Inc., Kitty Hawk International, Inc. ("KH International"), Kitty Hawk Cargo, Inc., Aircraft Leasing, Inc., American International Travel, Inc., Flight One Logistics, Inc., Longhorn Solutions, Inc. and OK Turbines, Inc., (together, the "Debtors"), debtors and debtors-in-possession herein, file this Motion to Modify and Assign Collective Bargaining Agreement (the "Motion"). In support of this Motion, the Debtors respectfully represent as follows:

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I.**JURISDICTION**

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of this proceeding is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b)(2)(A) and (O), and 11 U.S.C. § 365 provides the legal predicate for the relief requested. The Court has jurisdiction of the matters raised herein.

2. The Debtors have requested that the court set the Motion for hearing on July 19, 2000 (the "Hearing Date").

II.**BACKGROUND**

3. On May 1, 2000 (the "Petition Date"), the Debtors¹ filed their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtors have continued to operate their businesses and manage their properties as debtors-in-possession pursuant to 11 U.S.C. §§ 1107 and 1108. No trustee, examiner, or committee has been appointed in these Chapter 11 cases.

4. The Debtors have three main businesses. First, they are a leading provider of scheduled air freight services in the U.S., transporting air freight on scheduled routes. Second, the Debtors provide dedicated air lift in the U.S. for our own scheduled freight division and customers like the U.S. Postal Service through charter arrangements.² Third, the Debtors are a leading U.S. air

¹ With the exception of Flight One Logistics, Inc. which filed its voluntary Chapter 11 petition on April 27, 2000.

² According to the unaudited records, the USPS accounted for 24.0% of the Debtors' revenue.

logistics services provider, arranging expedited air freight pick-up and delivery using either their own or chartered aircraft and third-party ground delivery services.

5. The Debtors' scheduled air freight service provides overnight delivery to and from a number of U.S. cities using its own aircraft and two "wet leased" aircraft. As of March 24, the Debtors owned 105 aircraft and hold another 15 under operating leases. The aircraft range in size from the Boeing 747-200 to Mitsubishi MU2s. At March 1, 2000, the Debtors employed approximately 2,290 full-time personnel, of which approximately 426 were involved in sales and administrative functions and approximately 1,864 in maintenance and flight operations, including approximately 727 pilots. The Debtors' suspended operating their wide body aircraft (747's and L-1011's) and their DC-8's before they commenced their cases. While the wide body aircraft had been used primarily for international operations, they also provided some airlift capacity for some domestic operations as well. Suspending these operations will reduce both the number of aircraft operated by the Debtors as well as the number of employees.

6. Unlike the passenger airline business, the Debtors' on time departure and arrival performance is critical because their customers' "just in time" inventory management systems rely heavily on goods or spare parts being delivered on time. The Debtors' technical expertise in managing, scheduling, operating and maintaining its aircraft earned it numerous awards for reliability from its primary customers.

7. On October 30, 1999, KH International and the International Brotherhood of Teamsters, Airline Division (the "Union"), for KH International's pilots and flight engineers entered into a collective bargaining agreement titled "Agreement Between Kitty Hawk International, Inc. and the Pilots and Flight Engineers in the Service of Kitty Hawk International, Inc." (the "CBA").

Exhibit 2

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8. Before the Petition Date, KH International terminated most of its employees and ceased all flight operations. The terminated employees include all pilots and flight engineers covered by the CBA.

9. By this Motion, the Debtors seek the Court's authority to modify and assign the CBA. The Motion is not opposed by the Union.

**III.
MOTION TO MODIFY AND ASSIGN
COLLECTIVE BARGAINING AGREEMENT**

10. Section 1113 of the Bankruptcy Code provides the exclusive procedure for rejecting a collective bargaining agreement under Chapter 11. *See* 11 U.S.C. § 1113(a).

11. Section 1113(b) requires a debtor to make a proposal to the authorized representative of the employees covered by the collective bargaining agreement based on the most complete and reliable information available at the time of the proposal which provides for those modifications necessary to permit the reorganization of the debtor and assures that all parties are treated fairly and equitably. 11 U.S.C. § 1113(b).

12. Section 1113(b) further requires that the representative of the employees be given all relevant information necessary to evaluate the proposal, and that during the period between the making of the proposal and the hearing on the motion seeking rejection, that the debtor meet, at reasonable times, with the authorized representative to confer in good faith in attempting to reach a mutually satisfactory modification of the collective bargaining agreement. 11 U.S.C. § 1113(b).

13. Section 1113(c) provides that the Court shall approve rejection of the collective bargaining agreement if the debtor has made a good faith proposal to the authorized representative, the authorized representative has refused to accept the proposal without good cause, and the balance of the equities clearly favors rejection. 11 U.S.C. § 1113(c).

14. The Debtors have complied with each of the requirements imposed by section 1113. On and after May 24, 2000, KH International met with the Union for collective bargaining. After many sessions and a lengthy hearing on the possible rejection of the CBA, the parties reached a tentative agreement.³ A copy of the current version of the modifications is attached hereto as Exhibit "A" and incorporated herein by reference ("Modifications"). The goal of the Modifications is modifying the CBA to facilitate KH International's sale of its Air Carrier Certificates.

15. The Modifications include an important provision whereby the Union agreed that claims under the CBA would not be affected by the modifying the CBA. Specifically, such claims retain their priority as they existed before the modification (which was the subject of substantial dispute) and the act of modifying the CBA will not in and of itself convert those claims to administrative expenses under 11 U.S.C. § 503.

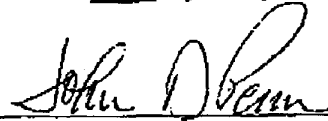
16. The Modifications also provide that the CBA will be assigned free and clear of pending and pre-assignment grievances which will remain KH International's responsibility. The Union's assent to the Modifications is specifically premised on the agreement of a purchaser of KH International's Air Carrier Certificates assuming the modified CBA as well such that the modified CBA will be binding upon the purchaser. This is embodied in ¶3.4.A of the Agreement for Sale and Purchase of Air Carrier Assets which requires that the CBA be modified to the satisfaction of the purchaser.

17. Modifying and assigning the CBA is in the best interest of KH International, its Estate and its creditors.

³ The agreement is tentative because it requires ratification by the Union and approval by this Court.

PREMISES CONSIDERED, KH International prays that upon hearing of this Motion that the Court will grant the same, authorize KH International to modify the CBA by executing a modification substantially on the terms set forth herein and grant KH International such other and further relief to which it might show itself justly entitled.

RESPECTFULLY SUBMITTED this 12th day of July, 2000.



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the Motion to Modify and Assign Collective Bargaining Agreement of Kitty Hawk International was delivered to the parties listed on the attached "Service List" by first class mail on the 13 day of July, 2000.

