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UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

Case No. 11-15463(SHL)

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In the Matter of:

AMR CORPORATION,

Debtor.

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U.S. Bankruptcy Court  
One Bowling Green  
New York, New York

April 27, 2012

10:11 AM

B E F O R E :

HON SEAN H. LANE

U.S. BANKRUPTCY JUDGE

1 TRIAL RE: Doc. #2035 Motion to Reject - Motion of Debtors  
2 for Entry of Order Pursuant to U.S.C. 1113 Authorizing  
3 Debtors to Reject Collective Bargaining Agreements

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P R O C E E D I N G S

THE CLERK: All rise.

THE COURT: Good morning, please be seated.

Any preliminary matters before we proceed with the next witness? All right.

MR. GEIER: Your Honor, first time appearance this week. John Geier from Paul Hastings for the debtor.

THE COURT: Good morning.

MR. GEIER: Pleasure to be here.

Our next witness is Taylor Vaughn.

THE CLERK: Please raise your right hand.

(Witness Sworn)

THE CLERK: Would you state and spell your name for the record.

THE WITNESS: Yes, my name is Taylor Vaughn. That's T-A-Y-L-O-R, V-A-U-G-H-N.

MR. GEIER: And I do have one housekeeping matter, Your Honor, before I begin the what will be a brief direct examination.

As we worked with Mr. Vaughn we identified one exhibit in his original declaration that was submitted inadvertently. We gave notice to the unions by e-mail yesterday, it was Exhibit 1019, and we have 1019A and 1019B to replace those.

The Court's indulgence, we apologize for my --

1 THE COURT: All right.

2 MR. GEIER: -- inconvenience.

3 THE COURT: Thank you.

4 MR. GEIER: They won't be a part of anything we're  
5 doing on direct.

6 THE COURT: All right. And do you want to  
7 highlight the changes?

8 MR. GEIER: It's a complete replacement, Your  
9 Honor.

10 THE COURT: Complete replacement.

11 MR. GEIER: It was just the wrong document.

12 THE COURT: Oh, all right. Well, then that makes  
13 it easy.

14 MR. GEIER: They can just be inserted in that --

15 THE COURT: Swapped out.

16 MR. GEIER: -- location.

17 THE COURT: All right. All right, thank you.

18 DIRECT EXAMINATION

19 BY MR. GEIER:

20 Q Good morning, Mr. Vaughn.

21 A Good morning.

22 Q What is your current position with American Airlines?

23 A Managing director of employee relations.

24 Q And how long have you held your current position?

25 A I've been in my current position since 2005.

1 Q Would you briefly describe what your responsibilities  
2 are in your job?

3 A Sure. I'm generally responsible for the administration  
4 of the collective bargaining agreement with the ally -- I'm  
5 sorry -- with the Association of Professional Flight  
6 Attendants and all of the natural labor relation activities  
7 that take place.

8 Q Did you have prior positions in the employee relations  
9 group at American?

10 A Yes, I did.

11 Q And what were those?

12 A Part of my current position I was a senior principal  
13 and a principal in employee relations, and during that  
14 period of time I had the opportunity to work with the  
15 Transport Workers Union and the Allied Pilots Association.

16 In 2001 I was on the company negotiating committee  
17 in our bargaining with the Transport Workers Union.

18 And in 1997 I was on the company negotiating  
19 committee in our negotiations with the Allied Pilots  
20 Association.

21 Q Have you ever had any responsibilities with the non-  
22 represented employees at American?

23 A Yes, I have. Prior to the positions that I just  
24 described I was an employee relations representative at the  
25 southern reservations officer in Dallas Fort Worth, and in



1 the southeastern reservations officer in Raleigh-Durham.

2 Q When were you first employed by American?

3 A I started in 1978.

4 Q And what was your first job with American?

5 A I started as a flight attendant in Chicago.

6 Q And how long did you fly as a flight attendant?

7 A I flew for approximately seven years.

8 Q So starting in the mid '80s you moved into the -- some  
9 management positions like you've described or others?

10 A Yes.

11 Q Before you Mr. Vaughn is a binder, it has an original  
12 declaration in it, a short supplemental declaration, and  
13 exhibits. The declaration is Exhibit 1000. There was no --  
14 1000S is the supplement, and then there are numbered  
15 Exhibits 1001 through 1045. Do you see that?

16 A I do.

17 Q Do you adopt that as your direct testimony in this  
18 case?

19 A I do.

20 Q Thank you.

21 Could you describe for the Court what your role  
22 was in the company's Section 1113 negotiations?

23 A Yes, I was the company chief spokesperson at the table.

24 Q And did you have a role in developing the proposals  
25 that were given to the APFA on February 1st?

1 A Yes, I did.

2 Q And what was that process?

3 A Myself, my team, and other subject matter experts  
4 actually developed the individual term sheet items that made  
5 up the 1113 proposal.

6 Q What was the allocation, the ask of the flight  
7 attendants that those proposals were intended to meet?

8 A It was 230 million -- an average of \$230 million a  
9 year.

10 Q Did you have any role or participation in developing  
11 that allocation?

12 A No, I did not.

13 Q Did you have any role in responding to the information  
14 requests that were given to the company by APFA during the  
15 negotiations?

16 A Yes, I did have a role in the information exchange  
17 myself, and others were responsible for managing the  
18 information request from APFA and processing those in a  
19 timely and efficient way.

20 Q Did you work with others at American in responding to  
21 those?

22 A I did.

23 Q If you had a request for example with regard to the  
24 active medical proposal what would you have done?

25 A Right. We would -- we would have passed that request

1 on to our internal benefits folks and they would have  
2 evaluated it, and if necessary passed it on to our external  
3 consultants as well.

4 Q Did you have anyone from the finance group as part of  
5 your team during the negotiations?

6 A We did. We had a manager of finance and an analyst  
7 from finance assigned to our team.

8 Q And were they part of Mr. McMenemy's group who  
9 testified here yesterday?

10 A Yes, they were.

11 Q And what was their role in -- on your team?

12 A They were responsible for the costing of our proposals  
13 and the APFA proposals.

14 Q I don't want to plow too much of a ground, but as you  
15 -- as you and your team developed the proposals that were  
16 provided to APFA did you have guiding principals at -- for  
17 the flight attendants and how did they fit in with the  
18 company's overall objectives?

19 A Yes, we did.

20 Q And what were those principals?

21 A One of the first ones was to the extent that we could  
22 -- and I think you've heard others testify to this -- to the  
23 extent that we could we were trying not to impact flight  
24 attendant pay.

25 Q I'll come back to that one in a minute.

1           How about with respect to the work rules, what  
2 were the -- what were your principals there?

3       A     Clearly we were trying to create more productivity and  
4 flexibility within the flight attendant contract.

5       Q     And as to benefits?

6       A     You know, reduce the cost, increase the employee cost  
7 share in our benefits.

8       Q     Do you have an understanding of what the current cost  
9 share allocation of the insurance benefits are to flight  
10 attendants under the current collective bargaining  
11 agreement?

12      A     I do, I think it's somewhere south of ten percent.

13      Q     I want to return to that initial guiding principal. I  
14 think as you and others have described it, it's to the  
15 extent possible to minimize the impact on take-home pay.  
16 How successful do you think you were in achieving that  
17 objective?

18      A     I think we were pretty successful.

19      Q     Were there any challenges in meeting that objective?

20      A     Yes, there were. I think when you -- when you look at  
21 the flight attendant contract there are lots of pay features  
22 within the flight attendant contract.

23            There's -- first there's as domestic and  
24 international rate, they have premium incentive rates, there  
25 are galley pay, there's purser pay, and there's speaker pay,

1 and a lot of -- a lot of the pay depends on how much flight  
2 attendants fly quite frankly.

3 Q Can you describe the discretion or the ability of  
4 flight attendants to manage how they fly?

5 A Yes. And I think this is maybe not completely unique,  
6 but with the flight attendant work group if you look at the  
7 flying demographics of our flight attendant core they pretty  
8 much can decide how much they fly. We schedule them each  
9 month, but then they can drop trips.

10 Q So we have -- we have ranging from flight  
11 attendants who actually drop all of their trips to flight  
12 attendants who fly very few hours, to flight attendants who  
13 fly the schedules that we actually are contractually able to  
14 build for them, and then we have flight attendants who fly  
15 well above the contractual limits that we can -- we can  
16 schedule them to.

17 Q So flight attendants in addition to dropping trips can  
18 pick up trips?

19 A Sure.

20 Q Let's talk about the different groups you've mentioned  
21 in terms of how the proposals that you've made might meet  
22 the objective of minimizing impact on take-home.

23 Let's talk about the low time fliers, if you will.

24 How -- will they be impacted by the proposals?

25 A Yes, I -- yes, they will.

1           If -- let's just take as an example, if a flight  
2 attendant flies 40 hours today, which is well below what we  
3 can schedule them to, and they fly 40 hours under our  
4 proposal, and our proposal as you will see actually proposes  
5 the increase, the schedule max, but if they don't fly  
6 anymore than 40 hours -- they fly 40 today, they fly 40  
7 tomorrow. We are increasing the health care contribution of  
8 flight attendants, so net -- I think their take-home pay  
9 will obviously be less.

10       Q     And when you say 40 hours, that's 40 hours in a month?

11       A     Yes. I'm sorry, 40 hours in a month.

12       Q     So they'll have impact because of the increase in the  
13 medical insurance premium?

14       A     Correct.

15       Q     How about the high time fliers, those that voluntarily  
16 pick up beyond the number of hours that you can schedule a  
17 flight attendant to?

18       A     Right. Today we provide an incentive rate of pay,  
19 which is really kind of premium pay for those hours that are  
20 above 70 hours.

21       Q     That's in a month?

22       A     That's in a month. I'm sorry, yes, in a month.

23           And we have a lot of flight attendants who pick up  
24 additional hours. And for most of those flight attendants,  
25 for a vast majority of those flight attendants those hours

1 that they fly above our schedule are paid at those premium  
2 rates.

3 We have in our proposal a proposal to eliminate  
4 incentive pay. So for those flight attendants who have  
5 historically flown high hours without the incentive pay they  
6 will see a reduction in pay.

7 Q And then there's that middle group, the flight  
8 attendants who fly the schedule -- up to the schedule limit  
9 that the company can -- can schedule them to currently and  
10 then they do the same under the -- that the proposed -- the  
11 proposals. How will their pay be impacted, if at all?

12 A Right. And for the folks that fly the schedules that  
13 we build for them today, that we're contractually able to  
14 build for them today and who fly the schedules that we're  
15 contractually able to build for them in the future, they  
16 will actually see an increase in their pay.

17 Q And that's even considering the increase cost of their  
18 insurance premiums?

19 A Including the increase cost of their insurance  
20 contribution.

21 Q Thank you.

22 Mr. Brundage yesterday was asked a question about  
23 allegations that the company has engaged in take it or leave  
24 it bargaining. Are you aware of that allegation being made  
25 by the APFA?

1 A I am.

2 Q And he spoke about issues with the sort of global  
3 across the company moves on pension from a termination  
4 scenario to a free scenario and he talked about the  
5 reduction -- or changes made to the employee cost share of  
6 active medical.

7 Are there -- are there examples of the company  
8 making changes on more specific flight attendant proposals?

9 A There are.

10 Q Is there one that -- any one that you'd like to make  
11 that as an example?

12 A Sure.

13 I think it was a couple weeks into bargaining --  
14 as I mentioned we have a couple -- I call them my finance  
15 guys on my team -- we have two people from the finance  
16 department -- they were in conversation with the union's  
17 financial advisor as they do.

18 I can't remember exactly what it was they were --  
19 they were discussing, but during the course of that  
20 discussion they were talking about assumptions that were in  
21 -- you heard Brian McMenemy talk about the model and the  
22 things that go -- go into the model -- they were talking  
23 about it, some assumptions, and I think those assumptions  
24 were around recall assumptions and attrition assumptions.  
25 And there was a difference of opinion between our team and



1 APFA's financial advisor on those assumptions.

2 But through discussions our financial guys came  
3 back and said, look, we've had a conversation with APFA's  
4 financial advisor, he's got this view about the assumptions,  
5 we think he might have a reasonable point of view on that.  
6 I said, well, okay, let's have some further conversation  
7 about that.

8 So we sent the finance guys to go talk to the  
9 broader finance team, and when they came back we said, look,  
10 we think that's an area where we could probably accommodate  
11 their perspective on -- on that assumption. And as a result  
12 we did change that assumption. And as a result of making  
13 the change in the assumption in our term sheet it created  
14 some additional value.

15 When we got the additional value we went back into  
16 the term sheet and what we -- what we had been hearing from  
17 APFA when we -- after we gave them the opening term sheet on  
18 February 1st, we had a proposal in our term sheet to  
19 eliminate duty rigs, they reacted very negatively to that  
20 term -- that particular term. As a matter of fact it was  
21 the -- it was the topic of conversation in examples that  
22 they had provided to us that kind of demonstrated their  
23 dislike for that term.

24 So we went back in to the term sheet, we took that  
25 value and we modified our proposal from eliminating duty

1 rigs to actually modifying duty rigs. And --

2 Q Did the change in assumption lead to a reduction in the  
3 number of flight attendants who were -- what might be  
4 subject to furlough under the proposals?

5 A Yes, it did. In our costing model the duty rigs  
6 actually translated to a number of flight attendant  
7 positions, so we were able to modify the number of heads  
8 that would be impacted by our overall term sheet.

9 Q Do you have a recollection of approximately how many  
10 flight attendants that jobs were saved as a result?

11 A I think it was somewhere close to approximately 200.

12 Q There are -- are there other examples of changes that  
13 you made during the course of bargaining?

14 A There are.

15 Q Are they described in your declaration?

16 A They are.

17 Q As you sit here today, Mr. Vaughn, are you -- do you  
18 continue to be willing to meet and discuss changes to the  
19 term sheets with APFA?

20 A I absolutely am willing.

21 Q Have you discussed that? Have you made that known to  
22 the -- to the union?

23 A I have.

24 Q And in what way and when?

25 A Well, I -- on our -- on the very first day, on

1 February 1st when we gave them our term sheets, to be honest  
2 with you, you know, this is my first trip --

3 Q Rodeo?

4 A Yeah, this is my first rodeo so I was very certain to  
5 make sure that, you know, I did the right things and said  
6 the right things, and I actually wrote out my opening  
7 statement because I wanted to make sure that, you know, I  
8 said the things that I wanted to say.

9 And in that opening statement I said to them that  
10 look, we're here -- our primary objective is to get a  
11 consensual agreement, and it still is our primary objective,  
12 and we've told them that throughout, and that the items that  
13 we had put into our term sheet, and -- you know, we had  
14 received the 230- target as you asked, we constructed the  
15 individual term sheet items, but that was our view, that was  
16 the company's view, it was my team's view of what would hit  
17 the target and were reasonable proposals that would hit the  
18 target.

19 But we told them on day one and we continue to  
20 tell them throughout bargaining that that's just our point  
21 of view, we would be more than willing to have conversations  
22 about the individual items in the term sheet.

23 Q Thank you.

24 I'm going to ask you just to turn to one exhibit  
25 in your binder, it's Exhibit 1045, so it's way back towards

1 the end. I'm sorry, 1044.

2 (Pause)

3 Q Tell me when you've managed to wrestle that book to the  
4 right place.

5 THE COURT: I would do whatever you need to do to  
6 be able to get access to that, including --

7 THE WITNESS: Okay.

8 THE COURT: -- cracking that binder open, which  
9 might be necessary.

10 THE WITNESS: Thank you, Your Honor. Thank you.

11 BY MR. GEIER:

12 Q Do you see that?

13 A Yes, I do.

14 Q Could you identify that document for me?

15 A Yes, this is the term sheet that the APFA presented to  
16 us on March 22nd and then resent to us on March 26th with a  
17 correction.

18 Q Okay. So this is the last set of proposals or  
19 counterproposals that the union has made?

20 A That's correct.

21 Q There has been mention -- suggestion by the union  
22 during this week that they had accepted of the -- I'm not  
23 going to use the word agree -- that they had accepted  
24 certain of the company's proposals during bargaining and I'd  
25 like to just talk about three of those I think.

1 A Okay.

2 Q On the bottom of page 1, I think it's labeled section  
3 Roman numeral III, work rules, and the first one is schedule  
4 max. See that?

5 A Yes, I do.

6 Q And I think it runs over -- no, it doesn't, it's all on  
7 the bottom of page 1 of that exhibit.

8 First of all, would you describe for the Court  
9 briefly what schedule max is?

10 A Yes. I would just say generically schedule max is the  
11 number of hours that the company is allowed to schedule a  
12 flight attendant to in any given month.

13 Q And what has been the company's -- what was or is the  
14 company's proposal with respect to schedule max?

15 A Our proposal reads that we will have a schedule max of  
16 100, but it goes on to say that that would produce an  
17 average flight attendant line of flying of about 85 hours.

18 Q Is it your understanding as you look at this document  
19 in front of you that the union has accepted the company's  
20 proposal?

21 A No, it's not.

22 Q And in what way?

23 A Well, the -- the union's term sheet heavily conditions  
24 the company's proposal, which actually conditions their  
25 proposal with conditions that the company must accept.

1 For example, that the company give the union  
2 credit for savings outside of the term of the agreement.  
3 And by the way, their term as they've proposed it is four,  
4 which we think is well short of the six necessary --  
5 necessary and --

6 Q Let me stop you and make sure --

7 A Yeah.

8 Q -- everyone understands. So the company proposed a  
9 duration for the consensual deal it seeks?

10 A Yes.

11 Q And what's that duration?

12 A Six years.

13 Q And is that built in the business plan?

14 A It is in the business plan, and it's what we've  
15 proposed.

16 Q And what is the union's proposal with respect to  
17 duration?

18 A It's four years.

19 Q And you're talking about getting value, could you just  
20 expand on that a little bit more as to their -- the  
21 condition that they've placed on their schedule max  
22 proposal?

23 A Yes. They've -- they've conditioned acceptance on the  
24 company giving them credit for the 100-hour schedule max  
25 years five through ten outside of the scope of not only

1 their own proposal, but outside of the duration of even  
2 ours.

3 Q So in your perspective they've not accepted the  
4 company's proposal there?

5 A Actually if I were to describe it I would more describe  
6 it as them not accepting our proposal and counterproposing  
7 one of their own.

8 Q Thank you.

9 The second one I want to talk to you about is on  
10 the bottom of page 2, and has to do with preferential  
11 bidding system. And again, there have been representations  
12 made that the union has accepted the company's PBS as it's  
13 called proposal.

14 And again, just for clarity of the record could --  
15 and I -- Mr. Glass actually spoke about this, but that was  
16 like eons ago -- would you briefly describe what a  
17 preferential bidding system is?

18 A Sure. Today the company actually manually constructs  
19 an entire month of flying. We'll prepopulate flying, and  
20 based on an employee's -- flight attendant's seniority  
21 they'll bid for an entire month of flying as it's  
22 constructed by the company.

23 Now as the name suggests, preferential bidding is  
24 an automated system where flight attendants, based on their  
25 own individual preferences, whether that's flying weekends

1 or starting a trip early in the day, three-day trips,  
2 two-day trips, specific layover hotels can input their  
3 preferences into the automated system and then based on  
4 their seniority it will populate their month of flying based  
5 on -- based on their preferences if they're senior enough to  
6 hold them.

7 Q And as your understanding of the negotiations to date  
8 and as reflected in this document, has the APFA accepted the  
9 company's proposal on preferential bidding?

10 A I think this is very much like the 100-hour schedule  
11 max, it is heavily conditioned on actually APFA's terms, and  
12 they've also included in preferential bidding the out-year  
13 credit as described in the monthly max, they've also  
14 included that we must accept the monthly max as a condition  
15 of accepting the PBS, and then there are others in here as  
16 well.

17 Q Indeed each of the bullets on the bottom of page 2 of  
18 Exhibit 1044 and then heading onto the top of the next page,  
19 each of those bullets represents a condition to their  
20 acceptance of preferential bidding; is that true?

21 A That is true.

22 Q Draw your attention to the last bullet on the first  
23 page of that -- of that proposal. You see that? Would you  
24 -- would you just read that bullet to make sure I know that  
25 you're on the right one?



1 A Sure.

2 "The company and the union must agree on a PBS  
3 product that produces stacking denials at levels acceptable  
4 to all parties."

5 Q What -- what does that mean to you? I mean what is  
6 that implication, that caveat to their acceptance?

7 A Well, in essence it provides -- you know, there are a  
8 lot of features of the PBS system, but respect to this one  
9 it provides what I would view as a little bit of a veto  
10 power for us to move forward unless there's an agreement on  
11 that particular feature.

12 Q Are you familiar with other airlines in the industry  
13 who have negotiated the ability to have PBS systems?

14 A Yes.

15 Q And have -- are you aware of any clauses like this that  
16 have impeded the implementation of such systems?

17 A I'm not aware of whether or not the -- the other  
18 carriers have this specific clause, but what I am aware of  
19 is that United Airline has been over the years trying to  
20 implement a PBS system and they have various features in  
21 their system like this, and in at least one of those systems  
22 there's -- there's a caveat that the parties must agree, and  
23 as I understand it they have not been able to agree on that  
24 particular term and have been unable to implement PBS.

25 Q Okay, thank you.

1           The last one I want to draw your attention to is  
2           under the benefits section, which is page 4, and there is a  
3           page number in the left-hand corner, and it has to do with  
4           the -- the freeze of the defined benefit plan and its  
5           replacement by defined contribution plan.

6           Could you first describe as best you can what the  
7           company's proposal is with respect to the replacement of the  
8           defined benefit plan or the defined contribution plan?

9           A     Right. We -- the company is proposing a defined  
10          contribution plan that would auto enroll with the employee's  
11          contribution three percent, and after the auto enrollment  
12          the company would then match three percent and would match  
13          the next two and a half thereafter up to five and a half  
14          percent.

15          Q     Based upon your knowledge of the bargaining history  
16          these past couple months and based upon this proposal that  
17          you're looking at here has APFA accepted the company's  
18          proposal with respect to the pensions that flight attendants  
19          -- the pension benefits the flight attendants would receive?

20          A     No. Once again, in APFA's pension proposal it comes  
21          with some heavy conditions.

22          If you look on page 5 in the document that you  
23          just referred me to, "Conditioned upon the company's  
24          acceptance of APFA's defined contribution plan is outlined  
25          by Segal (ph)," and it's not referenced here, but in the

1 Segal document the Segal -- the APFA proposal requires the  
2 company to make automatic contributions of between 4 percent  
3 and 9.9 percent based on an employee's seniority.

4 And it further goes on to say "that the company  
5 must accept the APFA's early out program and accept the  
6 APFA's proposal to increase per diem."

7 So I would not characterize that as accepting the  
8 company's proposal.

9 Q Thank you.

10 Just one last question.

11 Is it your hope, is it the company's hope that --  
12 that you will continue to engage with the APFA on these and  
13 other topics with the aim of reaching a consensual  
14 agreement?

15 A Yes, it is.

16 MR. GEIER: Pass the witness.

17 (Pause)

18 THE COURT: I see more than a few people are  
19 having to wrestle with their binders this morning.

20 (Pause)

21 CROSS-EXAMINATION

22 BY MR. CLAYMAN:

23 Q Mr. Teller (sic).

24 A Good morning.

25 Q Mr. Vaughn, excuse me. We've known --

1 A Good morning.

2 Q -- each other a long time.

3 A We have. Good morning.

4 Q I just want to get some understanding as to when you  
5 say on paragraph -- in paragraph 40 of your declaration on  
6 page 22, that looking -- do you have that in front of you?

7 A I'm getting there. Yes.

8 Q That American sought to generate \$230 million in flight  
9 attendant labor cost reductions, and then the second  
10 sentence is the specific changes that American proposed in  
11 order to reach that target were the subject of extensive  
12 internal discussions, review, and analysis. You still  
13 standby that I assume?

14 A I do.

15 Q Okay. How soon after the filing of the bankruptcy did  
16 you first have any conversations about what would ultimately  
17 become the term sheet for flight attendants?

18 A Well, we actually -- we started bargaining with APFA in  
19 2008, so generally I was very much aware of the items that  
20 we had been talking to APFA about, the costing of those  
21 items. So when we got to the filing we -- we had a pretty  
22 good idea of the areas that we were -- that we were going to  
23 look at. So I would say shortly thereafter.

24 Q And when was the first time you came up with a draft  
25 term sheet?

1 A I think we -- I think once we filed we actually had  
2 kind of a working document of things that we would be  
3 thinking about when we put the final term sheet together.

4 Q And was that costed out at some point that -- the  
5 working term sheet that you just referred to?

6 A I wouldn't call it costing out in terms of total, we  
7 kept -- we knew what the individual term sheet items were  
8 that we were looking at, but yes, we were kind of costing as  
9 we were going.

10 (Pause)

11 Q Do you recall meeting with Mr. Geier on December 5th  
12 regarding the costing of the proposals?

13 MR. GEIER: Your Honor, I'm going to object, I  
14 think he's going to be invading the privilege here.

15 MR. CLAYMAN: I don't --

16 THE COURT: Now who is Mr. Geier?

17 MR. GEIER: That's me.

18 THE COURT: That's you. Just wanted to make sure.

19 (Laughter)

20 THE COURT: The fact that you met is not  
21 privileged, but obviously communications --

22 MR. GEIER: Of course.

23 THE COURT: -- you're going to run into issues --

24 MR. GEIER: Right.

25 THE COURT: -- so I trust you ask questions --

1 MR. GEIER: I'll caution the witness to be careful  
2 not to reveal any discussions that we may have had.

3 BY MR. CLAYMAN:

4 Q But do you recall meeting with Mr. Geier on  
5 December 5th?

6 A I don't want to hurt his feelings, but I honestly  
7 don't.

8 Q Okay.

9 (Laughter)

10 MR. CLAYMAN: This may be a long day.

11 (Laughter)

12 BY MR. CLAYMAN:

13 Q Let me -- let me hand you what is the --

14 (Counsel confer)

15 Q I'm turning your attention -- this is the -- these are  
16 bills for Paul Hastings that were filed with the Court, and  
17 it reflects that on December 5, if you'd just read that  
18 entry.

19 A Would you like me to read it out loud or just --

20 Q Yeah.

21 A Okay.

22 THE COURT: Do your questioning from the --

23 MR. CLAYMAN: Okay.

24 THE COURT: -- podium, just -- we're all spending  
25 a lot of time together, we want -- we want a little bit of

1 breathing room.

2 MR. CLAYMAN: Of course.

3 THE WITNESS: "12/5/11, prepare for meeting with  
4 AA executives including G. Kennedy, B. Goren, J. Brundage,  
5 B. McMenemy regarding 1113 issues, in parens, 1.6.  
6 Participate in meeting with AA executive including G.  
7 Kennedy, B. Goren" --

8 Q Mr. Vaughn, I just am directing you to read the part  
9 that's highlighted, the entry with your name that's  
10 highlighted.

11 THE COURT: I think if you just proffer their  
12 document --

13 MR. CLAYMAN: Okay.

14 THE COURT: -- showing there was a meeting I --

15 MR. CLAYMAN: Okay.

16 THE COURT: -- that may get you where you need to  
17 be.

18 MR. CLAYMAN: That's fine.

19 BY MR. CLAYMAN:

20 Q What it reads is that, "Meet with T. Vaughn regarding  
21 costing of proposals, two and a half hour." Does that  
22 refresh your memory?

23 A It does.

24 Q Okay. And as a result of that meeting did you come  
25 away with a different type of term sheet?

1 A No.

2 Q And it did not affect anything that you had on your  
3 term sheet going into the meeting versus coming out of that  
4 meeting?

5 A I don't recall that it was actually term sheet specific  
6 as much as it was general costing discussions.

7 Q Okay. Then on December 9 it has an entry of "telephone  
8 conference with T. Vaughn B, rate straw and Peak (ph) S.  
9 Smith, J. Bowman (ph) regarding revising APFA ask, pricing,  
10 and rationales, 1.8 hours." That was on December 9th. Do  
11 you remember that conversation?

12 A Generally.

13 Q Okay. And at that point you had an ask and you met  
14 about revising the ask. Now after that meeting did you have  
15 a different ask?

16 MR. GEIER: I'd object, those are my words and  
17 discussions, I don't know that those are how Mr. Vaughn  
18 would describe it.

19 THE COURT: Given that he said he generally  
20 recalls the meeting it might be safer to just simply ask him  
21 more open-ended questions even though we're on cross,  
22 because I don't know foundationally --

23 MR. CLAYMAN: All right.

24 THE COURT: -- if you can --

25 MR. CLAYMAN: Okay.



1 THE COURT: -- go there.

2 BY MR. CLAYMAN:

3 Q Do you remember discussing with your counsel -- well,  
4 let me ask you this.

5 MR. GEIER: I'm going to -- I'm going -- I'm going  
6 to object on grounds of privilege, Your Honor.

7 MR. CLAYMAN: Okay.

8 THE COURT: Well, let me ask counsel's view, and  
9 I'll ask this question and you may tell me that we don't  
10 need to get there.

11 But if we're talking about changes in the ask as a  
12 result of conversations with counsel, which is I'm assuming  
13 a fact not in evidence, but is that something you are trying  
14 to get at?

15 MR. CLAYMAN: I'm trying to get at the evolution  
16 of how they came to 230-, and this is now December 9 and  
17 obviously they're discussing -- there are discussions that  
18 Mr. Vaughn -- or there's consideration of the union -- of  
19 the company's ask of APFA in early December.

20 THE COURT: Well, what's debtor's view about where  
21 the line to draw on privilege?

22 MR. GEIER: Your Honor, I don't -- those are -- we  
23 do not think the subject matter beneath those, there are  
24 details that we have to provide to -- under the rules to --  
25 as to our fees, they were written with the intent to

1 providing enough guidance to show the general outlines, but  
2 not the specific advice that was given, and I don't think  
3 there's any evidence that the ask means has anything to do  
4 with the 230-.

5 MR. CLAYMAN: Well, I can avoid the discussions  
6 between counsel, I don't have any --

7 THE COURT: Yeah, I would just say if we could  
8 maybe ask it without --

9 MR. CLAYMAN: Of course.

10 THE COURT: -- reference to counsel, because --

11 MR. CLAYMAN: Okay.

12 THE COURT: -- there's more likely to run into  
13 that problem.

14 BY MR. CLAYMAN:

15 Q On or about December 9th do you remember revising your  
16 term sheet or making any changes to the term sheet that you  
17 referred to earlier in your testimony?

18 A You've used the word "ask" and I think I'd just like to  
19 comment about that.

20 From the very -- from the very beginning of this  
21 process when we knew that there was going to be a term sheet  
22 there was always kind of -- before we actually got to a term  
23 sheet it was viewed as the ask, what is it that we're going  
24 to ask.

25 So I don't -- I don't think we had a term sheet at

1 the time, I honestly think we were just talking generally.

2 It was my -- as I --

3 Q I'm not asking you to --

4 A No, I'm -- yeah.

5 Q Right.

6 A I'm just saying that, you know, I was -- I was new to  
7 the process and I was getting a lot of advice from a lot of  
8 people about how to proceed, and the word ask was something  
9 that was used to generally describe what would in the future  
10 be termed the term sheet.

11 Q Understood. But do you remember around that time  
12 revising your ask or the pricing or the rationales for the  
13 term sheet or for the ask?

14 A I do not.

15 Q Okay.

16 (Pause)

17 A Am I allowed to clarify that last response or --

18 THE COURT: Well, I think that's what redirect is  
19 for.

20 THE WITNESS: That's what he's for, okay.

21 THE COURT: If you get in the business of  
22 clarifying we may be here for a very, very long time.

23 THE WITNESS: Thank you, sir.

24 BY MR. CLAYMAN:

25 Q Now when is the -- in January there is an entry in

1 these records that read -- that reads:

2 "Correspondence with T. Vaughn, N. Peak regarding  
3 the status and strategy, regarding flight attendant term  
4 sheets, and costing under 1113."

5 This is on January 9th?

6 THE COURT: Counsel, are we beginning to run into  
7 -- I mean I thought we were going to try to use something  
8 over than legal bills about conversations --

9 MR. CLAYMAN: Okay.

10 THE COURT: -- between lawyers and clients to get  
11 at what you needed so we didn't run into these problems.

12 MR. CLAYMAN: Well, I'm -- I'm just using what's  
13 written here, which is a public record to jog his memory.

14 THE COURT: But he -- but he didn't write it.

15 MR. CLAYMAN: True, but it may jog -- I can first  
16 ask if he remembers that, then I'll use it just to see if it  
17 jogs his memory.

18 THE COURT: I guess you can ask if it refreshes  
19 his recollection.

20 MR. CLAYMAN: Yes.

21 THE COURT: All right.

22 MR. CLAYMAN: Thank you.

23 BY MR. CLAYMAN:

24 Q Let me just go back, Mr. Vaughn.

25 On or about January 9th do you remember any work

1 that you did on the status and the strategy of the -- of  
2 your work on the flight attendant term sheets and the  
3 costing under 1113?

4 A I don't remember any one particular day.

5 Q Okay. And let's just go back to early January. Do you  
6 remember or -- and I guess some time maybe in December, when  
7 was the first time that you were given -- or were you given  
8 a target number to reach for the purposes of the flight  
9 attendant term sheet?

10 A I believe the first time I saw the 230- target was I  
11 want to say mid January.

12 Q Mid January?

13 A Yeah.

14 Q And prior to that did you ever see any other target  
15 number besides the 230-?

16 A Honestly, I don't recall seeing a target or whether or  
17 not the numbers, you know, that I had in my head at that  
18 time and that I have now quite frankly were the product of  
19 our ongoing kind of building of what we thought the term  
20 sheet might ultimately look like, so I don't.

21 Q When do you remember first costing out the term sheet?

22 A Again, there was ongoing costing with us on the ongoing  
23 building of what I was generically calling the ask at the  
24 time, there was ongoing costing until we got our number.

25 Q But prior to getting to 230- no one ever said that

1 look, we're -- we would like you to come up with a list of  
2 changes that equals around a certain number? Not  
3 necessarily specifically, you know, an exact or precise  
4 number, but in the ballpark for example of 150 million.  
5 That's what I -- was there any ever discussions of that kind  
6 that you had?

7 A I don't recall that.

8 Q So the first time that you were given any kind of even  
9 broad target was when you were told 230-?

10 A That was the first target that we were given.

11 Q Okay. Now at the end of January do you recall an  
12 effort to revise the term sheet at the end of January?

13 A To revise the term sheet. I'm not so sure I know.  
14 What do you mean? As I mentioned earlier, we were -- we  
15 were moving pieces around in the term sheet a lot.

16 Q And even at -- towards the end you were doing that?

17 A Yes.

18 Q Okay. It appears that you had a series of meetings  
19 from these records in the middle of January, the 16th, 17th,  
20 18th, and 19th. Does that ring a bell?

21 A As I said, we were meeting a lot --

22 Q Okay.

23 A -- with a lot of people.

24 Q And then there's a ten-day gap and you met again or had  
25 some e-mail correspondence around the 29th, and it looks

1 like at that point there was a revised flight attendant term  
2 sheet and price out.

3 A What was the date again, I'm sorry?

4 Q January 29th.

5 A January 29th. I'm sorry, I don't recall.

6 Q Okay. And when you were given the 230- number and you  
7 had been costing out some -- you had been doing costing outs  
8 before you were given the 230- number?

9 A Yes.

10 Q Okay. And what was the total that you had achieved at  
11 the point that you were given the 230-?

12 A I don't remember.

13 Q You don't remember any total that you had come up with  
14 prior to -- prior to your being given a number?

15 A We actually -- we actually had -- I guess I would  
16 describe it more like this. We actually had a menu of  
17 items, right, that we could when we got our target take a  
18 look at and say, is that -- is that a reasonable term sheet  
19 item, and if it was how much does it cost and did it fit  
20 within the 230-. That was pretty much the exercise we were  
21 in at the time.

22 Q But well in advance of getting the 230- you were given  
23 the menu?

24 A No, no one gave us the menu. We were -- as I said,  
25 we'd been bargaining with APFA since 2008, and --

1 Q And internally --

2 THE COURT: Let him finish.

3 MR. CLAYMAN: I'm sorry.

4 BY MR. CLAYMAN:

5 Q Since when?

6 A I was saying, we'd been -- we had been bargaining with  
7 APFA since 2008, so we had a good sense of where the value  
8 was in the agreement and the kinds of things that we would  
9 -- we would like to change.

10 Q But you weren't obviously sitting on your hands from  
11 the beginning of December to the middle of January, true? I  
12 mean you were working collaboratively internally, is that --  
13 is that a fair assessment?

14 A I would say yes.

15 Q And you were working on items that may be ultimately  
16 proposed as part of an 1113 proposal?

17 A Right.

18 Q Okay. And you were costing out some of those items?

19 A We were.

20 Q Okay. And did you have a list of those items before  
21 you were given the \$230 million number?

22 A No, no one gave us a list of --

23 Q No, no, not given -- excuse me, Mr. Vaughn, what I  
24 asked was did you prepare a list? Had you prepared a list  
25 of all the items that you had costed out as part of your own



1 internal exercise before you were given the number 230-?

2 A I don't know if I would describe it as a list or it's  
3 on one particular document that someone could look at and  
4 say wow, that's a list, but we were continually looking at  
5 term sheet items that we thought we might be able to use.

6 Q Right. And a lot of those had already been costed out?

7 A That's true.

8 Q Okay. And so for a six-week period how many hours did  
9 you devote to the 1113 proposal, approximately?

10 A I have no idea. A lot.

11 Q A lot. Okay.

12 And so what I'm trying to get a sense of is what  
13 you were doing during that time if not trying to figure out  
14 the items that would ultimately comprise an 1113 proposal?

15 A Well, to be fair, not all the items that were going  
16 into the term sheet were necessarily the ones that we --  
17 were contractual items that we had been looking at in  
18 Section 6.

19 For example, the changes to health care, that was  
20 well outside of, you know, my expertise, so we had folks in  
21 the benefits group looking at those kinds of things, under  
22 -- you know, you understand we were making a change to the  
23 pension plan, there were people looking at those -- those  
24 kind of things.

25 So beyond the work that was going on at my table

1 there was lots of work going on across the company in other  
2 facets of the company.

3 Q Yeah, and I think I appreciate that, but I'm trying to  
4 get a sense of what work you were doing during this six-week  
5 period so that when you were ultimately given a number you  
6 had some sense of the value of what you achieved internally?

7 MR. GEIER: I'll object, I think it's been asked  
8 and answered. I think he's described what he's been doing  
9 and how we was compiling information to put on the term  
10 sheet.

11 THE COURT: Well, I don't know it's been asked and  
12 answered, and since this is cross I'll give a little  
13 latitude, but let me give it a shot.

14 The question seems to be that what you were doing  
15 in preparation for -- before getting the actual ask --  
16 specific ask number, and you said you had a -- sort of a  
17 loose menu of items. Can you just describe what the process  
18 is to put that together and what your folks were doing  
19 leading up to that 230- ask?

20 THE WITNESS: Okay. I guess I'll have to go back  
21 one more time.

22 I mean we had been, you know, in negotiations with  
23 APFR for a while, so we had a -- you know, we had Section 6  
24 proposals that were certain proposals, there -- as you look  
25 at contract items, Your Honor, there are variations on every

1 one of them.

2 Let's just take the 100 schedule max as an  
3 example. We have that in our 1113 proposal. It's 100  
4 hours. It could have been 90, it could have been 80, it  
5 could have been 85.

6 So we had kind of a -- not just a big menu of  
7 items, we had kind of variations of the individual term  
8 within there that we were looking at to see how do we put  
9 all of those pieces together when the number gets here to  
10 say that we've -- that we have something that works?

11 So it may not seem like it here but it's a lot of  
12 work to do and we were spending a lot -- spending a lot of  
13 time -- a lot of time doing it.

14 So we could -- I think to answer the question, I  
15 think we could have very easily, you know, put the term  
16 sheet together once we got our number. I think the work  
17 that we were doing was to be prepared to hit the number when  
18 we got the number.

19 THE COURT: All right. Then I have one other  
20 question maybe will help us all move along.

21 Which is, you said you had a lot of this  
22 information -- I wouldn't say in the can may be unfair --  
23 but you had it together from the ongoing process --

24 THE WITNESS: Right.

25 THE COURT: -- before the bankruptcy.

1           So how much of this work had already been done,  
2           how much work did you have to do once the bankruptcy was  
3           filled up to getting the ask?

4           THE WITNESS: There was more to do. Not -- if I  
5           -- if I made it sound as though we had everything done prior  
6           then I've mischaracterized our position. There were a lot  
7           of things that we changed in the term sheet that weren't  
8           necessarily a part of Section 6 bargaining.

9           We didn't have, for example, the termination of  
10          the pension plan in there, we didn't have a change to the  
11          medical plans to the extent that we were proposing today.  
12          There were other things in our term sheet that weren't --  
13          you know, that were not in Section 6 that we had to -- we  
14          had to think about and consider.

15          So if I had to give it a percentage I would say  
16          maybe 60/40, 75/25.

17          THE COURT: All right. I don't know if that  
18          helped, but --

19          MR. CLAYMAN: Thank you, Your Honor.

20          BY MR. CLAYMAN:

21          Q        Were you told when you were given the \$230 million  
22          number what the allocation methodology was?

23          A        I was.

24          Q        Okay. And was it described as across the board a 20  
25          percent cut to everybody's payroll?

1 A It was.

2 Q Okay. Let me ask you, you said that the health care  
3 piece of the 1113 proposal before you were given the 230-  
4 was being worked on by people outside of your department; is  
5 that correct?

6 A That is correct.

7 Q And when was the first time you saw the health care  
8 proposal?

9 A I -- I do not recall exactly.

10 Q Was it before you were given the 230-?

11 A Sorry to hesitate, but I just want to make sure I'm  
12 accurate. I honestly -- no.

13 Q It was not? It was given after you were given the  
14 230-?

15 A No, it was --

16 Q I'm sorry.

17 A I don't -- I'm sorry, I don't -- could you ask the  
18 question one more time?

19 Q Okay.

20 A I'm sorry.

21 Q I'm just asking when was the first time you saw a  
22 health care proposal that was being prepared in anticipation  
23 of the 1113 proposal?

24 A I believe it was after the 230-.

25 Q And do you know if that proposal ever went -- underwent

1 any changes from the time you saw it to the time that it was  
2 included in the final term sheet?

3 A Yeah, I believe they were looking at it. I wasn't  
4 involved in that work.

5 Q Do you know what kinds of changes were being made at  
6 all?

7 A No, I don't.

8 Q Do you know in the value of the health care proposal  
9 was changed to become more expensive or less expensive?

10 A I do not recall.

11 Q And how do you know that changes were being made?

12 A I was just generally aware through -- as I told you, as  
13 we were -- as I was building the ask as we understood it, I  
14 was also aware that there were changes as we described in  
15 pension and health care that were also going on.

16 Q And do you recall being told only once that there was a  
17 change or that the health care proposal was being changed or  
18 more than once?

19 A Do I recall being told more than once that the health  
20 care proposal was being changed? I -- I don't know how to  
21 answer that question.

22 Q Okay. Let me -- I think it's -- I think -- I'll try to  
23 rephrase it, okay?

24 A Yeah.

25 Q You've just testified that you recall being told

1 between the time you got the \$230 million number and the  
2 time that the final term sheet was prepared that you had  
3 been told that the health care proposal was being revised.

4 Is that a fair assessment of your testimony?

5 A As best as I can recollect.

6 Q Okay. And do you recall hearing that only once or more  
7 than once?

8 A I don't recall that either.

9 Q Okay. So it could have been more than once you just  
10 don't know?

11 A I don't recall.

12 MR. GEIER: I'll object, Your Honor, he's asked  
13 and answered the question, he doesn't recall.

14 THE COURT: I don't think he recalls in any event.

15 BY MR. CLAYMAN:

16 Q Okay. Let's turn to paragraph 21 of your declaration.

17 (Pause)

18 Q And let's look at the first chart that you've got  
19 there. See that?

20 A Yes, I do.

21 Q Okay. And who prepared this chart?

22 A This chart was prepared under my direction, it was  
23 prepared with the I think finance and crew resource folks.

24 Q And had you ever prepared a chart like this before?

25 A Not exactly like this one, no.

1 Q Okay. And you had never given a chart like this to  
2 APFA either during the prepetition or post petition  
3 negotiations; isn't that right?

4 A Not this particular chart.

5 Q All right. And you have no idea how if you were to  
6 apply this kind of assessment to another airline what it  
7 would look like?

8 A No, I don't.

9 Q Okay. And let me just hand you what we'll mark as APFA  
10 Exhibit 9.

11 (APFA Exhibit No. 9 was marked)

12 (Pause)

13 BY MR. CLAYMAN:

14 Q Do you have that before you?

15 A Yes.

16 Q Okay. Have you seen a chart like this before?

17 A Yes, I have.

18 Q And isn't it true that during the course of  
19 negotiations you have provided a similar chart to APFA's  
20 negotiating committee?

21 A That is true.

22 Q Okay. And this chart appears as a document on the  
23 Intralinks web page; do you know that?

24 A I think -- yeah, I think we did post this.

25 Q Okay. I'll get you the number. But in any event, so



1 you know that it appears on the Intralinks web site. Let me  
2 just turn your attention to -- let's understand this chart.

3 Now the first table on the left is comprised of  
4 block hours, correct? The number of block hours that a  
5 flight attendant flies in a month.

6 A Yes.

7 Q Okay. And a block hour, how would you define a block  
8 hour?

9 A I would define a block hour as the actual hard hour of  
10 flying.

11 Q So from the time that the plane leaves the gate for  
12 purposes of flight to the time that it arrives back at the  
13 gate and comes to a standstill at the gate those are  
14 measured in block hours?

15 A I think that's fair.

16 Q Okay. And so this is the hard time element of a flight  
17 attendant's work life, correct?

18 A Yes.

19 Q Okay. And then on the left-hand side are the paid  
20 hours. I mean the right-hand side. Just seeing if you're  
21 paying attention.

22 A I am.

23 Q Yeah. Okay. On the right-hand side. Those are the  
24 paid hours?

25 A Yes.

1 Q And there can be differences between paid and block  
2 hours based on the application of specific provisions of the  
3 contract, true?

4 A That's true.

5 Q Okay. Now looking at the line which has in the right  
6 -- in the paid hour table, looking at the top of that table  
7 where it says "paid hours" and moving down to where it says  
8 "70/80." Do you see that?

9 A I do.

10 Q Okay. And you go across and you see that the  
11 cumulative total -- well, let me -- is 55.1 percent at that  
12 point?

13 A Right.

14 Q So 55.1 percent of the flight attendants fly -- let me  
15 put it this way.

16 Is it fair to say that 44.9 percent of the flight  
17 attendants fly more than 70 hours or are paid more than 70  
18 hours?

19 A Yes.

20 Q Okay. So looking at your chart, and there are a total  
21 of about 16,000 flight attendants who are paid at least one  
22 month, correct?

23 A Right.

24 Q And looking at your chart it shows that there are only  
25 3,000 flight attendants who are paid at least 70 hours in

1 all 12 months. How do you reconcile this chart in your  
2 declaration with the fact that almost half of the flight  
3 attendants fly above 70 hours a month?

4 (Pause)

5 A I'm going to have to take a minute here, so.

6 Q Take as long as you need.

7 A Okay.

8 (Pause)

9 A I'm -- could you -- could you give me the exact  
10 question again in terms of --

11 Q Yes. Turning your attention to your declaration.

12 A Yeah.

13 Q It shows in the last bar on the right, it shows 3,011  
14 and it is captioned "flight attendants who were paid at  
15 least 70 hours in all 12 months."

16 Then you turn your attention to the document, APFA  
17 No. 9, and we've agreed that 44.9 percent of the flight  
18 attendants fly 70 or above -- 70 hours or above, and if one  
19 were to take say 45 percent of 16,000 it would be well in  
20 excess of 3,011. So how do you explain the difference?

21 A Yeah, I think -- it's a good question.

22 I think the difference is that this is kind of an  
23 -- this is an average -- this averages the number of hours  
24 that a flight attendant flies throughout over -- I think the  
25 time period is 12-10, yeah, to 11-11. So this would be the

1 average amount of flying between those marker, those -- you  
2 know, those hours that are in the left-hand side.

3 This chart was really designed to demonstrate that  
4 these are flight attendants who fly 70 hours in all 12  
5 months.

6 I don't think that's -- and I haven't made this  
7 comparison before so I'm kind of doing this on the spot --  
8 but it seems to me the difference is this -- all we're  
9 trying to say is of the -- in my declaration -- and again,  
10 this is just for illustration purposes and it kind of goes  
11 back to what I said in my opening statement, that we've got  
12 flight attendants who are low time fliers, mid time fliers,  
13 and high time fliers.

14 What my chart is really intended to demonstrate is  
15 that of all the flight attendants there are only 3,000 of  
16 them who fly 70 hours in all 12 months of the year. I think  
17 this chart just demonstrates on an average basis, not -- it  
18 doesn't break it down into a --

19 Q Right. Well, let me ask you this.

20 THE COURT: Can I ask a question --

21 MR. CLAYMAN: Sure.

22 THE COURT: -- just for terminology?

23 I think your question and his answer both used the  
24 word "flying," but this chart I think where we are is  
25 talking about paid? Am I right?

1 MR. CLAYMAN: Yes, it's paid.

2 THE COURT: I just want to make sure the right --

3 MR. CLAYMAN: Yes. Yes.

4 THE COURT: Okay.

5 MR. CLAYMAN: Yes, Your Honor.

6 THE COURT: All right.

7 BY MR. CLAYMAN:

8 Q When you have paid at least 70 hours in all 12 months  
9 do you know if the person who prepared this chart included  
10 vacation pay?

11 A I don't know.

12 Q Okay.

13 A I think really the charts -- the charts were really  
14 only designed to demonstrate the -- what I -- what I said in  
15 my opening statement, which is there's just this range of  
16 flying across our flight attendant population.

17 Q Okay. But wouldn't you -- let me ask you this,  
18 Mr. Vaughn. Wouldn't you agree that APFA Exhibit 9 a better  
19 representation of the range of hours that are flown by  
20 flight attendants than the chart in your -- in your  
21 declaration?

22 A I would say it's a different representation.

23 Q It is more complete?

24 A It's the one we provided to the union in bargaining.

25 Q Would you agree that it's more complete?

1 A It really -- it's two different charts. I think they  
2 say the same thing, but they're different charts.

3 Q I think the documents can speak for themselves, okay?  
4 Let's move on.

5 Now on that same paragraph number 21 there's  
6 another chart that then follows which is this pie chart. Do  
7 you recall ever giving APFA during the course of  
8 negotiations any form of a pie chart?

9 A I do -- I do not recall.

10 Q And was this prepared especially for the 1113 process?

11 A Yes, it was prepared under my direction for -- yes.

12 Q Okay. And so was the prior chart was prepared for  
13 purposes of this hearing?

14 A Yes.

15 Q Okay. And have you ever seen that kind of chart broken  
16 down for any other airline?

17 A I have actually.

18 Q For which airline?

19 A We actually saw a chart similar to this in -- in a  
20 declaration in another 1113 filing.

21 Q Okay. And other than that do you recall which airline  
22 that was?

23 A I don't at the moment.

24 Q Okay. And other than that chart have you seen it  
25 anywhere else?

1 A I've seen -- I've seen this chart, a similar chart like  
2 this before, yes.

3 Q Okay. Now what is the maximum number of hours that a  
4 flight attendant can remain on duty today?

5 A Duty aloft or on duty?

6 Q On duty.

7 A Thirteen.

8 Q Okay. And that's scheduled?

9 A Yes.

10 Q And unscheduled?

11 A Fifteen I believe.

12 Q Okay. So -- and is it frequently the case that flight  
13 attendants are on duty for more than eight hours?

14 A Yes.

15 Q Okay. So they don't work a typical 9:00 to 5:00 shift;  
16 isn't that true?

17 A That is true.

18 Q And their days can go through the night and through the  
19 morning, early morning hours; isn't that true?

20 A That is true.

21 Q Okay. And if they're working an international flight  
22 what's your longest international flight?

23 A I believe it's six days.

24 Q Okay. And what is the flight time just from Chicago to  
25 Delhi?

1 A Fourteen hours.

2 Q Okay. So when you're talking about days they're not  
3 typical workdays are they, Mr. Vaughn?

4 A They are not.

5 Q Okay. Now your counsel asked you some questions about  
6 the term sheet that you had attached to I believe your  
7 supplemental declaration. Was that 1044? And that's the  
8 term sheet.

9 I'd like you to take a look at 1043 if you would  
10 for a moment.

11 Now let me just ask you this question. You  
12 testified that the flight attendant's proposal on a schedule  
13 max would --

14 A Can I get -- are you going to --

15 Q I don't know, you have to wait for my question.

16 A Oh, I'm sorry.

17 THE COURT: I know, but you asked him to find it.

18 MR. CLAYMAN: No, that's fine. That's fine.

19 BY MR. CLAYMAN:

20 Q 1043.

21 THE COURT: I haven't gotten there yet either, so.

22 MR. CLAYMAN: It's the one preceding the term  
23 sheet.

24 THE WITNESS: Right.

25 BY MR. CLAYMAN:



1 Q You got it?

2 A Yeah.

3 Q And this term sheet values is the valuation that the  
4 company assigned to the unions last proposal and its last  
5 proposal, correct?

6 A Yes.

7 Q Okay. And looking at the value that the company placed  
8 on the monthly max at 100-100 -- now the 100 is for domestic  
9 and the other 100 is for international, is it why it shows  
10 100-100 in about the seventh line down?

11 A I think so, yes.

12 Q Okay. About the seventh line down first item after  
13 work rules productivity is monthly max 100-100 and the value  
14 on the middle column shows 32 million per year on an  
15 average, right?

16 A Right.

17 Q And what is the number that is assigned to the  
18 valuation of the union's proposal?

19 A It shows 32-.

20 Q So the same value for both proposals, correct,  
21 Mr. Vaughn?

22 A Correct.

23 Q And isn't the same true about five items further down  
24 where you have the preferential bidding system, the  
25 valuation for the company's is five million and for the

1 union's is five million, true?

2 A That's true.

3 Q Okay.

4 A Well, let me -- I'd like to --

5 Q No, your counsel can let you explain.

6 A Okay.

7 (Pause)

8 Q And with regard to the pension proposal, Mr. Vaughn,  
9 you're familiar with the union's position on the early out  
10 -- the potential for an early out program?

11 A Yes.

12 Q And isn't it true that the union proposed an early out  
13 program so that it would avoid furloughs and allow people  
14 who would be encouraged to leave by an incentive payment to  
15 leave voluntarily rather than have someone be furloughed  
16 involuntarily?

17 A Yes.

18 Q Okay. And you're also familiar with the fact that  
19 regarding the freeze that the -- the union agreed to a  
20 freeze of the pension plan; isn't that true? As part of its  
21 proposal it has counterproposed a freeze.

22 A Yes.

23 Q Okay. And all during the four years of your  
24 negotiations did you ever make a proposal that contemplated  
25 a freeze or suggested a freeze of the pension plan?

1 A I think our proposal in Section 6 was to -- you may  
2 have to refresh my memory, but --

3 Q Yeah. Was it -- if I told you that the proposal in  
4 Section 6 was to leave the defined contribution in place for  
5 active employees --

6 A Right.

7 Q -- and that for new hires they would be eligible only  
8 for defined contribution.

9 A Correct.

10 Q Okay.

11 MR. GEIER: While Mr. Clayman is getting -- it's  
12 been about an hour and a half, just wondering how long more  
13 he has or whether we should take a short break for my  
14 client.

15 MR. CLAYMAN: I think a short break would be  
16 great.

17 THE COURT: All right. Let's take a short break.

18 (Recess at 11:22 a.m.)

19 THE CLERK: All rise.

20 THE COURT: Please be seated. All right, let's  
21 resume cross-examination.

22 MR. CLAYMAN: Thank you, Your Honor.

23 At this time I want to introduce, if I may, what  
24 we'll mark at APFA Exhibit 10.

25 (APFA Exhibit No. 10 was marked)

1 THE COURT: Thank you.

2 THE COURT: Before we get on to Exhibit 2 I assume  
3 you want to introduce into evidence Exhibit 9?

4 MR. CLAYMAN: Yes, I do, Your Honor.

5 THE COURT: All right. Any objection?

6 MR. GEIER: No -- no, you know.

7 (APFA Exhibit No. 9 was admitted)

8 CROSS-EXAMINATION (Resumed)

9 Q Okay. Mr. Vaughn, You recall on or about March 22nd  
10 that APFA made its -- made a comprehensive proposal to the  
11 company?

12 A Yes, I do.

13 Q Okay. And part of that comprehensive proposal we  
14 provided you not only with a term sheet but with a  
15 spreadsheet as well?

16 A Right. You --

17 Q Well, yeah -- is that true that we provided you with a  
18 spreadsheet?

19 A A spreadsheet, yes.

20 Q Yes. And isn't this -- is APFA Exhibit 10 the  
21 spreadsheet we gave you?

22 A Yes, we got this along with your term sheet.

23 Q Okay. And if you look -- and you would agree that if  
24 you turned your attention to 1043 and then made a comparison  
25 between APFA Exhibit 10 -- or 9 -- 10? 10, and Exhibit 1043

1 that the -- there are large differences in the valuations of  
2 these two spreadsheets; isn't that true?

3 A Yes.

4 Q And just as one example looking at active medical on  
5 your Exhibit 1043 what you see is that --

6 THE COURT: Counsel, if you'd give me a second I'm  
7 wrestling my binder --

8 MR. CLAYMAN: Oh, I'm sorry.

9 THE COURT: -- so I --

10 MR. CLAYMAN: I'm very sorry.

11 THE COURT: -- just -- it's all right. It  
12 normally doesn't take -- I'm afraid that if I just simply  
13 crack it open I won't be able to find anything you're going  
14 to refer to from here on in, so I'm trying to avoid doing  
15 that.

16 (Pause)

17 THE COURT: All right, thank you.

18 MR. CLAYMAN: Okay.

19 BY MR. CLAYMAN:

20 Q Turning your attention to Exhibit 1043 under the  
21 heading -- or subheading benefits there's the third line  
22 down is active medical. And what it shows on your term  
23 sheet is you -- you gave a value of our proposal of  
24 \$1 million and the value of what you're seeking in the  
25 changes is \$41 million; is that correct?

1 A That is correct.

2 Q Now turning your attention to APFA Exhibit 10 under the  
3 subheading benefits and under active medical there's a  
4 parenthetical that shows Segal valuation. Do you see that?

5 A I do.

6 Q And if you turn your attention all the way to the  
7 column on the right the four-year average that Segal valued  
8 are changes at was how much?

9 A Looks like \$48 million.

10 Q Right. So you have two actuarial firms. You're using  
11 Mercer; is that correct?

12 A That is correct.

13 Q Okay. And we're using Segal, and one of the main  
14 differences isn't it true, Mr. Vaughn, is that the opinion  
15 of Segal is that when a product becomes more expensive  
16 people will buy it less? Isn't that the theory that Segal  
17 is adhering to and Mercer is claiming that even though the  
18 price of medical care or this propose -- or your proposal  
19 would force the flight attendants to pay more, they will use  
20 it the same amount as they did before those increases; isn't  
21 that true?

22 MR. GEIER: Your Honor, I'm going to object.

23 We had a costing witness here who spoke about this  
24 very issue yesterday and Mr. Clayman chose not to cross-  
25 examine him. Mr. Taylor (sic) is not preferred as a costing

1 witness.

2 THE COURT: Well, I'm going to ask him if he  
3 knows. If he knows he knows, if he doesn't know he doesn't  
4 know. Do you need that question repeated, sir?

5 THE WITNESS: I think I do. I'm sorry.

6 THE COURT: No, that's fine.

7 BY MR. CLAYMAN:

8 Q You were at negotiations when there were discussions  
9 about the differences in the valuations of union's proposal  
10 on active medical and the company's proposal?

11 A Yes.

12 Q And you recall there being a representative from Segal  
13 there?

14 A Sure.

15 Q And at one point you had your representative from your  
16 -- I don't know what the name of the department is --  
17 benefits department?

18 A Right.

19 Q And there was a discussion was there not about whether  
20 the trend of use in -- the trend in use of health care  
21 benefits would increase -- that the use would increase if  
22 the price went up or would it decrease if the price of  
23 health care went up, and do you recall that Segal's opinion  
24 was that the use would decline if the price went up, and the  
25 view of Mercer was that if the price increased the use would

1 stay the same?

2 A I recall there was a lot of conversation between our  
3 consultants on this particular topic, and I think there were  
4 a lot of differences of opinions in terms of costing, but I  
5 do recall that being one of them.

6 Q Okay. Thank you, Mr. Vaughn.

7 Now on -- let me just do one other on these term  
8 sheets. On the -- the medical -- excuse me -- the defined  
9 contribution plan do you recall that Segal prepared a chart  
10 showing the impact of moving from the current defined  
11 benefit plan to the company's proposed defined contribution  
12 plan?

13 A I'm sorry, one more time?

14 Q Do you recall Segal -- or a Segal prepared chart that  
15 we provided to you -- or APFA provided to you showing the  
16 impact on a flight attendant's pension benefits based on the  
17 change from the current defined benefit plan to the  
18 company's proposed defined contribution plan?

19 A Yes, I do remember that.

20 Q And do you recall that it showed the benefit -- it  
21 showed some hypothetical flight attendants?

22 A It had some examples on it --

23 Q Right.

24 A -- I do recall.

25 Q Right. And do you recall that it showed how many more



1 years a flight attendant would have to work in order to  
2 match the defined benefit plan -- the defined benefit that  
3 he or she would have accrued in the hypothetical?

4 A I don't remember the number, but that was one of the --

5 Q Okay.

6 A -- illustrations.

7 Q Okay. And do you recall in certain circumstances that  
8 it was as much as ten years?

9 A I think I do, yes.

10 Q Okay. And at the defined -- the retiree medical. Now  
11 on the retiree medical during the course of the four year --  
12 almost four years of negotiations prepetition did the  
13 company ever propose terminating retiree health benefits?

14 A No.

15 Q Okay. And they are now proposing that the flight  
16 attendant bear the entire cost of the medical benefit once  
17 he or she retires, true?

18 A Yes.

19 Q And isn't it true that the cost of medical -- of that  
20 medical coverage that the company has assessed would be in  
21 excess of \$400 a month?

22 A To be honest with you I don't -- I don't recall what  
23 those retiree medical costs are.

24 Q You don't know if that's in the ballpark or not?

25 A I don't.

1 Q Okay. Okay. Turning back to paragraph 21 of the -- of  
2 your declaration.

3 THE COURT: Let me ask if you're done with  
4 Exhibit 10, and if so you want to move it into evidence?

5 MR. CLAYMAN: Yes.

6 THE COURT: Just figured you might like to keep  
7 track of these things as we go.

8 Any objection?

9 MR. GEIER: No, no objection, Your Honor.

10 THE COURT: It's admitted.

11 (APFA Exhibit No. 10 was admitted)

12 THE COURT: All right, I'm sorry, what paragraph  
13 are we on now?

14 MR. CLAYMAN: 21.

15 (Pause)

16 MR. CLAYMAN: Oh, I'm sorry, that's not the right  
17 paragraph.

18 (Pause)

19 BY MR. CLAYMAN:

20 Q All right. Looking at -- it is paragraph 21 on  
21 page 14.

22 Now in that first sentence you list the typical  
23 flight attendant receives about a \$45,000 salary, and then  
24 the next item is \$3,100 in per diem. What is per diem,  
25 Mr. Vaughn?

1 A Per diem are expenses which the -- which the contract  
2 provides.

3 Q So it's not intended as compensation, is that not true?

4 A It's a contractual provision that provides that amount  
5 of compensation.

6 Q For expenses for the flight attendants when they're  
7 away from base, true?

8 A True.

9 Q And many, many flights or trips that flight attendants  
10 are assigned require them to stay overnight at a hotel?

11 A That is very true.

12 Q And this is -- this provision of the contract is  
13 intended to allow them to pay for their meals while they're  
14 away from base?

15 A Intended them -- for them to pay for whatever they  
16 want --

17 Q Yes.

18 A -- when they're away from base.

19 Q Okay. Now in paragraph 22 you have this chart that  
20 shows that there is a -- let's see -- that flight attendants  
21 who were paid at least 70 hours in all 12 months earned an  
22 income -- or were well compensated and made \$64,000; is that  
23 right? That's the third bar over --

24 A Flight attendants were paid at least 70 hours in all 12  
25 months averaged \$64,000.

1 Q Right. And isn't it true that that \$64,000 is  
2 comprised of the items that you've listed in paragraph 21?

3 (Pause)

4 Q Let me rephrase the question.

5 A Yeah, I'm not so sure I understand.

6 Q No, let me -- I'll rephrase the question.

7 On that \$64,000, doesn't that include health care  
8 benefits and other benefits?

9 A No.

10 Q Do you know how you got to \$64,000 based on 70 hours or  
11 people who work more than 70 hours in 12 month?

12 A Yes. This -- we got all this information I think from  
13 our crew resource and payroll folks.

14 If you look at -- look at the bar what it's  
15 suggesting is or what it's illustrating is flight attendants  
16 who were paid at least 70 hours -- at least 70 hours in all  
17 12 months. So it actually includes, if you look at the next  
18 bar over, the top five percent of those 64 who work at least  
19 12 -- 70 hours in 12 months actually make 93-. So that top  
20 bar actually drives part of that average on the 64-. It's  
21 not suggesting that people who fly 70 hours make \$64,000.

22 Q I see. And so if you were to look at the -- not the  
23 average, but the median, do you know what that would be?

24 A I do -- I do not.

25 Q Okay. And if you're flying the top five percent,

1 looking back at union Exhibit 9, the top five percent  
2 according to this chart. And when you say in that -- in the  
3 chart that we've been looking at are paid -- who are at  
4 least paid 70 hours, are those flight attendants who -- are  
5 those 740 paid hours or work hours?

6 A They're paid.

7 Q They're pay? But you don't know whether they include  
8 vacation?

9 A I don't.

10 Q Okay. Now looking at your -- APFA Exhibit 9 and if you  
11 were to look at the top five percent of this people who are  
12 paid that amount of money you would see -- let me turn your  
13 attention to the line that reads 110 hours to 120 hours  
14 under pay, the right hand table. Do you see that?

15 A I do. I do.

16 Q Okay. And that's about 3.2 percent -- the top 3.2  
17 percent; is that right?

18 A Right.

19 Q And so the other 1.8 percent would fall within the  
20 upper bracket of the 100 to 110 hours, the line right below  
21 it, correct?

22 A Say that one more time?

23 Q So if you're at 3.2 for those people who fly at least  
24 110 hours, then the other 1.8 percent to get --

25 THE COURT: Just -- I think you're saying paid

1 110?

2 MR. CLAYMAN: Yes.

3 THE COURT: Okay.

4 BY MR. CLAYMAN:

5 Q Paid 110 hours, that's 3.2 percent, and you said top 5  
6 percent, so you would have to look at the next lower  
7 bracket, which is 100 to 110 hours, right? And you would  
8 agree that the top five percent would probably be closer to  
9 110 than 100 for that top 1.8 percent?

10 A I am very sorry, you're going to have to --

11 Q That's all right. Let me just --

12 A One more time.

13 Q -- let me just -- let's make it simple.

14 A Yeah.

15 Q Let's just look at the top 3.2 percent. So even let's  
16 look at the top -- make it even simpler, look at the top 7.7  
17 percent, that is the line of 100 paid hours to 110 paid  
18 hours, correct?

19 A Right.

20 Q Okay. And the average line of time, that is what the  
21 company assigns the flight attendant who is a full-time  
22 flight attendant, the number of hours that he or she is  
23 assigned, isn't it true for the domestic flight attendant it  
24 is 75 hours and for an international flight attendant it is  
25 82 hours?

1 A That's correct.

2 Q Okay. So when you're talking about somebody making as  
3 much money as they are -- as you're talking about in the top  
4 five percent, they would have to be flying upwards of 30 to  
5 -- 30 percent of overtime to make that -- to make that  
6 difference; is that right? They would have to be flying 30  
7 percent more hours than the regularly assigned flight  
8 attendant?

9 THE COURT: Again, I don't mean to be persnickety,  
10 you paid hours?

11 MR. CLAYMAN: Paid. Paid.

12 THE COURT: Just for absolute --

13 MR. CLAYMAN: I know, it's --

14 THE COURT: All right.

15 THE WITNESS: Yeah, I think that's right.

16 BY MR. CLAYMAN:

17 Q That's right? Okay. And do you know how many days  
18 away from home a flight attendant would have to be to work  
19 100 -- 100 to 110 hours?

20 A I don't.

21 Q Do you know how many hours they would have to be on  
22 duty to be paid 100 to 110 hours?

23 A It would vary.

24 Q But it would be a lot of hours, would it not?

25 A It would be a lot of hours.

1 Q Yes. Okay.

2 A That's high time. No doubt.

3 Q Okay. The chart that you have -- that we were just  
4 looking at, had you ever provided that to APFA before?

5 A No.

6 Q Okay. Have you ever seen this chart prepared by any  
7 other airline?

8 A I can't say that I've seen this exact chart, no.

9 Q Okay. Now turning to paragraph 36 of your declaration.  
10 And the first sentence reads:

11 "In retrospect throughout the prepetition  
12 bargaining APFA was focused on a single goal, recouping a  
13 cost reductions that the company attained in 2003."

14 Do you recall, Mr. Vaughn, a single time during  
15 the course of the negotiations where APFA had a proposal on  
16 the table that would have restored everything that was taken  
17 in 2003?

18 A I'd have to -- I would have to see all those things in  
19 2003 and what was in our -- you know, what was --

20 Q Well, let me ask you this. You know that the amount  
21 taken in 2003 was \$340 million on average?

22 A Right.

23 Q Right?

24 A Yes.

25 Q Is that correct?



1 A Yes.

2 Q And isn't it also true that in order to achieve an  
3 average of \$340 million over the five-year period in the  
4 latter years that \$340 million went up by a large  
5 percentage?

6 A Okay.

7 Q So you would say -- is it safe to say at least 400  
8 million in year five?

9 A I --

10 Q Would you be comfortable with that?

11 A I wouldn't know.

12 Q Okay. But it was above 340-, you would agree with  
13 that?

14 A You're trying to get to an average of 340-?

15 Q Yes. In order to get to the average of 340- isn't it  
16 true that in the first few years that it was not close -- it  
17 was not at 340- and it became a larger number as the years  
18 progressed and the items became effective?

19 A I guess that's a way to get to the average, yes.

20 Q Okay. Did you ever see a proposal from APFA that was  
21 worth \$340 million a year on average?

22 A I don't recall.

23 Q Okay. And then you say that this strategy of  
24 restoration, and you quote Ms. Gladding (ph), and then you  
25 say in the sixth line down, "APFA's strategy continued

1 unabated throughout Section 6 bargaining."

2 Now, Mr. Vaughn, you were in attendance at  
3 negotiations in April of 2011 were you not?

4 A I was.

5 Q And you know that there was a exchange of supposals; is  
6 that correct?

7 A Yes.

8 Q Okay. And you also know that the company made a  
9 proposal on April 8th -- or on or about April 8th where the  
10 three-year average was \$65 million a year; is that not true?

11 A I don't recall the exact number.

12 Q Ballpark?

13 A Somewhere around there.

14 Q Okay. And isn't it also true that APFA's proposal as  
15 of April 8th was \$95 million?

16 A I don't recall the exact number.

17 Q But you do recall that there was about a \$30 million  
18 spread between the two proposals; isn't that true?

19 A I don't remember that.

20 Q What do you remember about the spread between the two  
21 proposals?

22 A They weren't the same.

23 Q Thank you, Mr. Vaughn. I guess we wouldn't be here if  
24 they were.

25 So in any event, would you agree that it was --

1 you don't have any idea what the flight attendant's proposal  
2 was around April 8th? This is the last time we were  
3 together in negotiations.

4 A I don't remember the exact number.

5 Q And would you say the ballpark is a \$30 million spread?

6 A In the ballpark.

7 Q Okay. So that doesn't fit quite in with your  
8 assessment that we were seeking to restore \$340 million  
9 worth of concessions does it, Mr. Vaughn?

10 A I think you'd have to look at not -- not the difference  
11 between --

12 Q Uh-huh.

13 A -- our two proposals, but the cost of the overall  
14 proposals.

15 Q All right. And the cost of the overall proposal if I  
16 were to tell you was \$95 million, that's substantially less  
17 than 340- isn't it?

18 A Yes.

19 Q Thank you.

20 Now during the course of your direct you were  
21 asked a few questions about the impact on flight attendant  
22 take-home pay, right?

23 A Right.

24 Q And you said that someone who flies the normal line of  
25 time is not going to lose any money; is that right?

1 A I said someone -- I think what I said was someone who  
2 flies their schedule today of 75 hours and who flies what  
3 we're proposing as 85 hours --

4 Q Would make about the same amount of money?

5 A Would make about the same amount of money.

6 Q I see. And so in order to make the same amount of  
7 money it's really not an impact on your wages because you  
8 just have to work more; is that right?

9 A That is true.

10 Q Okay. And let's talk some other impacts on your wages.  
11 You took into account I think that the health -- the cost of  
12 health care, you said that even including the health care  
13 difference -- or the change in the premium for health care,  
14 that the flight attendant would still make about the same as  
15 he or she did before if they flew the 85 hours instead of  
16 the 75 -- instead of the 75 hours --

17 A Yes.

18 Q -- or were paid 85 instead of 75?

19 A Yes.

20 Q All right. And in that example you were using an  
21 employee only premium; isn't that right?

22 A That is true.

23 Q And isn't it true that for an employee plus family or  
24 employee plus children that the premium is substantially  
25 more?

1 A It is.

2 Q And about 50 percent of the flight attendants fall into  
3 those two categories; isn't that true?

4 A I don't know that. Because my understanding employee  
5 only was the predominant category.

6 Q And so you don't know what the percentage of employee  
7 plus children is?

8 A I do not.

9 Q Or employee plus family.

10 Do you know what the premium increase is for  
11 employee plus family under the company's proposal?

12 A Not -- not off the top of my head.

13 Q If I told you it was at least a couple of hundred  
14 dollars a month would that surprise you?

15 A No, it wouldn't.

16 Q Okay. And \$200 a month times 12 is \$2,400 a year on  
17 someone whose average salary I think according to what you  
18 said was \$45,000, correct?

19 A That's correct.

20 Q That's correct. So what you're talking about in that  
21 item alone that's a five percent wage cut; isn't that true?  
22 The equivalent of a five percent wage cut?

23 A I don't view it as a wage cut.

24 Q Is it an impact on their take-home pay?

25 A It would be.

1 Q Yes. And you did not take into account in terms of the  
2 medical insurance that half of the savings from the  
3 company's proposal is derived from changes to plan design;  
4 isn't that true? Out of pocket, maximum, and deductible?

5 A I'm sorry, ask the question again.

6 Q Isn't it true that half of the value of the company's  
7 proposal to change active medical is derived from changes in  
8 plan design?

9 A I don't know what the percentage is, but there were  
10 plan design changes, yes.

11 Q And that will also affect a flight attendant's take-  
12 home pay will it not if they have to pay more out of pocket  
13 or more for a deductible?

14 A Yes.

15 Q Okay. If I told you that Mr. Akins (ph), the airline  
16 economist who -- you know Mr. Akins?

17 A I do.

18 Q Okay. And you've worked with Mr. Akins for many years?

19 A I have.

20 Q Okay. If I told you that Mr. Akins has estimated that  
21 the impact on take-home pay from the company's proposal was  
22 16.9 percent cut would that surprise you?

23 A I wouldn't know.

24 Q Okay. That's fine.

25 Now with regard to the change in rigs, that is

1 that you -- the company took rigs off of the term sheet.  
2 Isn't it true that in plain English Mr. Akins found a  
3 mistake in the company's costing?

4 A Absolutely not.

5 Q No?

6 A No.

7 Q Okay. Well, we'll visit that later.

8 (Pause)

9 Q Now let's just talk a minute about your declaration  
10 paragraph 43. Okay. Now -- and I'm -- do you have that?

11 A Yeah, one second, I'm sorry. Flipped to page 43.

12 THE COURT: Page 24.

13 MR. CLAYMAN: I'm sorry. Would have helped.

14 BY MR. CLAYMAN:

15 Q Okay. Do you have that?

16 A I do.

17 Q Okay. And the second sentence reads:

18 "I also advised APFA that the company was eager to  
19 hear and discuss any alternative proposals that the APFA  
20 might have to modify the CBA so long as the overall target  
21 -- targeted cost reductions needed by the company were  
22 achieved."

23 Do you see that? And that overall targeted cost  
24 reductions that the company claimed it needed is \$230  
25 million?

1 A I'm sorry, are you on the second -- what paragraph are  
2 you on?

3 Q Forty-three. I'm sorry, Mr. Vaughn. It is the second  
4 sentence of paragraph 43. You can just read it, that's been  
5 read into the record.

6 A Paragraph 43.

7 Q It begins --

8 A I got it, yes, sir.

9 Q Yeah, okay.

10 A Yeah, sorry.

11 Q That's all right.

12 A Okay.

13 Q Okay. And it says, "So long as the overall targeted  
14 cost reduction needed by the company were achieved." That  
15 targeted cost reduction is \$230 million?

16 A Correct.

17 Q Okay. And it was \$230 million at the very beginning of  
18 the negotiations in February?

19 A Right.

20 Q 1st. And when we had our last session in March it was  
21 \$230 million?

22 A It was.

23 Q And you had -- isn't it true, Mr. Vaughn, that you have  
24 indicated time and time again during the course of these  
25 negotiations that \$230 million will not change?



1 A No, I never said that.

2 Q You have -- you have told us during the course of  
3 negotiations that the company is willing to move off of the  
4 \$230 million number?

5 A Right, this may be a slight nuance on what you're  
6 saying, but I think what I said --

7 Q Let me -- let me clarify the question.

8 A Okay.

9 Q I am not talking about the content of the \$230 million,  
10 I am not talking about rearranging the pieces within our  
11 proposal so that it comes to \$230 million, I am talking  
12 about the total value of the proposal equaling \$230 million.

13 A Right.

14 Q Isn't it true that that has been the company's position  
15 from the beginning of the negotiations and remains  
16 unchanged?

17 A It is -- it has remained unchanged, but I think what  
18 you even heard Mr. Brundage testify yesterday that that was  
19 the target, and when you said, you know, kind of non-  
20 negotiable, that's why I said there's kind of a slight  
21 nuance to what it is you're -- how you're characterizing  
22 what I said.

23 I never said it -- I said there was little, if  
24 any, wiggle room in that target, but I agree with  
25 Mr. Brundage's testimony yesterday that if a APFA, just as

1 we did when we changed the duty rig proposal, had the APFA  
2 come to us, come to company or come to myself, and there was  
3 lots of conversations about the business plan and the asks,  
4 if they had come to us and said, look, we don't think the  
5 230- is correct and here's all the reasons why we don't  
6 think the 230- is correct we obviously would have had to go  
7 take a look at that.

8 Q Right.

9 A That never happened. So the answer to your question  
10 is, it was 230- and it is 230-.

11 Q Right. And the two -- the 230- -- the change to the  
12 230- that you're talking about is if there were a  
13 disagreement about an underlying assumption which you would  
14 then say in the case of the instance that you testified  
15 about, isn't it true that if the company accepted the change  
16 in the underlying assumption, as you put it, that that meant  
17 the overall value of the company's proposal was not  
18 \$230 million, but if my recollection serves me, it was  
19 closer to \$250 million?

20 A No, I don't agree with that characterization. It meant  
21 that the -- that the target was 230-, we just ended up with  
22 a gap that we hadn't filled of 20 -- of 20 million, which we  
23 had ultimately --

24 Q Right. So -- but --

25 A -- proposed back, but the target itself did not change.

1 Q Right, the target did not change, and it did not change  
2 because the assumption they were talking about -- I'll  
3 withdraw the question and we'll get there through another  
4 witness, that's fine.

5 Mr. Vaughn, let me just finish that line of  
6 questioning. So it -- you agree it's still -- the number is  
7 still 230-; is that correct?

8 A We've had no -- no one has presented any information to  
9 lead us to believe that the target that was set by the  
10 business plan should be something over than 230-.

11 Q Okay. So the only way you would change the 230- would  
12 be in the way that Mr. Brundage testified, which is that if  
13 we found an alternative business plan or if we found a  
14 mistake?

15 A Yes.

16 Q Okay.

17 A If that was his testimony.

18 Q And -- but you agree with that, is that -- would you  
19 agree with that?

20 A I don't know about an alternative business plan. If  
21 someone were to present information to us that would  
22 indicate that the 230- target was not the target that we  
23 should be shooting for then we would obviously seriously  
24 consider that.

25 Q And what kind of evidence are you talking about,

1 Mr. Vaughn, because I'm not clear?

2 A I don't know. I don't know.

3 Q Are you talking about a mistake?

4 A I don't think there -- it could be, I haven't -- I  
5 don't -- it could be a mistake, it could be something other  
6 -- something else. Someone who would present information --

7 Q We -- well, I think APFA and all the unions would very  
8 much like to know what would motivate the company to change  
9 the \$230 million target in our case?

10 A I think you'd need to talk to someone other than me  
11 about that.

12 Q All right. Well, when -- when you learn what that is  
13 you should let the union know.

14 MR. GEIER: I object to that kind of remark to the  
15 witness, Your Honor.

16 MR. CLAYMAN: Okay.

17 THE COURT: Right, we'll be here all --

18 MR. CLAYMAN: I think I only have a few more  
19 questions.

20 THE COURT: -- all year if we -- if we go down  
21 that road.

22 BY MR. CLAYMAN:

23 Q Now, Mr. Vaughn, let me just ask you if I can hand you  
24 what I would mark as APFA Exhibit 11.

25 (APFA Exhibit No. 11 was marked)

1 MR. GEIER: Thank you.

2 THE COURT: Thank you.

3 (Pause)

4 BY MR. CLAYMAN:

5 Q Have you seen this document before -- or this e-mail?

6 A I have seen this e-mail.

7 Q Do you know if American has responded to this inquiry?

8 A I -- I'm not sure.

9 Q Okay. And do you know the answer to the question  
10 that's posed?

11 A No, I do not.

12 Q Okay.

13 (Pause)

14 THE COURT: Do you wish to have your e-mail as  
15 part of the public record for all times? I suppose the  
16 answer to that is yes?

17 MR. CLAYMAN: Absolutely.

18 THE COURT: All right.

19 MR. GEIER: No objection, Your Honor.

20 THE COURT: To his e-mail being a part of the  
21 public record or the document?

22 MR. GEIER: For all time.

23 (Laughter)

24 THE COURT: All right.

25 MR. CLAYMAN: Yeah, so can I move for the

1 admission? Yes, thank you.

2 MR. GEIER: No objection, Your Honor.

3 THE COURT: All right.

4 MR. CLAYMAN: Okay.

5 THE COURT: I figured you probably didn't, but I  
6 just wanted to ask. And I assume that the other participant  
7 to this e-mail similarly has no concerns about it?

8 MR. GEIER: I'm positive of that, Your Honor.

9 THE COURT: All right.

10 (APFA Exhibit No. 11 was admitted)

11 MR. CLAYMAN: I think I have -- if I can just have  
12 a minute I think I may be done.

13 (Pause)

14 MR. CLAYMAN: That's -- I'm done for now, Your  
15 Honor. Thank you.

16 THE COURT: All right. For now sounds a bit  
17 ominous, but --

18 (Laughter)

19 THE COURT: -- I'll --

20 MR. CLAYMAN: I think you'd find that encouraging.

21 THE COURT: All right.

22 MR. BUTLER: (Indiscernible - 12:19:12).

23 THE COURT: All right.

24 CROSS-EXAMINATION

25 BY MR. BUTLER:

1 Q Mr. Vaughn, my name is Jack Butler, I'm one of the  
2 lawyers for the creditors' committee.

3 A Good afternoon.

4 Q Good afternoon. I just have a couple of questions for  
5 you and I'm going to try to make reference to specific parts  
6 of your testimony --

7 A Okay.

8 Q -- as a basis of talk to you this morning or this  
9 afternoon.

10 Can you turn in what's been marked debtor's --  
11 American's Exhibit 1000 -- paragraph 1. Paragraph 1 is the  
12 paragraph in and you tell the Court what your position, your  
13 role is in working at American; is that correct?

14 A Sorry.

15 Q No, take your time.

16 A Yes, it is.

17 Q And if I understand it correctly you are the principal  
18 negotiator with the APFA on the part of American; is that  
19 correct?

20 A That is true.

21 Q Would it be fair to characterize it if I thought about  
22 this that across American's 20,000 non-union employees  
23 you're the principal person who is charged with  
24 responsibility of driving home a deal with the APFA; is that  
25 right?

1 A Yeah, I would say that's probably right.

2 Q And how much -- in percentage terms how much of your  
3 time do you spend working on that mission for American of  
4 your both -- of the time you're working at your work?

5 A Are you talking since we've been in this process or --

6 Q Over the last -- since you filed Chapter 11 -- since  
7 the company filed Chapter 11.

8 A I actually have -- we started negotiations with APFA at  
9 the American Airlines Training and Conference Center and I  
10 moved by office, I'm still there. I have not seen my  
11 secretary maybe five times in the last few months. So a lot  
12 of time.

13 Q Now you testified earlier that your principal goal is  
14 to deliver a consensual deal with the APFA; is that right?

15 A Yes, sir.

16 Q And at -- if you turn to paragraph 43 of Exhibit 1000,  
17 this is the paragraph Mr. Clayman talked to you about in  
18 which you indicated that you were making these proposals  
19 pursuant to Section 1113 of the Bankruptcy Code.

20 Do you have an understanding of how this section  
21 of the Bankruptcy Code works? Has someone explained it to  
22 you in terms of what your role is as the lead labor  
23 negotiator?

24 A Yes, to a certain extent, yes.

25 Q Okay. And I'm only asking what your understanding is



1 here --

2 A That's fine.

3 Q -- Mr. Vaughn.

4 Do you understand what will happen if you can't  
5 reach a consensual deal -- with the APFA?

6 A Yes.

7 Q What?

8 A Well -- well, I guess we're partly here because we  
9 haven't done that, and I assume at some point the judge will  
10 make a recommendation about whether or not to reject the  
11 contracts or not, and once that decision has been made I  
12 think we're eventually going to be right back to where we  
13 need to be, which is getting a consensual agreement with the  
14 APFA.

15 Q So you have an understanding that even if Judge Lane  
16 determines at some point in time to reject these contracts  
17 you're going to be back under the RLA with the APFA  
18 negotiating?

19 A I do understand that.

20 Q Is it fair then to characterize that your principal  
21 goal is to reach consensual transaction with the APFA?

22 A Yes, that -- it was in June of '08 and it is today.

23 Q Now you testified earlier, and I just want to clarify  
24 the record on this point, that some -- you gave some  
25 percentages to Judge Lane about how much of the term sheets

1 changed, you said it was 60/40 or 75/25 that -- I wasn't  
2 sure which part was the 75 and which part was the 25 on the  
3 record. Could you just clarify that, which changed?

4 A If I recall His Honor's question it was more about you  
5 had -- you had kind of a menu of items of things that you  
6 were thinking about, some of those that you knew and you  
7 were aware of and been working on and others of those that  
8 you, you know, had to kind of come up with as you were going  
9 through the process, I think I said 60/40, and now that I've  
10 said that I've forgotten the question.

11 Q Okay. I was just trying to find out which part was the  
12 60 and which part was the 40, because --

13 A Oh, okay. Yes.

14 Q -- with the record --

15 A I would say the 60 -- 60, if not a little more, was the  
16 part that we were -- we were aware of and that we had been  
17 working on.

18 Q As you sit across the flight attendants would it be  
19 fair to say that your -- your seven-year stint as a flight  
20 attendant for American in part informs how you think about  
21 these negotiations?

22 A It does.

23 Q If you turn to paragraph 4 of your -- of American  
24 Exhibit 1000, you describe in this paragraph, you testified  
25 to the labor ask or the so-called ask that you were given of

1 230 million. Do you recall that, sir?

2 A Yes.

3 Q And you testified that you had nothing to do with  
4 putting that number together, but that it's your mission to  
5 sort out how to get that kind of value out of labor  
6 modifications to the APFA agreement; is that correct?

7 A That is correct.

8 Q As you thought about constructing the term sheet did  
9 you think about whether your proposals were competitive in  
10 the marketplace?

11 A I don't -- I honestly do not think that was our first  
12 point of reference.

13 Q What is -- what was your first point of reference?

14 A Well, as I said, we had started bargaining in 2008 so  
15 we kind of had a -- we had a general idea of the kinds of  
16 things that the company was looking for in terms of  
17 productivity and efficiency, and I think we first started  
18 there.

19 Constructed our term sheet. You know, I  
20 constructed the term sheet based on my experience over the  
21 few years of bargaining, and we got to a point where, you  
22 know, we had the items we thought were necessary.

23 Did we then look out across the landscape of other  
24 carriers to see if we were in the ballpark of the other  
25 carriers? We did do that, but I think it was more toward

1 the end than from the beginning.

2 Q Do you have a view as to whether or not as the lead  
3 negotiator whether these proposals are market competitive  
4 with the other -- and I want to from my perspective focus  
5 you on the other major network carriers --

6 A Right.

7 Q -- that being United and Delta.

8 A Right.

9 Q Do you have a point of view?

10 A When you say market competitive do you mean that in --  
11 as the term sheet as a whole, the effects of the term sheet  
12 as a whole?

13 Q Why don't you tell me whether you think it's  
14 competitive and how you think about it. I'm not trying to  
15 put words in your mouth, you tell me what you think.

16 A Actually I'm thinking that in terms of the 1113 with  
17 respect to the cost savings we needed at American. That's  
18 -- that was my primary focus.

19 Q All right. So you do -- you do or don't have a view as  
20 to whether they're market competitive, whether they relate  
21 in some market sense to Delta's -- what Delta flight  
22 attendants have and what United's flight attendant have?

23 A Well, I'm sorry, if I -- I didn't mean to sound evasive  
24 on that point. If you're asking me whether I'm aware that  
25 the terms in our agreement are in terms of relative do other

1 carriers have them or do they not I have a sense of that.

2 Q And what's your sense? What's your view as the lead  
3 negotiator for American Airlines?

4 A On the package as a whole or the individual term sheet  
5 asks?

6 Q Let's deal with the package as a whole.

7 A I'm not sure I can do it as package as a whole, I  
8 didn't look at it that way. I -- we constructed our term  
9 sheet based on what we needed to hit our target based on our  
10 experience with our flight attendants, and after we put that  
11 menu of items together we -- you know, at some point did  
12 look out to make sure I think, you know, one of the things  
13 we wanted to make sure of was that we weren't completely off  
14 -- you know, off the charts in terms of what it was we were  
15 asking of our flight attendants. So we did go take a look  
16 and make sure we -- you know, we weren't way out there.

17 Q Would you agree with me that if you're going to get a  
18 consensual deal with the flight attendants that you're going  
19 to -- as the lead negotiator you're going to have to  
20 convince them that these are competitive proposals?

21 A You know what, I didn't view my job as trying to  
22 convince them that our proposal was the proposal to take. I  
23 viewed that my job was the present them with the proposal  
24 that we could discuss, that we could negotiate over, and  
25 that we'd reach an agreement that had term sheet items that

1 were of interest to them, term sheet items that worked for  
2 us, and in the end hit the 230-.

3 We weren't trying to convince them that ours was  
4 right, I think we spent -- as a matter of fact I will tell  
5 you when we opened our negotiations with them on day one I  
6 told them that we were willing to talk about any item in the  
7 term sheet, and when we closed our negotiations with them,  
8 the last day we met with them I think was March 26th, and I  
9 -- I had heard as has been discussed that we were in this  
10 take it or leave it had been characterized as take it or  
11 leave it, and I must tell you I think that's a  
12 mischaracterization on the last day of bargaining.

13 Counsel Clayman was there with the APFA's chief  
14 spokesperson, and I said to them, I -- before we leave here  
15 I've heard that there's been this take it or leave it charge  
16 levied here and I want to make sure that we're -- we  
17 understand each other.

18 We are -- there are parts in the term sheet, sir,  
19 that I think the flight attendants have been very vocal that  
20 they don't like. We've said to them, and in some respects  
21 I'm indifferent to some of those things. I think they --  
22 some of them create productivity, but that productivity also  
23 has a value to it. If we can get to that productivity and a  
24 value in an entirely different way I've told them that we're  
25 more than willing to do that, and that's what I wanted to

1 make sure that they were aware of when we had our last  
2 meeting with them when we broke, so.

3 Q Thank you, Mr. Vaughn. Just a couple more questions.

4 If you turn to American Exhibit 1044, which  
5 appended to your supplemental exhibit, which is marked  
6 American 1000S. And I'd ask you to turn to the last page of  
7 that exhibit, which is page 7.

8 A Yeah.

9 Q I know it's -- you got to go to lots of paper to get  
10 there, so I'll just pause for a minute or two.

11 THE COURT: Yes, it is.

12 BY MR. BUTLER:

13 Q What's worse is it's the last page so you've got to  
14 like flip it over all the way, so.

15 A All right. You said 1044?

16 Q It's page 7 of 1044. And I'm looking for the last  
17 page, and when you get there let me know.

18 A Okay, I am there.

19 Q And I want to direct you to the box that says  
20 Article 1.

21 A Yes.

22 Q And I want to ask you a couple of questions about that  
23 box.

24 A Okay.

25 Q In your declaration you referred to this, and is it --

1 are we to understand that this proposal, the one dated  
2 March 22, 2012, is the first time this Article 1 box was  
3 presented to you with these items?

4 A That is correct.

5 Now actually it's -- they gave us a proposal on  
6 March 22nd, they told us that the proposal they gave us on  
7 March 22nd was not correct and then they resent the proposal  
8 to us on I think March 26th, and that's when the first time  
9 I saw this particular box.

10 Q Okay. So this box was added to the proposal after  
11 March 22nd and before --

12 A Yes.

13 Q -- March -- and on March 26th?

14 A Yes. Yes, sir.

15 Q Okay. There are three items in this box, I want to ask  
16 you about each of them.

17 The first is that there is going to be a proposal  
18 proffered by APFA relating to the provision in valuation of  
19 an unsecured claim in the Chapter 11 case. Do you see that,  
20 sir?

21 A I do.

22 Q Have you had any discussions with the APFA regarding  
23 the consensual -- a consensual agreement about a claim in  
24 this case?

25 A We have not.



1 Q Has the company made any proposals regarding the  
2 provision of a claim in this case?

3 A We have not.

4 Q Okay. The second item they talk about the protection  
5 in the event of a merger or other transaction. Do you see  
6 that, sir?

7 A I do.

8 Q Have you had any discussions with the APFA about what  
9 that means?

10 A No, we haven't.

11 Q Has the company presented any proposals of its own in  
12 connection with a protection of this or any -- well, you're  
13 here for the APFA -- with respect to APFA in the event of a  
14 merger or other transaction?

15 A No.

16 Q Okay. And the third item is a request for a  
17 restoration in whole or in part of terms modified by the  
18 Section 1113 agreement. Do you see that, sir?

19 A Yes, sir.

20 Q Have you had any discussions with the APFA about what  
21 that means?

22 A No.

23 Q Have -- that kind of a provision is oftentimes in --  
24 I'm told -- I'm not a labor lawyer -- but I'm told that's  
25 sometimes referred to as a snap-back provision, that under

1 certain terms and conditions concessionary items are snapped  
2 back.

3 A That's how I interpreted it.

4 Q All right. Has the company made any proposals in any  
5 of its bargaining -- in connection with Section 1113 about a  
6 snap-back arrangement?

7 A We have not.

8 Q Do you have a view -- any view about how a snap-back  
9 arrangement would work in connection with this -- the  
10 bargaining you're doing?

11 A I do not have a view of how that would work in these  
12 proceedings quite frankly.

13 Q Okay.

14 MR. BUTLER: We have no further questions, Your  
15 Honor. Thank you.

16 THE COURT: All right. Redirect?

17 MR. GEIER: Yes. Just a few things, Your Honor.

18 REDIRECT EXAMINATION

19 BY MR. GEIER:

20 Q Just before you turn back so we don't have to wrestle  
21 with it again.

22 In terms of that Section 1 proposal, is the reason  
23 that you've not had any discussions with what the union  
24 intended by the Section 1 proposal is because there have  
25 been no negotiations since you received it?

1 A That's true. This was the last document that we  
2 actually received, and we've not met since.

3 Q And have you -- after you received it did you seek to  
4 meet again?

5 A I actually communicated with APFA at some point after  
6 this, we had indicated that we might get together prior to  
7 these proceedings and that was not -- that did not happen.

8 Q Okay. Very briefly on Exhibit 1043, and I tore mine  
9 out so I would not have to wrestle. And I think you -- I'll  
10 wait till the --

11 MR. GEIER: Your Honor, let me know when you're  
12 there.

13 THE COURT: I'm as close as I'm going to get.

14 BY MR. GEIER:

15 Q Mr. Clayman asked you a few questions and I think you  
16 wanted to add a few things.

17 There's a footnote under -- footnote 4, which is  
18 next to the monthly max, and just wanted to ask you to give  
19 an explanation. I'll read it for but, "No credit given for  
20 years beyond terms of contract is proposed by APFA." Do you  
21 see that?

22 A I do see that.

23 Q Is this the provision or contingency in their  
24 counterproposal that they would only -- that they were only  
25 accepting of the schedule max if value from subsequent years

1 beyond their four would be given to them?

2 A Yes, that is the reference.

3 Q And in footnote 6 where -- which deals with PBS --

4 A Yes.

5 Q -- there's an assumption there isn't there that the PBS  
6 would be implemented in year two?

7 A Right.

8 Q Is it your understanding that the assumption was -- was  
9 effectively saying that the veto provision or veto  
10 contingency on the APFA agreeing to a PBS system was not  
11 considered in providing that value?

12 A That's true.

13 Q And if they had -- if they did impede the  
14 implementation of a PBS that value would not be there; is  
15 that true?

16 A That is true.

17 Q One last set of questions, and this goes to -- all the  
18 way back to your declaration, Exhibit 1000. And I'm just  
19 going to ask you to turn to page 48. And they're easier to  
20 find it in the declaration than in the exhibit list. This  
21 is Exhibit 1041.

22 A I'm sorry, was that page 48 or paragraph --

23 Q It's page 48 --

24 A Okay.

25 Q Do you see that? And I'd ask you to also have at your

1 disposal APFA Exhibit No. 9.

2 A Right.

3 Q Do you have that, Mr. Vaughn?

4 A I do.

5 Q Okay. And the information on American Exhibit 1041  
6 reflects the block hour portion of APFA Exhibit 9; is that  
7 correct?

8 A Yes, that looks to be an exact duplicate  
9 representation, yeah.

10 Q And again -- and when Your Honor was correctly pointing  
11 out and wanted to make sure he understand, that the right-  
12 hand side -- and I won't try to fool you -- the right-hand  
13 side is paid hours and the left-hand side is block hours,  
14 correct?

15 A Right.

16 Q And the block hours represent the hard time, how much  
17 time a flight attendant is actually working in the aircraft,  
18 correct?

19 A It represents the actual hard hours that are flown as  
20 Mr. Clayman explained.

21 Q Okay. And if you read across is it true that looking  
22 at the line that is 60 to 70 in terms of the block hours  
23 67.8 percent of flight attendants work fewer than 70 block  
24 hours?

25 A Yes.

1 Q And on the paid side only 36.6 percent of the flight  
2 attendants get paid less than 70 hours; is that also true?

3 A Yes.

4 Q Okay.

5 A Yes.

6 Q And this represents -- that comparison represents some  
7 of the inefficiencies, the costs that the company has --

8 MR. CLAYMAN: Your Honor, I'm going object.

9 That's quite a leading question.

10 BY MR. GEIER:

11 Q What does that difference reflect, Your Honor --

12 Mr. Vaughn?

13 A Well, I think clearly there, as we've discussed there  
14 are duty rigs, ratios, and guarantee that I think have  
15 already been described here that create some -- and I don't  
16 mean this is a pejorative way -- some artificial type pay  
17 that the company would pay in addition to hard block hours.

18 So this is -- at the left side is hard block  
19 hours, the left side really just says this is what flight  
20 attendants get paid and it doesn't really give you a sense  
21 of what the block hours are in there, but it could be a  
22 combination of block hours and artificial time.

23 And really both -- both union exhibit and company  
24 exhibits really, I mean we can get into the details of it,  
25 it really was designed just to show the degree to which

1 flight attendants have a lot of choice in the amount of  
2 hours that they fly.

3 MR. GEIER: Thank you, that's all I have.

4 MR. CLAYMAN: No redirect (sic), Your Honor.

5 THE COURT: All right.

6 MR. CLAYMAN: Recross.

7 THE COURT: I assumed you wouldn't have any  
8 redirect.

9 (Laughter)

10 MR. CLAYMAN: That would be a problem.

11 THE COURT: All right.

12 MR. CLAYMAN: Recross.

13 THE COURT: All right.

14 MR. GEIER: I'll want to move exhibits, I've been  
15 reminded, Your Honor.

16 THE COURT: All right.

17 MR. GEIER: And that would be the Exhibit 1000,  
18 the declaration --

19 THE COURT: All right.

20 MR. GEIER: -- 1000 past the supplemental  
21 declaration, and then Exhibits 1000 --

22 THE COURT: All the exhibits.

23 MR. GEIER: -- through 1045, including the 1019A  
24 and B that I replaced --

25 THE COURT: Right.

1 MR. GEIER: -- at the beginning of the proceeding  
2 today.

3 THE COURT: All right. Any objection to the  
4 declarations, the two that make up this witness's direct  
5 testimony?

6 MR. GALLAGHER: No, Your Honor.

7 THE COURT: All right. Any objection to any of  
8 the exhibits?

9 MR. GALLAGHER: No, Your Honor.

10 THE COURT: All right.

11 (Debtor's Exhibit Nos. 1000, 100S, 101-1045, and 1019A  
12 and B were admitted)

13 THE COURT: All right, you're excused.

14 THE WITNESS: Thank you.

15 THE COURT: Thank you. All right, I guess this is  
16 the time to talk about where we go from here and what --  
17 what other evidence is going to be a part of the debtor's  
18 direct case.

19 MR. GALLAGHER: Well, yes, before we talk about  
20 the scheduling for the future, Your Honor, we did want to  
21 complete the debtor's record and offer the declarations.

22 And now just to be sure, Mr. Kasper, Ms. Goulet,  
23 Mr. Vahidi, Mr. Resnick, Mr. Dichter, Mr. Brundage, those  
24 declarations have already been offered and admitted. I'm  
25 reading down from my list.



1 THE COURT: Yes.

2 MR. GALLAGHER: We have additional -- and of  
3 course Mr. Vaughn. And --

4 THE COURT: Mr. McMenemy as well.

5 MR. GALLAGHER: -- and Mr. Glass and Mr. McMenemy.

6 THE COURT: All right.

7 (Debtor's Exhibit Nos. 1000, 100S, 1001-1014, 1019A & B  
8 were admitted)

9 MR. GALLAGHER: I'll try to list by name, Your  
10 Honor, the other declarations and their exhibit numbers as  
11 to which union counsel have waived cross-examination and we  
12 would each of those into evidence.

13 The declaration of Ms. Wright, which is company  
14 600. And in each case, Your Honor, I'm offering both the  
15 declaration and the supporting exhibits --

16 THE COURT: The accompanying exhibits.

17 MR. GALLAGHER: -- cited in that declaration.

18 The declaration of Mr. Chim (ph), Exhibit No. 606.

19 THE COURT: All right, hold on one second, I just  
20 want to find -- I'm looking at the original Volume I and  
21 Volume II binders that I received when the application was  
22 filed, and I'm looking for at a declaration and maybe I'm  
23 missing where it is, but --

24 MR. GALLAGHER: Mr. Flicker will -- has the full  
25 work chart in front of him, Your Honor, and he will

1 enumerate them.

2 THE COURT: All right.

3 MR. FLICKER: Thank you, Your Honor.

4 So for Ms. Wright her declaration of course is  
5 American Exhibit 600.

6 THE COURT: Correct.

7 MR. FLICKER: The exhibits that she is sponsoring  
8 are 601 through 608.

9 THE COURT: 608.

10 MR. FLICKER: Plus 609, which includes 609A  
11 and B.

12 THE COURT: All right.

13 MR. FLICKER: And as Mr. Gallagher referred to,  
14 two of the exhibit numbers that I gave you are actually  
15 declarations that are authenticated.

16 THE COURT: All right.

17 MR. FLICKER: So that's how -- 606 is the  
18 authenticating declaration of Mr. Chim.

19 THE COURT: All right. So what I'm going to do  
20 just for shorthand is when they're -- sorry -- when they're  
21 declarations that are buried inside as exhibits we'll just  
22 refer to those as exhibits for the time being --

23 MR. FLICKER: Yes, sir.

24 THE COURT: -- because I'm really sort of working  
25 off the identified witnesses who were the backbone of the

1 case.

2 So -- so that those -- exhibits by exhibits we  
3 mean both documents as well as supporting declarations, and  
4 I know we've seen a couple of those in connection with --  
5 when folks have relied on outside work that's been done.

6 MR. FLICKER: Yes, sir.

7 THE COURT: All right. So let's do this witness  
8 by witness just to make clear.

9 I understand there are not to be any objection to  
10 the introduction of Carolyn E. Wright and her accompanying  
11 exhibits.

12 MR. MEYERHOFF: Just the PBGC reserving its  
13 objection.

14 THE COURT: All right. Well, the PBGC I'm going  
15 to consider as reserving its objections to all these  
16 witnesses and exhibits consistent with what was discussed  
17 earlier.

18 I assume there are no other objections? All  
19 right. So those are all admitted.

20 (Debtor's Exhibit Nos. 600-709A and B were admitted)

21 MR. FLICKER: Now, Your Honor, the next sponsoring  
22 witness was Mr. Newgrin (ph), his declaration is -- his  
23 direct testimony is American 900, and we would offer that  
24 into evidence.

25 THE COURT: All right. Any objection? All right.

1 MR. FLICKER: And the exhibits that he has  
2 sponsored in his direct testimony are 901 plus 901A, and  
3 901A I believe a correction of 901, but to insure that the  
4 record is complete we're going to submit both 900 -- 901 and  
5 901A.

6 THE COURT: All right.

7 MR. FLICKER: And beyond that 902 through 927.

8 THE COURT: All right. Any objection to those  
9 exhibits?

10 MR. ROSENTHAL: Your Honor, Dan Rosenthal for the  
11 Allied Pilots Association.

12 We have an objection which is really the same one  
13 objection to five of the exhibits that are accompanying  
14 Mr. Newgrin's declaration.

15 THE COURT: All right. And what the that  
16 objection?

17 MR. ROSENTHAL: Well, if you could maybe direct  
18 your attention to Exhibit 905 I could illustrate what we  
19 think the problem is.

20 THE COURT: Give me a minute to get there.

21 (Pause)

22 THE COURT: All right. Exhibit 905 which -- let  
23 me ask first off is this is confidential in any way, shape,  
24 or form?

25 MR. FLICKER: No, sir, it's based on public

1 Form 41 data.

2 THE COURT: All right. So it's entitled 2010  
3 pilot costs/BH detail and it is a one-page chart. And what  
4 is the objection?

5 MR. ROSENTHAL: Well, Your Honor, Mr. Flicker's  
6 statement, this is Form 41 data is actually the first that  
7 we've heard anything about where this information came from.  
8 The chart does not list a source nor does the declaration  
9 explain how Mr. Newgrin had knowledge of this information.  
10 We think there's no foundation for entering it into the  
11 record without that.

12 THE COURT: Well, here's the difficulty of saying  
13 that you don't need to cross someone. I'm sure that that  
14 would have been the subject of the cross and then redirect,  
15 but maybe counsel can make a professor that solves your  
16 problem.

17 So counsel, can you explain the foundation for  
18 this particular exhibit?

19 MR. FLICKER: Yes. Your Honor, my first point was  
20 that by waiving corroboration I believe they waive that  
21 objection.

22 THE COURT: No, I understand that, but you may be  
23 able to solve all of our problems so I don't have to rely on  
24 procedure.

25 So what -- is this form -- is this based on the

1 Form 41 data that we referred to many times in this case or  
2 something else?

3 MR. FLICKER: No, sir, it's the Form 41 data.

4 THE COURT: All right does that solve your problem  
5 since it's -- that Form 41 data has been cited pretty much  
6 every hour of every day in this trial thus far.

7 MR. ROSENTHAL: Absolutely, Your Honor.

8 Well, just want to clarify and question many of  
9 the charts use data from multiple sources, so I just would  
10 like to clarify that what we're saying that the data on this  
11 chart comes exclusively from Form 41; is that right?

12 MR. MOLLEN: Your Honor, Neal Mollen for the  
13 debtors. We're sort of ham strung here because if  
14 Mr. Newgrin was here we could ask him. But my recollection  
15 is that everything in that exhibit came from Form 41 data.

16 THE COURT: All right. I'm going to take that  
17 proffer with that caveat, and if you learn anything to the  
18 contrary you'll just confirm that with counsel for the  
19 unions, and if we need to cross that bridge we'll cross it.

20 MR. MOLLEN: Very well, Your Honor.

21 THE COURT: Let me ask if the other objections are  
22 of this type? Because if they are they are things that are  
23 best discussed first off with counsel. I don't blame  
24 anybody for making the objection, but these may have  
25 answers, and what I would like to focus on is things where

1 we actually need to sort of get into the weeds. If it's a  
2 question of we don't know where this is from because it  
3 doesn't have a cite, and it does and a lot of these charts  
4 do, but I don't know that I add a whole lot of -- as we say  
5 in the Bankruptcy Court -- added value to that process.

6 So -- so I'd ask if you -- in thinking about these  
7 objections to exhibits to take a look and see what -- what  
8 we need to talk about now and what would be beneficial to  
9 first have a conversation with opposing counsel.

10 MR. ROSENTHAL: Absolutely, Your Honor.

11 Well, as you know we have conferred over all of  
12 our objections previously, but we'll try to sort this out.

13 THE COURT: Well again, it's part of the calling  
14 or not calling of a witness, and I'm not -- again, I'm not  
15 going to blame anybody for trying to make the process more  
16 efficient by not -- not spending a lot of time on  
17 authentication, which is always a riveting legal issue.

18 So again, we have the benefit in having this --  
19 this trial done in stages that we can resolve a lot of these  
20 issues.

21 So what I'd ask is that for these kind of  
22 objections talk to each other, if we need to figure it out  
23 in a way that needs to be litigated we can do it when we  
24 reconvene, but certainly what I would expect that folks can  
25 do to resolve issues is the next time we get together or by

1 stipulation make representations about what things are based  
2 upon.

3 MR. ROSENTHAL: Absolutely. Thank you.

4 THE COURT: Certainly.

5 MR. FLICKER: Thank you, Your Honor.

6 THE COURT: Now let me -- but let me just make  
7 sure for purposes of keeping track you had mentioned 905,  
8 and what are the other ones that you might have an objection  
9 to that fall into that category?

10 MR. ROSENTHAL: Yes, Your Honor. 923 through 926.

11 THE COURT: All right.

12 MR. ROSENTHAL: Thank you.

13 THE COURT: And I'm asking now, I know I looked at  
14 various objections that were filed to exhibits, but I know  
15 things have changed over the course of the trial in terms of  
16 limiting those based on testimony that has come in, so  
17 that's why I'm asking, so to -- just to get it cleared up as  
18 we go.

19 All right. So you'll follow up on those and work  
20 it out or we'll discuss it as need be.

21 MR. FLICKER: And for the record then are we --  
22 are we going to be entering these things into evidence  
23 subject to resolving the objections?

24 THE COURT: I'm going to admit them right now  
25 subject -- subject to the right of the union to pursue an



1 objection if they're not satisfied with the answers they  
2 get.

3 MR. FLICKER: Thank you, Your Honor. So that  
4 would cover the 901 through 927 range.

5 (Debtor's Exhibit Nos. 900, 901, 901A, and 902-927 were  
6 admitted)

7 MR. FLICKER: The next two witnesses are witnesses  
8 that are on the TWU side of the house. We would like to of  
9 course enter their direct testimony and exhibits into the  
10 record.

11 I understand that there is an agreement with the  
12 TWU regarding reserving on cross-examination, and I would  
13 just propose that TWU be able to reserve its objections, but  
14 subject to that we'd still like of course to have the  
15 testimony entered.

16 MS. LEVINE: That's acceptable, Your Honor.

17 THE COURT: All right. So -- and that's Mark  
18 Burdette (ph)?

19 MR. FLICKER: Well, the first one I think Your  
20 Honor on my list is Mr. June Wheel (ph) --

21 THE COURT: June --

22 MR. FLICKER: -- which is 1100.

23 THE COURT: All right.

24 MR. FLICKER: And Mr. Wheel also sponsors on  
25 Exhibits 1101 through 1144.

1 THE COURT: All right. I will accept them subject  
2 to that reservation of rights. Are there any other issues  
3 we need to discuss in connection with those?

4 MS. LEVINE: Your Honor, my understanding is that  
5 the same reservation apply to Mr. Brundage and Mr. Burdette.

6 THE COURT: Fair enough. All right.

7 (Debtor's Exhibit Nos. 1100-1144 were admitted)

8 MR. FLICKER: So, Your Honor, the next series is  
9 the declaration of Mark Burdette, which is AA 1200, and  
10 Mr. Burdette is the sponsor of AA 1201 through 1215.

11 THE COURT: Did you say 1213?

12 MR. FLICKER: 1215, 1-5.

13 THE COURT: 1215, thank you. All right, I will  
14 accept that on the same conditions as you previously offered  
15 for Mr. Wheel.

16 Debtor's Exhibit Nos. 1200-1215 were admitted)

17 MR. FLICKER: Your Honor, we have AA 1300, which  
18 is the declaration of Robert Delucia, D-E-L-U-C-I-A. In  
19 these proceedings his Exhibit 1302 was already admitted and  
20 introduced thank you amount witness. So we have 1300 and  
21 1301 remaining to submit.

22 THE COURT: All right. Any objection to that  
23 gentleman's testimony and accompanying exhibits?

24 All right, hearing none I will admit those as  
25 well.

1 (Debtor's Exhibit Nos. 1300 and 1301 were admitted)

2 MR. FLICKER: Thank you, Your Honor. 1400 is  
3 reserved, the 1400 series.

4 We are at the declaration of Denise Lynn (ph),  
5 which is AA 1500, and her exhibits are 1501 through 1672.  
6 We've received no objections to the declaration or any of  
7 those exhibits.

8 THE COURT: All right. Anyone object to her  
9 testimony and accompanying exhibits?

10 All right, hearing no objection I will admit those  
11 as well.

12 (Debtor's Exhibit Nos. 1500-1672 were admitted)

13 MR. FLICKER: Your Honor, that completes the  
14 submission of the direct evidence in this portion of the  
15 case for American Airlines.

16 THE COURT: All right.

17 MR. CLAYMAN: Your Honor, I just have one kind of  
18 administrative matter.

19 You had asked for a copy of Mr. Horton's letter  
20 that was APFA Exhibit 5 which had had the imprint of the  
21 credits' committee's web site. I think we've discussed  
22 this, this is okay?

23 MR. FLICKER: Yes. Yes, we have. Thank you.

24 MR. CLAYMAN: Okay.

25 THE COURT: Well, I think there were a couple of

1 these, so what I would ask is maybe if you could put them  
2 all -- while I didn't get them one at a time because I'm --  
3 I've not yet drowned over here with paper, but I'm getting  
4 close, and I don't want to lose track.

5 So in a second we're going to talk about the true  
6 up process so that the record is clear, and if I have to  
7 render a decision and there's some lucky judge or judges  
8 that have to do an appellate review of that decision I just  
9 want to make sure that we all know what we're doing and what  
10 that record looks like, because it's much more difficult to  
11 do it later than doing it at the time, so. But thank you --  
12 thank you for that.

13 All right, speaking of that true up process,  
14 that's probably something we're talking about right now in  
15 the context of the overall schedule.

16 So I think we've addressed all of the record  
17 issues other than the true up process, so let's -- let's  
18 talk about that.

19 I know there were a number -- I don't have the  
20 precise exhibits in front of me -- that required -- the  
21 exhibits were in, but not that version of the exhibits, they  
22 needed to be redacted or they needed to be of different  
23 origin such as the one from the committee, so I believe that  
24 everything that the debtors have submitted that there is a  
25 public version that's been on the docket that is redacted.

1           So for purposes of what the public record is  
2 that's already -- that already exists, and in a true up you  
3 can make reference to the docket entries so we have a record  
4 going forward. Is that correct?

5           MR. FLICKER: Yes, Your Honor.

6           THE COURT: All right. So I would ask that the  
7 unions do the same thing from this first week, that you  
8 essentially can submit your lists of admitted exhibits with  
9 copies if they're not already in the -- in the record so  
10 that we all know what the record is for the first week of  
11 trial here.

12           And then what -- the thought is that down the road  
13 when we finish all the proceedings we can have another  
14 version of that, an amended version that does -- that does  
15 for everything.

16           MR. FLICKER: Yes, Your Honor.

17           And as to a number of the exhibits that have been  
18 offered in by the union counsel that may contain the  
19 confidential information of the debtor we have a process  
20 already being agreed to my the professionals that we'll  
21 review and proffer to them a proposed redaction and then we  
22 can see if we need to work anything out.

23           THE COURT: All right.

24           And just to let you know, I don't think we need to  
25 address it now, but if we get to the end of the trial and

1 there's a decision that has to be issued I will ask the  
2 parties before we get there to assist me in compiling the  
3 complete confidential record so that if some lucky district  
4 judge or Court of Appeals judge calls and says I need the  
5 entire confidential record that we're able to give that to  
6 them right away rather than having to say we'll get back to  
7 you on that, and it's not fun to recreate.

8 So we don't need to do it right now, but please  
9 keep that in mind and talk to each other about the best way  
10 to do that. It may be that -- and I know I have a lot of  
11 things already -- it may be that you can tell me that I have  
12 it and you can supplement it or it may be that you say that  
13 you have CDs of agreed upon sets of things, but we'll need  
14 to across that bridge at some point paragraphs in the  
15 future.

16 MR. FLICKER: And that reminds me, Your Honor,  
17 that I think there has been some discussion with your  
18 chambers about insuring that we provide you with binders  
19 that include the sealed version, the confidential version of  
20 all of the witness testimony. We obviously have them  
21 already for the --

22 THE COURT: Yes.

23 MR. FLICKER: -- witnesses who have appeared, the  
24 gaps are of course the people who have not appeared in  
25 person and we'll fill that in --

1 THE COURT: All right.

2 MR. FLICKER: -- so you have a complete set of  
3 our --

4 THE COURT: No, that's -- that's helpful. And  
5 what people have been doing -- what you've been doing is  
6 giving me that witness and all the exhibits that go with  
7 that witness with confidential information not blacked out  
8 but highlighted so that if I need to issue anything that I  
9 know what is confidential I can read it, but I also know not  
10 to cite it in a way that's public.

11 So what I'd ask is as we get to the unions' case  
12 that the unions do that as well, just give me a binder for  
13 each witness, accompanying exhibits, and highlight what is  
14 confidential, and then at some point at the end you can give  
15 me a disk so that I can -- there's a sufficiently large  
16 record here that being able to search for key terms and  
17 issues that have come up in the trial would be particularly  
18 helpful, so.

19 All right, I think -- anyone have any questions  
20 about that -- issues relating to the record? It's an  
21 inexact science, we'll keep chatting about it as we go  
22 forward.

23 So I guess the next issue is scheduling of the  
24 proceedings, and I know we have a scheduling order, but  
25 let's just chat about it in case there's any confusion or

1 need to tweak things.

2 MR. FLICKER: Your Honor, may I suggest for that  
3 that we actually go off the record? It may make it easier  
4 to have a discussion. I'm not asking this right now, but it  
5 may even be necessary that we do that in a closed  
6 environment with only the people that are --

7 THE COURT: That's fine. I'm open to whatever  
8 serves the needs of the case. So I will be guided by what  
9 you all want to do. So that's fine.

10 Is there anything else we should discuss on the  
11 public record? All right. So why don't we go off the  
12 record.

13 Do you folks want to do it here in handling this  
14 case? I know it is a hotly contested case, I know people  
15 are zealously advocating on behalf of their clients. I have  
16 -- I'm not so far away from my days representing clients  
17 that I have forgotten how strongly clients feel about issues  
18 and the challenges that presents in an important proceeding  
19 like this, so I appreciate everybody's real professionalism  
20 in working together and that's made these proceedings I  
21 think go very smoothly.

22 Thank you.

23 (A chorus of thank you)

24 (Proceedings concluded at 12:59 p.m.)

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T E S T I M O N Y

DEBTOR'S

WITNESS

EXAM BY

PAGE

LINE

Taylor M. Vaughn

Mr. Geier

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21

Mr. Clayman

27

23

Mr. Butler

87

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Mr. Clayman

98

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E X H I B I T S

PARTY

NO DESCRIPTION

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EVID.

Debtor

600

Declaration of Ms.

Wright

--

107

601-

606

Exhibits of Declaration

--

107

900

Declaration of Mr.

Newgrin

--

113

901-

901A

902-

927

Exhibits to Declaration

--

113

1000

Declaration of Mr.

1		Vaughn	--	105
2		1000S Supplemental	--	105
3		1001-		
4		1045 Exhibits to Declaration	--	105
5		1019A		
6		&B Replacement of 1019	--	105
7		1100 Declaration of Mr.		
8		Wheel	--	114
9		1101-		
10		1144 Exhibits to Declaration	--	114
11		1200 Declaration of Mr.		
12		Burdette	--	114
13		1201-		
14		1215 Exhibits to Declaration	--	114
15		1300 Declaration of Mr.		
16		Delucia	--	114
17		1301 Exhibits to Declaration	--	114
18		1501 Declaration of Ms.		
19		Lynn	--	115
20		1501-		
21		1672 Exhibits to Declaration	--	115
22				
23	APFA	9 Chart	48	60
24		10 Spreadsheet	59	66
25		11 E-mail	84	86

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C E R T I F I C A T I O N

I, Dawn South, certify that the foregoing transcript is a true and accurate record of the proceedings.

AAERT Certified Electronic Transcriber CET\*\*D-408

Veritext

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Date: April 30, 2012