



U.S. Department
of Transportation
**Federal Aviation
Administration**

800 Independence Ave S.W.
Washington D.C. 20591

DEC 2 1993

Joseph R. Niemann, Esq.
General Counsel
City of St. Louis Airport Authority
Lambert-St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

Re: Proposed purchase of TWA assets by the
City of St. Louis

Dear Mr. Niemann:

The Chief Counsel has referred to this office your letter of October 19 requesting advice on the proposed purchase by the City of St. Louis (City) of certain assets of Trans World Airlines, Inc. (TWA). The City would lease back the assets to TWA. Based on the information provided in the October 19 letter, as supplemented by letters from your Washington Counsel dated October 22 and November 5, and assuming no default by TWA, as discussed below, the proposed transactions do not appear to be on their face inconsistent with the City's federal grant assurance obligations within the jurisdiction of the Federal Aviation Administration (FAA).

Please understand that this letter provides only the present views of this office on the City's legal obligations, but does not bind or constrain the FAA's enforcement discretion or preclude any changes in our legal views. In addition, under the Airport and Airway Improvement Act of 1982, as amended (AAIA), 49 U.S.C. App. 2201 et seq., air carriers and other aeronautical users of the airport may file administrative complaints asking the FAA to investigate alleged violations. This letter does not bind the FAA to any particular resolution in the event that such a complaint is filed regarding the proposed transaction. This letter does not constitute FAA approval of the transaction.

This letter addresses the following issues:

- a. Whether the proposed transactions would be inconsistent with the requirement to provide access to Lambert-St. Louis International Airport (STL) on fair and reasonable terms without unjust discrimination contained in section 511(a)(1) of the AAIA, 49 U.S.C. 2210(a)(1);
- b. Whether the proposed transactions would be inconsistent with Federal prohibitions on the grant of exclusive rights to use Federally-funded airports; and
- c. Whether the proposed transactions would be inconsistent with the limitations on the use of airport revenues contained in Section 511(a)(12) of the AAIA, 49 U.S.C. App. 2210(a)(12).

The Proposed Transaction

The City is a creditor of TWA. To settle the City's claims in the TWA bankruptcy proceeding, TWA, the City, and the TWA Official Unsecured Creditors Committee have entered into a memorandum of understanding (MOU) that provides for the acquisition by the City of certain TWA assets. The assets would be leased back to TWA. The transaction is structured in two phases.

In Phase I, the City would purchase TWA's long-term leasehold interests at STL for the terminal, aprons, and air cargo facilities and TWA's personal property at STL, including loading bridges, baggage handling systems, ground power systems, deicing systems, hold-room seating, office furnishings, counters and millwork, flight information display systems and communications installations and all motorized and non-motorized ramp and maintenance equipment. The purchase price for this phase of the transaction is \$30 million, consisting of \$24.7 million cash and \$5.3 million in forgiveness of the City's pre-petition claims against TWA. TWA would pay rents sufficient to reimburse the city for its \$24.7 million investment and interest over the remaining useful life of the assets acquired. The City would use contingency funds in the airport's accounts for this payment.

TWA currently leases its terminal gates under a long-term exclusive lease. Under the MOU, the new gate lease would be on a month-to-month basis. In addition, to maintain an exclusive right to use all of its current gates, TWA would have to