



Letter From Gless

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The 4.8 Percent

One other aspect of the LBO which was not part of the term sheet is the equity stake in the Company our members will receive. This stake is equivalent to 4.8 percent of the value of the Company and is calculated for all work groups based on the value of scope and pension concessions, as well as open grievances. Depending on instructions from the Bankruptcy Court, a combination of stock and cash will be distributed to members. Both unions entitled to equity – the TWU and the APFA—are responsible for distribution. However, please be clear that this asset belongs to you and will be distributed to you. We will provide details on distribution over the next few weeks.

As part of the settlement of American Airlines, Inc.'s ("American" or "Company") motion to reject and abrogate the seven collective bargaining agreements between the Company and the seven employee groups represented by the Transport Workers Union of America, AFL-CIO ("TWU"), the Company agreed to distribute to the TWU an equity stake in the reorganized Company. This letter addresses certain questions regarding the equity component of the settlement.

How Much Equity Will The TWU Receive?

With respect to the amount of the equity grant, the Company agreed to distribute to the TWU equity in the reorganized Company equal to 4.8% of all equity that will eventually be issued to all holders of prepetition general unsecured claims creditors (the "Unsecured Claims") under a plan of reorganization that is approved by the Bankruptcy Court (a "Plan"). The equity grant may not be diluted except for (1) equity that may be given to holders of interests in another entity in the event of a merger or consolidation, (2) an equity offering approved by the Bankruptcy Court in conjunction with a Plan, (3) equity granted to management in connection with any management incentive plan approved by the Bankruptcy Court, and (4) any equity issuance implemented after the Company emerges from bankruptcy. It should be noted that under the terms of the Company's agreement with the Association of Professional Flight Attendants "APFA"), the APFA will receive an equity stake equal to 3% of all equity that will be issued on account of Unsecured Claims, subject to the same dilution provisions.

In addition, the TWU and the Company agreed to discuss in good faith whether and to what extent any portion of the value of the equity stake could be distributed in the form of cash or notes. These discussions have not yet ensued because, as noted below, the path that the Company intends to take to emerge from bankruptcy has not yet been determined.

What is the Value of the Equity?

As noted above, the equity to be issued will be equity in the Company after it emerges from bankruptcy pursuant to a Plan approved by the Bankruptcy Court. Given that the direction the Company plans to take (i.e. a standalone plan or some type of business combination with another airline) has not yet been decided, it cannot be predicted whether the equity stake will be in a merged airline or a standalone American airline.

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For this same reason, we are not in a position to estimate the value of the equity. Once the direction the Company plans to take has been determined and a Plan is proposed, the value of the equity stake may be subject to estimation based upon the projected value of the Company as a whole (i.e. 4.8% of the equity value of the Company as a whole). Ultimately, however, the actual value of the equity will be determined by the financial performance of the Company after it emerges from bankruptcy. So at this time there is no way to determine what is the actual value.

When will the Equity Be Issued?

Given the current uncertainty in terms of the path the Company plans to take to emerge from bankruptcy, it is not possible to predict with accuracy when the equity will be issued. At the present time, the Company has the exclusive right to file a Plan through December late 2012 and to solicit acceptances of such a Plan through February 2013. Base on this timeline, the Company would likely NOT emerge from bankruptcy any earlier than some point in the first or second quarter of 2013, at which time the equity would be issued to the TWU.

What Is The Basis For Obtaining the Equity and What did the TWU Agree to give up in exchange for the Equity?

As part of the overall negotiations with the Company in recognition for concessions we gave in our contracts, the TWU negotiated for the issuance of equity in the reorganized Company. The Company and the Official Committee of Unsecured Creditors (which has significant input into the bankruptcy process) reluctantly agreed to provide the equity portion of the settlement but only if the TWU also agreed to waive certain unsecured TWU claims against the Company. After consultation with its advisors regarding the merits of certain general unsecured claims that the TWU filed, the TWU agreed to waive those claims as part of the overall settlement and accept the equity. Those negotiations lead to a final equity position of 4.8%. (Note: Individual grievances of TWU represented employees, however, have not been waived.)

Who Will Receive the Value of the Equity and In What form will it be distributed?

Since AMR has not yet completed its bankruptcy case or decided on an exist plan of reorganization or other exit strategy, we do not yet have the information we would use to value the equity or determine in what form it would be distributed. Once the value is known, and the form in which that equity comes, the TWU will put forth a plan of distribution. These are complicated plans the design of which must consider many variables (e.g. past earnings , active status, stock versus cash distribution, tax matters, merger with another airline , the claims we waived, etc). As such, we will be retaining professional advisors to set up the plan, recommend the criteria and implement the distribution mechanism.

If I am debating whether to retire now, what role should the equity plan play in my decision?

Throughout this entire we have respected that those decisions are personal and we never given any advice. It's your decision. We can say that the equity piece is very much undetermined at this point is that we will share details as soon as they are available.