



TWU Equity Distribution Informational Meeting – Hand Out

Introduction:

As part of the resolution of the American Airlines bankruptcy, TWU negotiated a 4.8% share of the total claims recovered by general unsecured creditors. The post-bankruptcy Plan of Reorganization provides that unsecured creditors will receive their recovery in the form of new American Airlines Group (AAG) common stock. So TWU will receive 4.8% of those shares allocated to the unsecured creditors pool. TWU will distribute shares of common stock to the American Airlines employees represented by the TWU in seven crafts and classes: Mechanics & Related, Fleet Service, Materials Logistics Specialists, Dispatchers, Ground School and Simulator Pilot Instructors, Maintenance Control Technicians, and Flight Simulator Technicians. American will establish accounts for all eligible employees through a shareholder service called “Computershare”, and American will electronically transfer shares designated for TWU to those employees as directed by TWU.

TWU President Little asked the Presidents’ Council to form an American Airlines Equity Distribution Committee to review relevant information, agreements and court documents to determine both a methodology for distribution of the shares, and eligibility rules, that are fair and equitable and consistent with the agreements and bankruptcy court arrangements that led to the distribution of shares to TWU for re-distribution to its members. The Equity Distribution Committee met several times and was advised by counsel and its financial and economic advisor. The distribution methodology and eligibility rules will be discussed in today’s presentation.

Background:

The Plan of Reorganization, approved by the bankruptcy court, permits American to pay creditor claims (including the claims of TWU and its members) by issuing common stock. Accordingly, TWU’s equity stake to be distributed to its members will be paid out in stock in the new American when American emerges from bankruptcy. The actual number of the shares issued to unsecured creditors will depend on the number of total available shares allocated to stakeholders outside the unsecured creditors pool. Consequently, the exact number of shares issued to the TWU and other unsecured creditors will not be known until all shares are finally allocated. The number of shares allocated to stakeholders, other than unsecured creditors, will vary with the stock’s trading price under a complicated formula. Generally, the higher the trading price the fewer shares allocated to the unsecured creditors pool including labor.

The initial distribution of shares will occur within a few days of emerging from bankruptcy, currently projected to be Fall of 2013. In order to avoid downward pressure on the stock price after the initial shares are issued, about 40-50 percent of shares will be issued on the first distribution date. Subsequent distributions will occur over the next 120 days. By the last distribution date the TWU will have received for distribution the guaranteed 4.8% of all shares issued to the unsecured creditors group.



Basic Elements of the Plan:

No court order or judgment, or agreement between TWU and any other party binds TWU to how it should distribute equity among those it represents at American, nor does it dictate standards to be followed by TWU in structuring a distribution plan. However, in order to design a plan to maximize fairness, the TWU Committee has chosen to use as its point of departure the fact that the equity that TWU will distribute is said to derive from four component sources: 1) the 1113 concessions on scope and pensions, 2) the value for American's reduced demand to another organization ("me too" agreements), 3) settlement of the International grievance on health insurance premiums, and 4) settlement of the International grievance on the outsourcing of 757 overhauls.

Part time employees will receive 70% of what full time employees receive. This is based on a system average of part time employee work hours on November 29, 2011 (bankruptcy filing date). Status as part time for the distribution will be based on status on November 29, 2011.

The formulas for distribution of the shares are derived from each of the four components of the value to be given to TWU and will be based on the facts and circumstances of each component-each making up a part of the 4.8% to TWU in proportion to the value of that component.

As a general rule, to be eligible to participate in the distribution, a TWU represented employee would have to have been on payroll on both the bankruptcy filing date and the end of the eligibility period (7/26/13). But there are exceptions depending on specific circumstances.

There are certain eligibility requirements for the several components that are specific to those components (scope, pension, me-too, health insurance, 757 outsourcing). Among the specific factors applicable to payment distribution for one or more of these components are straight time "all-in" rates of pay, years of service, employee status during the period, and coverage by one of the International 29d grievances.

TWU will tell American how to distribute the shares among TWU members based on the general and specific eligibility rules and the payroll information received from American. TWU members will be notified of their eligibility status and the payroll information received from American.

After American emerges from bankruptcy it will make an initial distribution of shares that it will deposit into accounts it sets up for each employee. American will withhold a portion of the shares for each employee to cover withholding taxes (if the withholding results in an excessive amount for the year the employee can claim a refund). There may be subsequent distributions to bring the total shares to TWU to 4.8% of the allocation for all unsecured creditors at the end of the distribution. Once the shares are distributed, employees can hold the stock, roll it over or cash it in.

TWU will reserve 5% of the shares issued to cover things like inaccuracies that come to light, appeals, administrative, and legal expenses. Any amounts not spent (except for minimal amounts) will be distributed consistent with the methodology for distribution of the shares.

There will be a TWU internal appeal procedure to consider eligibility appeals and claims of errors in the distributions.

Please attend one of the TWU Equity Distribution Plan meetings in your area. If you have any questions on when or where the meetings will take place, please contact your local TWU representative.