

Transport Workers Union of America

EQUITY DISTRIBUTION PLAN

July 16, 2013



Purpose of Meeting with TWU Members

Provide information on proposed Equity Distribution Plan developed by TWU Equity Distribution Committee, and their financial advisors and legal experts, and to seek feedback from the TWU membership.

President	Local	President	Local
Donny Tyndall	502	John Plowman	542
Sean Doyle	512	Larry Pike/Matt Lorenzi	567
Darrin Pierce	513	Tom Lee	568
Sam Cirri	514	Gary Peterson	591
Jim Fudge	541		

Equity Distribution Plan Committee Members

Background

In return for the scope and pension concessions ratified by the TWU membership in the new CBAs, “me too” agreements and two 29d International grievance settlements, TWU will receive an equity distribution under the American Airlines Reorganization Plan that TWU will distribute to its members.

What Equity will TWU receive?

TWU's share of the equity in the new American Airlines was negotiated by TWU and was based on 4.8% of the total claims of unsecured creditors in the bankruptcy. The bankruptcy court permitted American to pay its creditors in stock, so the equity distribution will be in the form of shares, not cash.

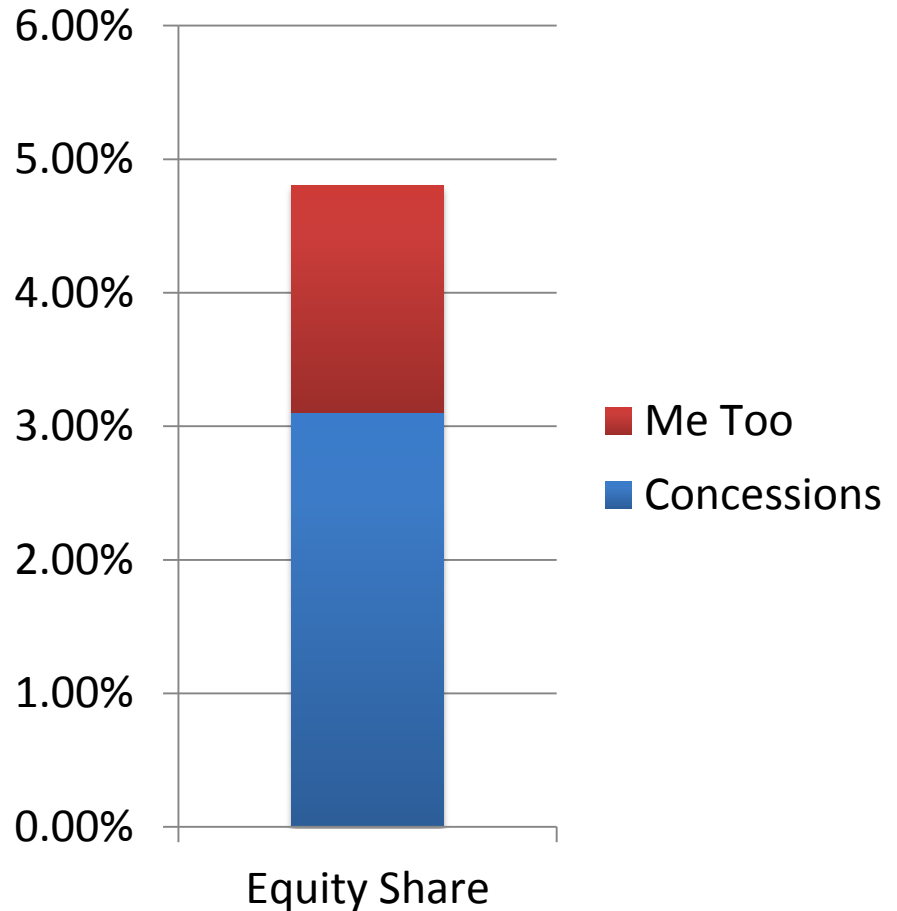
The TWU will receive its distribution of the equity in the form of new American Airlines Group (AAG) common stock once American comes out of bankruptcy.

The final number of shares the TWU will receive and their value will not be known until they are issued.

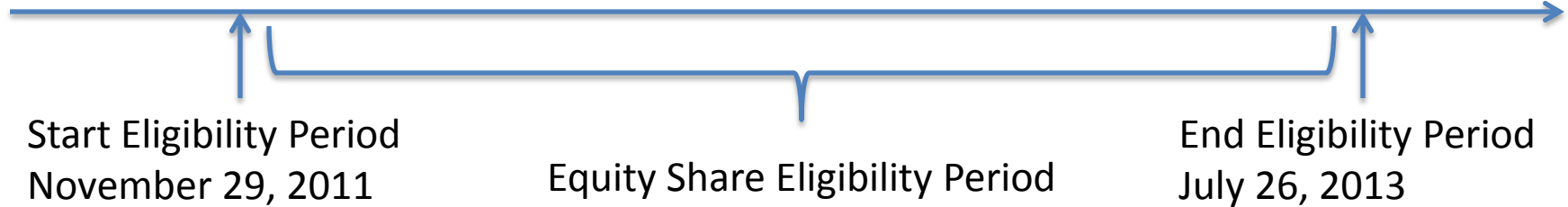
What is the 4.8% Comprised of?

3.1% for scope and pension concessions as well as settlement of two 29d grievances

1.7% in recognition that another labor group on the property received additional equity without additional concessions (the “me too” agreements)



Eligibility for Participation in Equity Distribution



The general rule for eligibility to participate in the distribution is: an employee ***was*** in a TWU represented craft/class and active employee on payroll **or** approved leaves of absence on **both** the date of American’s filing its petition for bankruptcy (November 29, 2011) **and** the closing date for eligibility (July 26, 2013) **Exclusions Apply**

A part-time employee in a TWU represented craft/class on November 29, 2011, who satisfies the Eligibility Rules, will participate in the Equity Distribution at a 70% share of what would be received if a full-time employee, ***status as full time or part time for the distribution will depend on status as of November 29, 2011***¹

Notes: 1) 70% represents the average system hours worked by part-time employees determined on 11/29/11.

Notes: 2) Does not exclude RIF employees between 11/29/11 – 7/26/13

Eligibility for Participation in Equity Distribution

Resulting from Scope Changes, Pension Freeze and “Me Too” Agreements

Active on payroll or on approved Leave Of Absence (LOA) Status – Table 1

Employment Status	November 29, 2011	July 26, 2013	Eligible For Share?
Full Time/Part time	Yes	Yes	Yes
Full Time/Part time	Yes	No	No
Full Time/Part time	No	Yes	No

Table 2 identifies approved LOAs, if a member is on an approved LOA they will receive a share based on the their Full or Part Time status on November 29, 2011.

Eligibility for Participation in Equity Distribution

Resulting from Scope Changes, Pension Freeze and “Me Too” Agreements

Approved Leave Of Absence (LOA) – Table 2

Leave Type	Qualifying LOA?	Comments
Military	Yes	
Long Term Disability	Yes	
Short Term Disability	Yes	
Injury On Duty	Yes	
Sick	Yes	
FMLA	Yes	
Maternity/Paternity	Yes	
Personal	Yes	
Government	Yes	
Overage	Yes	
Union Business	Yes	

Eligibility for Participation in Equity Distribution

Resulting from Scope Changes, Pension Freeze and “Me Too” Agreements

Special Exceptions Where Members Still Maintain Eligibility – Table 3

Terminated prior to or during Eligibility Period but reinstated	Yes	
Terminated prior to or during Eligibility Period with grievance pending	Maybe	If reinstated will be paid out of Reserve
Deceased during Eligibility Period	Yes	Beneficiary will be paid
Injured On Duty and employment ended during Eligibility Period (exceeded 5 year IDLOA)	Yes	
Furloughed during Eligibility Period with recall rights	Yes	
Furloughed prior to Eligibility Period start and recalled during Eligibility Period	Yes	
In TWU represented class during Eligibility Period, went in to management, and returned back to a TWU represented class within six months of becoming management	Yes	
Title II Cabin Cleaners and Utility persons whose classifications were eliminated	Yes	

Eligibility for Participation in Equity Distribution

Resulting from Scope Changes, Pension Freeze and “Me Too” Agreements

Circumstances Where Members Are Not Eligible For A Share – Table 4A

Description Of Ineligibility	Eligible?	Comments
Accepted Early Out or Stand In Stead	No	Except Title II Cabin Cleaners and Utility Persons
Hired during or after Eligibility Period	No	
Terminated prior to or during Eligibility Period but not reinstated	No	
Resigned prior to or during Eligibility Period	No	Except Title II Cabin Cleaners and Utility Persons
Retired prior to or during the Eligibility Period	No	Except Title II Cabin Cleaners and Utility Persons

Eligibility for Participation in Equity Distribution

Resulting from Scope Changes, Pension Freeze and “Me Too” Agreements

Circumstances Where Members Are Not Eligible For A Share – Table 4B

Description Of Ineligibility	Eligible?	Comments
Quit prior to or during the Eligibility Period	No	Except Title II Cabin Cleaners and Utility Persons
Furloughed prior to Eligibility Period and recalled after the Eligibility Period (or not recalled)	No	
Entered a TWU represented craft/class from another American position during the Eligibility Period	No	
Left a TWU represented craft/class for another American position during the Eligibility Period	No	
Failed to return to a TWU represented craft/class within six months of moving to a management position from a TWU represented craft/class	No	

Eligibility for Participation in Equity Distribution

Resulting from Scope Changes, Pension Freeze and “Me Too” Agreements

Employed Full Time Or Part Time Share Chart – Table 5

Employment Status	Full Share	70% Share
Full Time	Yes	No
Part Time	No	Yes

This chart determines the size of share an eligible member will receive depending on whether they are Full or Part Time on November 29, 2011.

Eligibility for Participation in Equity Distribution

Resulting from Resolving Health Care Premium Grievance

TWU will set aside shares deemed to be sufficient to cover the \$10 million value for this claim.

Distribution will be based on participation level (self, self and spouse or family) and number of months eligible person paid health care premiums during the Health Care Grievance eligibility period of October 1, 2010 through November 29, 2011.

* People who accepted early out or stand-in-stead and retirees will participate in distribution because the grievance covered a past contract violation

Eligibility for Participation in Equity Distribution

Resulting from Resolving 757 Overhaul Outsourcing Grievance

TWU will set aside shares deemed to be sufficient to cover the \$6.4 million value for this grievance.

Those shares will be set aside to be distributed among the employees covered by the grievance.

Eligible persons are those who could have done the work, support workers and backshop workers during the period covered by the grievance.

The question as to which of the bases will be covered so employees there will be eligible has not been decided. If necessary, the issue will be submitted to arbitration.

* People who accepted early out or stand-in-stead and retirees will participate in distribution because the grievance covered a past contract violation

Equity Distribution Methodology

All crafts/classes represented by TWU will participate in the distribution based on their concessions that produced labor cost savings for American that resulted in a 17.47% across-the-board reduction in labor costs for TWU represented crafts/classes.

Craft/Class	Distribution of Total Savings
Mechanics & Related	54.63%
Fleet Service	37.66%
Materials Logistics Spcs.	4.50%
Dispatchers	1.07%
Simulator Pilot Instuct.	1.06%
Maintenance Control Techs.	0.64%
Flight Simulator Techs.	0.43%

The Components of the 4.8% Equity Allocation

Component	Distribution of 4.8%	Distribution of Total TWU Share
Scope Rule Changes	2.0132%	41.94%
Pension Freeze	0.8617%	17.95%
“Me too” Agreements	1.7000%	35.42%
Health Care Premium Grievance	0.1373%	2.86%
757 Overhaul Grievance	0.0878%	1.83%
Totals	4.8000%	100.00%

5% of the total distribution will be withheld as a Reserve

Equity Distribution

Scope Share Methodology

The scope rules reflect sacrifices made by members over the years to obtain and retain scope rules preserving work.

Stock distribution based on formula equally weighting two factors

- Straight time “all-in” rate on November 29, 2011 (50% weighting)
(Straight time all in rate means straight time wage rate plus differentials and premiums)
- Years in a TWU title group covered by the collective bargaining agreement scope clause as of November 29, 2011 (50% weighting)

Equity Distribution

Pension Freeze Share Methodology

Pension freeze diminishes the final average salary used for future pension calculations.

Stock distribution based on straight time “all-in” rate on November 29, 2011.

Equity Distribution

“Me Too” Share Methodology

Stock distribution made on an equal number of shares per eligible person within the unit basis meaning that all Eligible Members will receive an equal number of shares for this distribution.

Equity Distribution

Healthcare Premium Grievance Share Methodology

All Eligible Members paid premiums above what they were contractually required to pay.

Stock distribution made on an a pro rata basis for eligible persons based on level of participation (self, self and spouse, family) and number of months paid health care premiums during the Healthcare Grievance eligibility period.

To calculate an eligible member's share in the healthcare grievance, the total number of months during the eligibility period that eligible persons paid healthcare premiums is divided into the total number of shares available for distribution to all TWU groups for the healthcare grievance and then prorated based on participation level; then that number is multiplied by each eligible person's number of months of payment of healthcare premiums during the eligibility period to determine an individual's share.

Equity Distribution

757 Overhaul Grievance Share Methodology

Stock distribution to Eligible Members based on straight time “all-in” rate on September 29, 2011 (date of the outsourcing notice).

Equity Distribution Protection For Disputed Claims

Reserve Methodology

A Reserve equal to 5% of the distribution will be created to address

- Payroll inaccuracies
- Incorrect payouts
- Eligibility appeals
- Administrative expenses in handling claims
- Litigation costs

{Remainder of reserve will be distributed to all Eligible Members after all claims and appeals are resolved and after reasonable certainty that there will be no additional claims}

Equity Share Distribution Methodology

- The TWU provides American with a list of Eligible Members and their percentage of the 4.8% Equity Allocation
- Members will receive notification of their eligibility and payroll data as of November 29, 2011 via a mailout
- American will establish an account through Computershare in the name of each Eligible Member
- Computershare is a transfer agent that assists companies distribute stock to eligible persons by establishing accounts for them and transferring the company's stock to their accounts
- Computershare allows persons who have accounts to view the number of shares of stock that they have and their value and sell those shares or roll them into another investment account.

Timeline for Distribution of Equity Shares

- Shortly after American's emergence from bankruptcy, expected to be sometime in the Fall of 2013 (the "Effective Date"), the New American will deposit a portion of the shares to which you are entitled into your Computershare account. The initial distribution is expected to be 40%-60% of the projected shares to be issued to TWU
- Within 120 days after the Effective Date, the shares distributed to all members will equal the 4.8% Equity Allocation for TWU minus the reserve, the final number of shares will depend on the stock price
- The percentage of shares initially allocated, the 120 day period for issuance of shares and the time of issuance of additional shares will be the same for all unsecured creditors
- This means that American may deposit additional shares into your Computershare account at points within the 120 day period
- You will be notified each time a distribution is made to your Computershare account

Computershare Account - Explained

- American will distribute stock not cash (as permitted by the bankruptcy court)
- American will place your shares into your Computershare account
- You will be able to sell your shares a few days to a couple of weeks after they are placed into your account
- You will be notified when you have shares in your Computershare account and when they will be able to be sold
- Once you have shares in your Computershare account you may sell them or hold them for sale at a later date
 - If you hold your shares, the sale price may increase or decrease

Computershare Account - Explained

- Computershare will execute the sale of your stock and send you a check/electronically deposit into your designated account an amount based on the number of shares you sell and the price of the stock at the time of the sale
- You may roll your shares into another stock account, such as a Charles Schwab account
- Computershare will charge you a nominal fee to execute a sale of your shares
- You may view the details of your Computershare account at any time online
- Computershare will issue a Form 1099 to you if you execute a sale of your stock

Taxation of Equity Distribution

- American plans to withhold a percentage of your shares to pay federal and state taxes
- Amount of shares in your Computershare account available for sale will be net of tax withholdings
- Any excess withholdings can be claimed when you file for your taxes
- TWU believes that there is an argument that FICA, FUTA and Medicare taxes should not be withheld (income taxes have to be withheld)
- TWU is discussing with American and the other unions the filing of a joint request for an Opinion Letter from the IRS on the issue
- All taxes will be initially withheld and then refunded if IRS rules in TWU's favor

Distribution of Shares into your Super Saver 401(k) Account

- The TWU is exploring with American whether there can be a way for you to have your shares or a portion of your shares, or their financial equivalent through a payroll deduction, deposited into your Super Saver 401(k) account on a pre-tax basis

Internal Appeal Procedure

- 30 day time period after notification of eligibility status and payroll data to file an appeal claiming entitlement to a distribution
- 30 day time period from date of receipt of shares if claim is not based on eligibility or payroll data
- Appeals will be heard by a subcommittee of the TWU Equity Distribution Committee

How Much Will I Get?

- Number of shares in New American will not be known until American emerges from bankruptcy
- Projecting 23 million shares
- Amount of shares each individual will receive depends on the application of the distribution formulas to his/her circumstances
- Amount those shares are worth depends on the price of the New American stock which will not be known until after American emerges from bankruptcy

HOW THE DISTRIBUTION FORMULA WORKS -- DISCLAIMER

- We will be providing examples of how the distribution formula works.
- These examples rely on a hypothetical amount of shares that the TWU will receive and a hypothetical share price for those shares.
- The actual number of shares that the TWU receives and their value could vary greatly from these examples and will be based on a number of factors currently unknown to the TWU.
- The actual number of shares that you receive will be based on your eligibility to participate in the various components of the TWU Equity Distribution Plan and the number of shares that the TWU actually receives from New American.
- The TWU makes no claims, promises, representations or guarantees about the accuracy, completeness, or adequacy of the contents of these examples or that the information in these examples reflects the actual number of shares that you will receive or their value, and expressly disclaims liability for errors and omissions in the contents of these examples or if the actual number of shares that you receive or their value differs from the information contained in these examples. No warranty of any kind, implied, expressed, or statutory, is given with respect to the contents of these examples.

HOW THE DISTRIBUTION FORMULA WORKS

Example 1 --- Aircraft Maintenance Technician with 15 years service

- **Assumptions for Illustration Purposes only**
- AMT, earning \$32.75 "all-in" on 11/29/11; 15 years of service with AA
- 23 million TWU Shares @ \$14.50 per share
- Total M&R Eligible Participants = 11,000
- Total M&R hourly ST all-in payroll = \$350,000
- Aggregate M&R Service = 215,000

HOW THE DISTRIBUTION FORMULA WORKS

Example 1 --- Aircraft Maintenance Technician with 15 years service

Component	Individual Calculation
• Scope	• $(.5 \times 32.75/350,000) + (.5 \times 15/215,000) = .0082\%$
• Pension	• $(32.75/350,000) = .0094\%$
• Me-Too	• equal number per person among all eligible within M&R group
• Health Ins.	• equal number per person among all eligible
• 757 Griev.	• $(32.75/350,000) = .0094\%$

HOW THE DISTRIBUTION FORMULA WORKS

Example 1 --- Aircraft Maintenance Technician

Component	M&R Portion of Total # of TWU Shares		Individual Portion of Total # of M&R Shares	
Scope	22.91%	5,270,381	.0082%	432
Pension	9.81%	2,255,863	.0094%	212
Me-Too	19.35%	4,450,454	= share	405
Health Ins.	1.39%	319,000	= share	29
757 Griev.	1.83%	420,716	.0094%	40
Totals	55.29%	12,716,414	0.0088%	1,118
Value @ \$14.50/share			\$16,211	
*AA will withhold approx .33% for taxes				

HOW THE DISTRIBUTION FORMULA WORKS

Example 2 --- **Full Time** Fleet Service Clerk with 15 years service

- **Assumptions for Illustration Purposes only**
- FSC, earning \$21.16 "all-in" on 11/29/11; 15 years of service with AA
- 23 million TWU Shares @ \$14.50 per share
- Total FSC Eligible Participants = 10,000
- Total FSC hourly ST all-in payroll = \$200,000
- Aggregate FSC Service = 190,000

HOW THE DISTRIBUTION FORMULA WORKS

Example 2 --- **Full Time** Fleet Service Clerk with 15 years service

Component	Individual Calculation
• Scope	• $(.5 \times 21.16/200,000) + (.5 \times 15/190,000) = .0093\%$
• Pension	• $21.16/200,000 = .0107\%$
• Me-Too	• equal number per person among all eligible within FSC group
• Health Ins.	• equal number per person among all eligible

HOW THE DISTRIBUTION FORMULA WORKS

Example 2 --- Fleet Service Clerk

Component	FSC Portion of Total # of TWU Shares		Individual Portion of Total # of FSC Shares	
Scope	15.80%	3,633,195	.0093%	336
Pension	6.76%	1,555,099	.0107%	165
Me-Too	13.34%	3,067,970	= share	307
Health Ins.	1.26%	291,116	= share	29
Totals	37.16%	8,547,380	0.0098%	837
Value @ \$14.50/share			\$12,137	
*AA will withhold approx . 33% for taxes				

Important Dates

- November 29, 2011 – Starting date of the Eligibility Period
- July 26, 2013 – Closing date of the Eligibility Period
- Fall of 2013 – Tentative date of initial distribution of shares
- 30 days after notification of eligibility status and payroll data – deadline for filing appeals
- 30 days from date of receipt of shares – deadline for filing appeals if claim is not based on eligibility or payroll data