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April 30, 2014

TO: AA Locals 501 - 591

RE: 1114 Process/Retiree Medical

Dear Brothers & Sisters:

By this time, most of you will have heard that a decision by the Bankruptcy Court in the AA case was a victory of the retirees from unionized positions with AA—including TWU retirees. And indeed it is true that the decision by Bankruptcy Judge Lane was a victory for the unions and their retirees. From questions that have been raised, however, it appears that there is a good deal of confusion regarding the exact nature and extent of the court victory. We hope to help clarify these matters here.

First, it is important to understand the nature of the motion that was decided in favor of our retirees. It was not a motion by AA to reject its healthcare obligations to retirees by using the special remedies available to bankrupt employers through what is called the "1114 process." Rather, the AA motion that was denied was a motion to have the court decide that, without resort to the 1114 process, and based on the alleged undisputed facts of the case and without a full blown trial, the company had the right to unilaterally change, reduce or eliminate retiree health benefits. In order to prevail on its motion, AA would have had to satisfy the court that there was no language binding upon it that could be interpreted as making the benefits in question vested—e.g. language promising that these benefits would be for life. The court rejected AA's position on this, and, most importantly, found that various provisions regarding the benefits in question could reasonably be taken to mean that the benefits were vested.

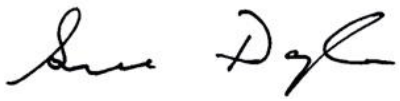
The court decision kept AA from taking the quick and easy path to getting rid of—or changing in a major way—retiree health benefits. In this sense the Court's decision was an obvious victory.

It should be clear, though, that the victory was in a battle, and not in the war, over benefits. AA, should it persist in its desire to eliminate the benefits, still has a number of legal paths available to it: it can proceed to trial over the question of whether the relevant language made the benefits vested—as opposed to whether they could be reasonably interpreted to do (the decision of the Court); or

they can continue through the 1114 process to attempt to reject these benefits, on the basis of an argument that doing so is necessary for the successful survival of the company (an argument that becomes more and more dubious with the continued favor that the New American Airlines is finding on the stock market).

It is not yet clear what path AA may take with regard to retiree benefits. The company may choose to persist in its so far unsuccessful attempt to gain the right to make unilateral changes, asserting itself through continued motions before the Bankruptcy Court; or it may attempt to negotiate with the 1114 Committee that represents the interests of retirees in the bankruptcy. In either case, the path of the company to shedding of its obligations to retirees is not longer a clear one, as some may have thought it several months ago.

Fraternally,



Sean Doyle
International Vice President

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