

Summary of U.S. Bankruptcy Court Hearing Regarding AA's Motion to Disburse New American Common Stock to Old Equity – April 16, 2015

At a hearing yesterday in U.S. Bankruptcy Court, Judge Lane denied American Airlines' Motion seeking permission to disburse to old equity New American Common Stock that is currently being held in the Disputed Claims Reserve (DCR). (Old equity consists of those individuals or institutions that hold shares of stock that were issued prior to the bankruptcy filing.)

APFA and APA both argued in a joint objection to the Motion that American's request to the Court would have benefitted only old equity, while it would have exposed unsecured creditors and employees to the unnecessary risk of not receiving all the stock to which they are entitled under the Plan of Reorganization. In rejecting the Company's Motion, the Judge held that there was no reason why shares in the DCR should be disbursed to old equity at this time. He found that a significant number of disputed claims remain unresolved and need to be settled before distributions are made to old equity. Finally, he stated he was denying the Motion in order to honor the priority the Bankruptcy Code gives unsecured creditors over old equity, and to ensure that all similarly situated creditors are treated equally. To read this update in its entirety, click [here](#).

By way of background: The Disputed Claims Reserve contains shares that the Company uses to settle allowed claims. In addition there is a Labor Allocation Reserve that is comprised of shares that are used to ensure employees receive 23.6 percent of any shares distributed to AMR creditors from the DCR.

On March 26, the Company filed the Motion in the Bankruptcy Court. It claimed that based on its estimate of the claims that the Bankruptcy Court would allow, the DCR would retain more than sufficient shares to cover these claims even if the requested disbursement were made. Of the \$1.2 billion in claims that are still disputed, the Company posited that the portion that would be allowed would not exceed \$65m with a high-end estimate of \$139m. Based on these assumptions, American asked that of the \$528m in stock held in the DCR, \$237m along with \$73m from the Labor Allocation Reserve be distributed to old equity. If the Court were to have allowed the disbursement of these shares, the DCR would have retained \$291m in stock and the Labor Allocation Reserve would have kept a proportionate number of shares to cover the employees' entitlement of 23.6%. American claimed that with \$291m in stock remaining in the Disputed Claims Reserve, it would have had more than twice the Company's high end estimate of \$139m.

Last week, APFA and APA filed its opposition to the Motion. In our objection and our argument at today's hearing, we asserted that the Company had provided insufficient evidence that its estimates of allowed claims were reasonable or reliable. If American's assessments were wrong, the DCR would be left with too few shares to cover both the claims that were ultimately allowed by the Bankruptcy Court and stock that would have been distributed to the employees.

Also, the Company's Motion did not adequately address the fact that there are still \$1.2B in disputed claims that have yet to be resolved. As the Court stated, while some of these claims will ultimately be reduced to a very small percentage of the amount sought by the creditor, there was no compelling reason why the Company's estimates should be accepted and acted on today. Instead Judge Lane determined that it was far more prudent to wait until these claims are, in fact, resolved; only then can the interests of unsecured creditors and employees be respected.