
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 15, 2021**

**AMERICAN AIRLINES GROUP INC.
AMERICAN AIRLINES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware
Delaware**

(State or other Jurisdiction of Incorporation)

**1-8400
1-2691**

(Commission File Number)

**75-1825172
13-1502798**

(IRS Employer Identification No.)

**1 Skyview Drive, Fort Worth, Texas
1 Skyview Drive, Fort Worth, Texas**

(Address of principal executive offices)

**76155
76155**

(Zip Code)

Registrant's telephone number, including area code:

(817) 963-1234

(817) 963-1234

N/A

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	AAL	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

Payroll Support Program Extension

On January 15, 2021 (the “Closing Date”), American Airlines, Inc. (“AAI”), Envoy Air Inc. (“Envoy”), Piedmont Airlines, Inc. (“Piedmont”) and PSA Airlines, Inc. (“PSA” and together with AAI, Envoy and Piedmont, the “Subsidiaries”), each a wholly-owned subsidiary of American Airlines Group Inc. (the “Company”), entered into a Payroll Support Program Extension Agreement (the “PSP2 Agreement”) with the United States Department of Treasury (the “Treasury”), with respect to the Payroll Support Program (“PSP2”) established under Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021 (the “PSP Extension Law”). In connection with its entry into the PSP2 Agreement, on the Closing Date, the Company also entered into a Warrant Agreement (the “Warrant Agreement”) with the Treasury, and the Company issued a promissory note to the Treasury (the “Promissory Note”), with the Subsidiaries as guarantors (the “Note Guarantors”).

PSP2 Agreement

Pursuant to the PSP2 Agreement, the Treasury is to provide to the Company financial assistance to be paid in installments (each, an “Installment”) expected to total in the aggregate at least \$3,086.8 million. The first Installment, in the amount of approximately \$1,543.3 million, was disbursed by the Treasury on January 15, 2021.

In connection with PSP2, the Company is required to comply with the relevant provisions of the PSP Extension Law, including the requirement that funds provided pursuant to the PSP2 Agreement be used exclusively for the continuation of payment of employee wages, salaries and benefits, the requirement against involuntary furloughs and reductions in employee pay rates and benefits through March 31, 2021, the requirement to recall employees involuntarily terminated or furloughed after September 30, 2020, the provisions that prohibit the repurchase of the Company’s common stock, \$0.01 par value per share (the “Common Stock”), and the payment of common stock dividends through March 31, 2022, as well as those that restrict the payment of certain executive compensation until October 1, 2022. The PSP2 Agreement also imposes substantial reporting obligations on the Company and the Subsidiaries.

Promissory Note

As compensation to the United States Government for the provision of financial assistance under the PSP2 Agreement, the Company issued the Promissory Note to the Treasury, which provides for the Company’s unconditional promise to pay to the Treasury the initial principal sum of approximately \$433.0 million, subject to an increase equal to 30% of the amount of each additional Installment disbursed under the PSP2 Agreement after the Closing Date, and the guarantee of the Company’s obligations by the Note Guarantors. Assuming the total Installments to be paid pursuant to the PSP2 Agreement aggregate approximately \$3,086.8 million, the Promissory Note will have a total principal sum of approximately \$896.0 million.

The Promissory Note bears interest on the outstanding principal amount at a rate equal to 1.00% per annum until the fifth anniversary of the Closing Date and 2.00% plus an interest rate based on the secured overnight financing rate per annum or other benchmark replacement rate consistent with customary market conventions (but not to be less than 0.00%) thereafter until the tenth anniversary of the Closing Date (the “Maturity Date”), and interest accrued thereon will be payable in arrears on the last business day of March and September of each year, beginning on March 31, 2021. The aggregate principal amount outstanding under the Promissory Note, together with all accrued and unpaid interest thereon and all other amounts payable under the Promissory Note, will be due and payable on the Maturity Date.

The Company may, at any time and from time to time, voluntarily prepay amounts outstanding under the Promissory Note, in whole or in part, without penalty or premium. Within 30 days of the occurrence of certain change of control triggering events, the Company is required to prepay the aggregate outstanding principal amount of the Promissory Note at such time, together with any accrued interest or other amounts owing under the Promissory Note at such time.

The Promissory Note is the Company’s senior unsecured obligation and each guarantee of the Promissory Note is the senior unsecured obligation of each of the Note Guarantors, respectively. The Promissory Note contains events of default, including cross-default with respect to acceleration or failure to pay at maturity other material indebtedness. Upon the occurrence of an event of default and subject to certain grace periods, the outstanding obligations under the Promissory Note may, and in certain circumstances will automatically, be accelerated and become due and payable immediately.

The Promissory Note is in substantially the same form as the promissory note entered into in connection with the Payroll Support Program (“PSP1”) established under the Coronavirus Aid, Relief and Economic Security Act.

Warrant Agreement and Warrants

As compensation to the United States Government for the provision of financial assistance under the PSP2 Agreement, and pursuant to the Warrant Agreement, the Company has agreed to issue warrants (each a “Warrant” and, collectively, the “Warrants”) to the Treasury to purchase shares (the “Warrant Shares”) of the Common Stock. The exercise price of the Warrant Shares is \$15.66 per share (which was the closing price of the Common Stock on The Nasdaq Global Select Market on December 24, 2020) (the “Exercise Price”), subject to certain anti-dilution provisions provided for in the PSP Warrant.

Pursuant to the Warrant Agreement, (a) on the Closing Date, the Company issued to the Treasury a Warrant to purchase up to an aggregate of approximately 2,765,090 shares of Common Stock based on the terms described herein and (b) on the date of each increase of the principal amount of the Promissory Note in connection with the disbursement of an additional Installment under the PSP2 Agreement, the Company will issue to the Treasury an additional Warrant for a number of shares of Common Stock equal to 10% of such increase of the principal amount of the Promissory Note, divided by the Exercise Price. Assuming the total Installments to be paid pursuant to the PSP2 Agreement aggregate approximately \$3,086.8 million, the total number of Warrant Shares issuable is 5,721,750, subject to certain anti-dilution provisions, including, among others, for below market issuances and payment of dividends, provided for in the Warrants.

The Warrants do not have any voting rights and are freely transferrable, with registration rights. Each Warrant expires on the fifth anniversary of the date of issuance of such Warrant. The Warrants will be exercisable either through net share settlement or cash, at the Company’s option.

The Warrants issued under the Warrant Agreement are issued pursuant to an exemption from registration provided for under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”) as transactions not involving a public offering. Any issuance of Common Stock upon exercise of the Warrants will be exempt as an exchange by the Company exclusively with its security holders eligible for exemption under Section 3(a)(9) of the Securities Act.

The Warrants are being issued solely as compensation to the United States Government related to entry into the PSP2 Agreement. No separate proceeds (apart from the financial assistance Installments described above) are being received upon issuance of the Warrants or will be received upon exercise thereof.

The Warrant Agreement and Warrants are in substantially the same forms as the warrant agreement and warrants entered into in connection with PSP1.

Treasury Loan Agreement Borrowing Extension

As previously disclosed, on September 25, 2020, the Company and AAI entered into a Loan and Guarantee Agreement (the “Treasury Loan Agreement”) with the Treasury, which provided for a secured term loan facility (the “Treasury Term Loan Facility”) that permitted AAI to borrow up to \$5.5 billion. On September 25, 2020, AAI borrowed an initial amount of \$550 million. Subsequently, on October 21, 2020, the Company and AAI entered into an amendment to the Treasury Loan Agreement, which increased the borrowing amount to up to \$7.5 billion.

On January 15, 2021, the Company and AAI entered into a letter agreement further amending the Treasury Loan Agreement providing for an extension of the deadline pursuant to which AAI may, at its option, borrow additional amounts in up to two subsequent borrowings, from March 26, 2021 to May 28, 2021.

The other terms of the Treasury Loan Agreement were not affected.

ITEM 2.03. CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

The information provided in Item 1.01 under the captions “Promissory Note” and “Treasury Loan Agreement Borrowing Extension” are incorporated herein by reference to the extent responsive to Item 2.03.

ITEM 3.02. UNREGISTERED SALES OF EQUITY SECURITIES.

The information provided in Item 1.01 under the caption, "Warrant Agreement and Warrants" is incorporated herein by reference to the extent responsive to Item 3.02.

Cautionary Statement Regarding Forward-Looking Statements

Certain of the statements contained in this report should be considered forward-looking statements within the meaning of the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "project," "could," "should," "would," "continue," "seek," "target," "guidance," "outlook," "if current trends continue," "optimistic," "forecast" and other similar words. Such statements include, but are not limited to, statements about the Company's plans, objectives, expectations, intentions, estimates and strategies for the future, and other statements that are not historical facts. These forward-looking statements are based on the Company's current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those set forth in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (especially in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 1A. Risk Factors), and other risks and uncertainties listed from time to time in the Company's other filings with the Securities and Exchange Commission. There may be other factors of which the Company is not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. In particular, the consequences of the COVID-19 outbreak to economic conditions and the travel industry in general and the financial position and operating results of the Company in particular have been material, are changing rapidly, and cannot be predicted. The Company does not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements other than as required by law. Forward looking statements speak only as of the date hereof or as of the dates indicated in the statement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, American Airlines Group Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN AIRLINES GROUP INC.

Date: January 19, 2021

By: /s/ Derek J. Kerr
Derek J. Kerr
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, American Airlines, Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN AIRLINES, INC.

Date: January 19, 2021

By: /s/ Derek J. Kerr
Derek J. Kerr
Executive Vice President and
Chief Financial Officer