

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

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the Quarterly Period Ended June 30, 2021

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-8400

**American Airlines Group Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1 Skyview Drive, Fort Worth, Texas 76155

(Address of principal executive offices, including zip code)

75-1825172

(I.R.S. Employer Identification No.)

(682) 278-9000

(Registrant's telephone number, including area code)

Commission file number 1-2691

**American Airlines, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1 Skyview Drive, Fort Worth, Texas 76155

(Address of principal executive offices, including zip code)

13-1502798

(I.R.S. Employer Identification No.)

(682) 278-9000

(Registrant's telephone number, including area code)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American Airlines Group Inc.  Yes  No  
American Airlines, Inc.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

American Airlines Group Inc.  Yes  No  
American Airlines, Inc.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

American Airlines Group Inc.  Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company  
American Airlines, Inc.  Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by checkmark 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.

American Airlines Group Inc.   
American Airlines, Inc.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

American Airlines Group Inc.  Yes  No  
American Airlines, Inc.  Yes  No

As of July 16, 2021, there were 647,457,831 shares of American Airlines Group Inc. common stock outstanding.

As of July 16, 2021, there were 1,000 shares of American Airlines, Inc. common stock outstanding, all of which were held by American Airlines Group Inc.

**American Airlines Group Inc.**  
**American Airlines, Inc.**  
**Form 10-Q**  
**Quarterly Period Ended June 30, 2021**  
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## **General**

This report is filed by American Airlines Group Inc. (AAG) and its wholly-owned subsidiary American Airlines, Inc. (American). References in this report to “we,” “us,” “our,” the “Company” and similar terms refer to AAG and its consolidated subsidiaries. References in this report to “mainline” refer to the operations of American only and exclude regional operations.

## **Glossary of Terms**

For the convenience of the reader, the definitions of certain capitalized industry and other terms used in this report have been consolidated into a Glossary beginning on page [5](#).

## **Note Concerning Forward-Looking Statements**

Certain of the statements contained in this report should be considered forward-looking statements within the meaning of the Securities Act of 1933, as amended (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 our 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 our 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 described below under Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Part II, Item 1A. Risk Factors and other risks and uncertainties listed from time to time in our filings with the Securities and Exchange Commission (the SEC).

All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in Part II, Item 1A. Risk Factors and elsewhere in this report. There may be other factors of which we are 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 coronavirus outbreak to economic conditions and the travel industry in general and our financial position and operating results in particular have been material, are changing rapidly, and cannot be predicted. We do 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 such statements other than as required by law. Any forward-looking statements speak only as of the date of this report or as of the dates indicated in the statements.

## Summary of Risk Factors

Our business is subject to a number of risks and uncertainties that may affect our business, results of operations and financial condition, or the trading price of our common stock or other securities. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. Management cannot predict such new risks and uncertainties, nor can it assess the extent to which any of the risk factors below or any such new risks and uncertainties, or any combination thereof, may impact our business. These risks are more fully described in Part II, Item 1A. Risk Factors. These risks include, among others, the following:

### *Risks Related to our Business*

- The outbreak and global spread of COVID-19 has resulted in a severe decline in demand for air travel which has and will continue to adversely impact our business, operating results, financial condition and liquidity.
- Downturns in economic conditions and related depressed demand for air travel could adversely affect our business.
- We will need to obtain sufficient financing or other capital to operate successfully.
- Our high level of debt and other obligations may limit our ability to fund general corporate requirements and obtain additional financing, may limit our flexibility in responding to competitive developments and cause our business to be vulnerable to adverse economic and industry conditions.
- We have significant pension and other postretirement benefit funding obligations, which may adversely affect our liquidity, results of operations and financial condition.
- If our financial condition worsens, provisions in our credit card processing and other commercial agreements may adversely affect our liquidity.
- The loss of key personnel upon whom we depend to operate our business or the inability to attract and develop additional qualified personnel could adversely affect our business.
- Our business has been and will continue to be affected by many changing economic and other conditions beyond our control, including global events that affect travel behavior, and our results of operations could be volatile and fluctuate due to seasonality.
- Union disputes, employee strikes and other labor-related disruptions, or our inability to otherwise maintain labor costs at competitive levels may adversely affect our operations and financial performance.
- If we encounter problems with any of our third-party regional operators or third-party service providers, our operations could be adversely affected by a resulting decline in revenue or negative public perception about our services.
- Any damage to our reputation or brand image could adversely affect our business or financial results.
- We face challenges in integrating our computer, communications and other technology systems.
- Changes to our business model that are designed to increase revenues may not be successful and may cause operational difficulties or decreased demand.
- Our intellectual property rights, particularly our branding rights, are valuable, and any inability to protect them may adversely affect our business and financial results.
- We may be a party to litigation in the normal course of business or otherwise, which could affect our financial position and liquidity.

- Our ability to utilize our NOL Carryforwards may be limited.
- We have a significant amount of goodwill, which is assessed for impairment at least annually. In addition, we may never realize the full value of our intangible assets or long-lived assets, causing us to record material impairment charges.

***Risks Related to the Airline Industry***

- The airline industry is intensely competitive and dynamic.
- The commercial relationships that we have with other airlines, including any related equity investment, may not produce the returns or results we expect.
- Our business is very dependent on the price and availability of aircraft fuel and continued periods of high volatility in fuel costs, increased fuel prices or significant disruptions in the supply of aircraft fuel could have a significant negative impact on consumer demand, our operating results and liquidity.
- Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages.
- We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control.
- We may be adversely affected by conflicts overseas or terrorist attacks; the travel industry continues to face ongoing security concerns.
- We are subject to risks associated with climate change, including increased regulation of our CO<sub>2</sub> emissions, changing consumer preferences and the potential increased impacts of severe weather events on our operations and infrastructure.
- We depend on a limited number of suppliers for aircraft, aircraft engines and parts.
- Delays in scheduled aircraft deliveries or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected, may adversely impact our business, results of operations and financial condition.
- We rely heavily on technology and automated systems to operate our business, and any failure of these technologies or systems could harm our business, results of operations and financial condition.
- Evolving data security and privacy requirements could increase our costs, and any significant data security incident could disrupt our operations, harm our reputation, expose us to legal risks and otherwise materially adversely affect our business, results of operations and financial condition.
- We rely on third-party distribution channels and must manage effectively the costs, rights and functionality of these channels.
- If we are unable to obtain and maintain adequate facilities and infrastructure throughout our system and, at some airports, adequate slots, we may be unable to operate our existing flight schedule and to expand or change our route network in the future, which may have a material adverse impact on our operations.

## GLOSSARY OF TERMS

“2013 Credit Agreement” means the Amended and Restated Credit and Guaranty Agreement dated as of May 21, 2015, among American, AAG, the lenders from time to time party thereto, Deutsche Bank AG New York Branch, as administrative agent, and certain other parties thereto, as amended.

“2013 Revolving Facility” means the \$750 million revolving credit facility provided for by the 2013 Credit Agreement.

“2013 Term Loan Facility” means the \$1.9 billion term loan facility provided for under the 2013 Credit Agreement.

“2014 Credit Agreement” means the Amended and Restated Credit and Guaranty Agreement, dated as of April 20, 2015, among American, AAG, the lenders from time to time party thereto, Citibank N.A., as administrative agent, and certain other parties thereto, as amended.

“2014 Revolving Facility” means the \$1.6 billion revolving credit facility provided for by the 2014 Credit Agreement.

“2014 Term Loan Facility” means the \$1.2 billion term loan facility provided for by the 2014 Credit Agreement.

“2020 Form 10-K” means AAG’s and American’s Annual Report on Form 10-K for the year ended December 31, 2020.

“2026 Notes” means the AAdvantage Issuers’ 5.50% Senior Secured Notes due 2026.

“2029 Notes” means the AAdvantage Issuers’ 5.75% Senior Secured Notes due 2029.

“AAdvantage” means the AAdvantage® frequent flyer program.

“AAdvantage Agreements” means the AAdvantage program agreements provided as collateral under the AAdvantage Financing.

“AAdvantage Collateral” means the AAdvantage Agreements (including all payments thereunder) and rights under an intercompany agreement and certain IP Licenses, certain rights under the AAdvantage program, certain deposit accounts that will receive cash under the AAdvantage Agreements, certain reserve accounts, the equity of each of Loyalty Issuer and the SPV Guarantors and substantially all other assets of Loyalty Issuer and the SPV Guarantors.

“AAdvantage Financing” means the AAdvantage Notes and the AAdvantage Term Loan Facility.

“AAdvantage Financing Closing Date” means March 24, 2021.

“AAdvantage Guarantees” means the AAdvantage Notes Guarantees, together with the full and unconditional guarantee of the AAdvantage Loans by the AAdvantage Guarantors.

“AAdvantage Guarantors” means the SPV Guarantors and AAG.

“AAdvantage Indenture” means the indenture, dated as of March 24, 2021, by and among the AAdvantage Issuers, the AAdvantage Guarantors and Wilmington Trust, National Association, as trustee and as collateral custodian.

“AAdvantage Issuers” means the Loyalty Issuer and American.

“AAdvantage Loans” means the \$3.5 billion of term loans provided pursuant to the AAdvantage Term Loan Facility.

“AAdvantage Note Guarantees” means the full and unconditional guarantee of the AAdvantage Notes by AAG, AAdvantage Holdings 1, Ltd. and HoldCo2.

“AAdvantage Notes” means, collectively, the 2026 Notes and the 2029 Notes.

“AAdvantage Payment Date” means, with respect to the payment of interest on the AAdvantage Notes and AAdvantage Loans, the 20th day of each January, April, July and October.

“AAdvantage Term Loan Facility” means the \$3.5 billion term loan facility provided pursuant to the term loan credit and guaranty agreement, dated as of March 24, 2021, with Barclays Bank PLC, as administrative agent, Wilmington Trust, National Association, as collateral administrator, and the lenders party thereto.

“AAG”, “we”, “us”, “our” and similar terms means American Airlines Group Inc. and its consolidated subsidiaries.

“American” means American Airlines, Inc., a wholly-owned subsidiary of AAG.

“American Eagle” means our regional carriers, including our wholly-owned regional carriers Envoy, PSA and Piedmont, as well as third-party regional carriers including Mesa, Republic and SkyWest.

“AMR” or “AMR Corporation” means AMR Corporation and is used to reference AAG during the period of time prior to its emergence from Chapter 11 and the Merger.

“AOCI” means accumulated other comprehensive income (loss).

“April 2016 Credit Agreement” means the Credit and Guaranty Agreement, dated as of April 29, 2016, among American, AAG, the lenders from time to time party thereto, Barclays Bank PLC, as administrative agent, and certain other parties thereto, as amended.

“April 2016 Revolving Facility” means the \$450 million revolving credit facility provided for by the April 2016 Credit Agreement.

“April 2016 Spare Parts Term Loan Facility” means the \$1.0 billion term loan facility provided for by the April 2016 Credit Agreement.

“ARP” means the American Rescue Plan Act of 2021.

“ASM” means available seat mile and is a basic measure of production. One ASM represents one seat flown one mile.

“ASU” means Accounting Standards Update.

“ATC system” means the U.S. National Airspace System.

“Bankruptcy Court” means the United States Bankruptcy Court for the Southern District of New York.

“Bylaws” means AAG’s Amended and Restated Bylaws, as amended.

“CARES Act” means the Coronavirus Aid, Relief, and Economic Security Act.

“CASM” means operating cost per available seat mile and is equal to operating expenses divided by ASMs.

“CBAs” means collective bargaining agreements.

“CEO” means Chief Executive Officer.

“CFO” means Chief Financial Officer.

“Chapter 11 Cases” means the voluntary petitions for relief filed on November 29, 2011 by the Debtors.

“China Southern Airlines” means China Southern Airlines Company Limited.

“CMA” means the United Kingdom Competition and Markets Authority.

“CO<sub>2</sub>” means carbon dioxide.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” means AAG and its consolidated subsidiaries.

“Convertible Notes” means AAG’s 6.50% convertible senior notes due 2025.

“Convertible Notes Indenture” means the indenture, dated as of June 25, 2020, between AAG and the Convertible Notes Trustee, as supplemented by the first supplemental indenture, dated as of June 25, 2020, among AAG, American and the Convertible Notes Trustee.

“Convertible Notes Trustee” means Wilmington Trust, National Association, as trustee with respect to the Convertible Notes.

“CORSA” means the Carbon Offsetting and Reduction Scheme for International Aviation.

“COVID-19” means coronavirus.

“DCA” means Ronald Reagan Washington National Airport.

“DC Court” means the Federal District Court for the District of Columbia.

“Debtors” means AMR, American, and certain of AMR’s other direct and indirect domestic subsidiaries.

“December 2016 Credit Agreement” means the Credit and Guaranty Agreement dated as of December 15, 2016, among American, AAG, the lenders from time to time party thereto, Citibank N.A., as administrative agent, and certain other parties thereto, as amended.

“December 2016 Credit Facilities” means the revolving credit facility that may be established under the December 2016 Credit Agreement and the December 2016 Term Loan Facility provided for by the December 2016 Credit Agreement.

“December 2016 Term Loan Facility” means the \$1.2 billion term loan facility provided for under the December 2016 Credit Agreement.

“Disputed Claims Reserve” means a reserve established by the Bankruptcy Court, pursuant to the Plan, to hold shares of AAG common stock for issuance to disputed claimholders at the Effective Date.

“DOT” means the U.S. Department of Transportation.

“EC” means the European Commission.

“EETC” means enhanced equipment trust certificate.

“Effective Date” means December 9, 2013.

“Envoy” means Envoy Air Inc.

“EPA” means the U.S. Environmental Protection Agency.

“EPS” means earnings (loss) per common share.

“EU” means European Union.

“EWR” means Newark Liberty International Airport.

“Exchange Act” means Securities Exchange Act of 1934, as amended.

“FAA” means Federal Aviation Administration.

“GAAP” means generally accepted accounting principles in the U.S.

“GDSs” means global distribution systems.

“GHG” means greenhouse gas.

“holdback” means an amount of cash held by our credit card processors in certain circumstances (including, with respect to certain agreements, our failure to maintain certain levels of liquidity).

“HoldCo2” means AAdvantage Holdings 2, Ltd., a Cayman Islands exempted company incorporated with limited liability and an indirect wholly owned subsidiary of American and the direct parent of Loyalty Issuer.

“HoldCo2 License” means the exclusive, irrevocable (subject to certain termination rights), perpetual, worldwide, royalty-bearing license to use the Transferred AAdvantage IP granted to HoldCo2 from Loyalty Issuer.

“IAM” means International Association of Machinists & Aerospace Workers.

“IAM Pension Fund” means the IAM National Pension Fund.

“ICAO” means International Civil Aviation Organization.



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“IP Licenses” means the HoldCo2 License and the exclusive, irrevocable (subject to certain termination rights), perpetual, worldwide, royalty-bearing sublicense to use the Transferred AAdvantage IP granted by HoldCo2 to American.

“IP Notes” means American’s \$1.0 billion in initial principal amount of 10.75% senior secured IP notes.

“Installment” means the financial assistance payment, in installments, by Treasury pursuant to the PSP2 Agreement.

“JetBlue” means JetBlue Airways Corporation.

“JFK” means John F. Kennedy International Airport.

“LAX” means Los Angeles International Airport.

“LGA/DCA Notes” means American’s \$200 million in initial principal amount of 10.75% senior secured LGA/DCA notes.

“LGA” means LaGuardia Airport.

“LGW” or “London Gatwick” means London Gatwick Airport.

“LHR” or “London Heathrow” means London Heathrow Airport.

“LIBOR” means the London interbank offered rate for deposits of U.S. dollars.

“Loyalty Issuer” means AAdvantage Loyalty IP Ltd., a Cayman Islands exempted company incorporated with limited liability and an indirect wholly owned subsidiary of American.

“LTV” means loan to value ratio.

“Mainline” means the operations of American and excludes regional operations.

“Merger” means the merger of US Airways Group and AMR Corporation on December 9, 2013.

“Mesa” means Mesa Airlines, Inc.

“NMB” means National Mediation Board.

“NOL Carryforwards” means a deduction in any taxable year for net operating losses carried over from prior taxable years.

“NOLs” means net operating losses.

“ORD” means Chicago O’Hare International Airport.

“OTAs” means online travel agents.

“Passenger load factor” means the percentage of available seats that are filled with revenue passengers.

“PEB” means Presidential Emergency Board.

“Piedmont” means Piedmont Airlines, Inc.

“Plan” means the Debtors’ fourth amended joint plan of reorganization.

“PRASM” means passenger revenue per available seat mile and is equal to passenger revenues divided by ASMs.

“PSA” means PSA Airlines, Inc.

“PSP1” means the payroll support program established under the CARES Act.

“PSP1 Promissory Note” means the promissory note issued to Treasury in connection with PSP1.

“PSP1 Warrant Agreement” means the agreement entered into between AAG and Treasury in connection with the PSP1 Agreement, pursuant to which AAG issued PSP1 Warrants to Treasury to purchase up to an aggregate of approximately 14.1 million shares of AAG common stock.

“PSP1 Warrants” means the warrants issued or to be issued to Treasury pursuant to the PSP1 Warrant Agreement.

“PSP2” means the payroll support program established under the PSP Extension Law.

“PSP2 Agreement” means the Payroll Support Program Extension Agreement entered into by the Subsidiaries with Treasury on the PSP2 Closing Date.

“PSP2 Closing Date” means January 15, 2021.

“PSP2 Financial Assistance” means the portion of financial assistance received from Treasury pursuant to the PSP2 Agreement that is not allocated to the PSP2 Warrants or PSP2 Promissory Note.

“PSP2 Maturity Date” means the tenth anniversary of the PSP2 Closing Date.

“PSP2 Promissory Note” means the promissory note issued to Treasury in connection with PSP2.

“PSP2 Warrant Agreement” means the agreement entered into between AAG and Treasury in connection with the PSP2 Agreement, pursuant to which AAG issued PSP2 Warrants to Treasury to purchase up to an aggregate of approximately 6.6 million shares of AAG common stock.

“PSP2 Warrant Shares” means up to an aggregate of approximately 6.6 million shares of AAG common stock which Treasury will have the right to purchase pursuant to PSP2 Warrants issued or to be issued by AAG in accordance with the PSP2 Warrant Agreement.

“PSP2 Warrants” means the warrants issued or to be issued to Treasury pursuant to the PSP2 Warrant Agreement.

“PSP3” means the payroll support program established under the ARP.

“PSP3 Agreement” means the Payroll Support Program Agreement entered into by the Subsidiaries with Treasury on the PSP3 Closing Date.

“PSP3 Closing Date” means April 23, 2021.

“PSP3 Financial Assistance” means the portion of financial assistance received from Treasury pursuant to the PSP3 Agreement that is not allocated to the PSP3 Warrants or PSP3 Promissory Note.

“PSP3 Installment” means the financial assistance payment, in installments, by Treasury pursuant to the PSP3 Agreement.

“PSP3 Maturity Date” means the tenth anniversary of the PSP3 Closing Date.

“PSP3 Promissory Note” means the promissory note issued to Treasury in connection with PSP3.

“PSP3 Warrant Agreement” means the agreement entered into between AAG and Treasury in connection with the PSP3 Agreement, pursuant to which AAG issued PSP3 Warrants to Treasury to purchase up to an aggregate of approximately 4.4 million shares of AAG common stock.

“PSP3 Warrant Shares” means up to an aggregate of approximately 4.4 million shares of AAG common stock which Treasury will have the right to purchase pursuant to PSP3 Warrants issued or to be issued by AAG in accordance with the PSP3 Warrant Agreement.

“PSP3 Warrants” means the warrants issued or to be issued to Treasury pursuant to the PSP3 Warrant Agreement.

“PSP Extension Law” means Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021.

“Republic” means Republic Airways Inc.

“RLA” means Railway Labor Act.

“ROU” means right-of-use.

“RPM” or “RPMs” means revenue passenger mile or miles and is a basic measure of sales volume. One RPM represents one passenger flown one mile.

“SEA” means Seattle-Tacoma International Airport.

“SEC” means Securities and Exchange Commission.

“Section 382” means Section 382 of the Internal Revenue Code.

“Securities Act” means Securities Act of 1933, as amended.

“SkyWest” means SkyWest Airlines, Inc.

“slots” means landing and take-off rights and authorizations, as required by certain airports.

“SOFR” means the Secured Overnight Financing Rate.

“SPV Guarantors” means AAdvantage Holdings 1, Ltd. and HoldCo2.

“Subsidiaries” means American, Envoy, PSA and Piedmont, each a wholly-owned subsidiary of AAG.

“Terminal 8” means the passenger terminal facility used by American at JFK.

“Transferred AAdvantage IP” means, among other things, American’s rights to certain data and other intellectual property used in the AAdvantage program (subject to certain exceptions).

“TRASM” means the total revenue per available seat mile and is equal to the total revenues divided by total mainline and third-party regional carrier ASMs.

“Treasury” means the U.S. Department of the Treasury.

“Treasury Loan Agreement” means the Loan and Guarantee Agreement, dated as of September 25, 2020, between AAG, American and Treasury which provides for the Treasury Term Loan Facility.

“Treasury Loan Warrants” means the warrants issued or to be issued to Treasury pursuant to the Treasury Loan Warrant Agreement.

“Treasury Term Loan Facility” means the term loan facility provided for under the Treasury Loan Agreement.

“US Airways” means US Airways, Inc.

“US Airways Group” means US Airways Group, Inc. and its consolidated subsidiaries.

“USTR” means the Office of the U.S. Trade Representative.

“Withdrawal Agreement” means the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community.

“WTO” means World Trade Organization.

“Yield” means a measure of airline revenue derived by dividing passenger revenue by RPMs.

**PART I: FINANCIAL INFORMATION**

This report on Form 10-Q is filed by both AAG and American and includes the Condensed Consolidated Financial Statements of each company in Item 1A and Item 1B, respectively.

**ITEM 1A. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.**

**AMERICAN AIRLINES GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except share and per share amounts)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Operating revenues:</b>				
Passenger	\$ 6,545	\$ 1,108	\$ 9,724	\$ 8,788
Cargo	326	130	641	277
Other	607	384	1,121	1,072
Total operating revenues	<u>7,478</u>	<u>1,622</u>	<u>11,486</u>	<u>10,137</u>
<b>Operating expenses:</b>				
Aircraft fuel and related taxes	1,611	309	2,644	2,092
Salaries, wages and benefits	2,862	2,610	5,593	5,830
Regional expenses	635	492	1,261	1,632
Maintenance, materials and repairs	459	287	835	915
Other rent and landing fees	686	413	1,256	1,024
Aircraft rent	356	334	706	669
Selling expenses	277	57	427	442
Depreciation and amortization	481	499	959	1,059
Special items, net	(1,288)	(1,494)	(2,996)	(362)
Other	958	601	1,675	1,870
Total operating expenses	<u>7,037</u>	<u>4,108</u>	<u>12,360</u>	<u>15,171</u>
<b>Operating income (loss)</b>	<u>441</u>	<u>(2,486)</u>	<u>(874)</u>	<u>(5,034)</u>
<b>Nonoperating income (expense):</b>				
Interest income	5	10	8	31
Interest expense, net	(486)	(254)	(856)	(512)
Other income (expense), net	49	71	158	(34)
Total nonoperating expense, net	<u>(432)</u>	<u>(173)</u>	<u>(690)</u>	<u>(515)</u>
<b>Income (loss) before income taxes</b>	<u>9</u>	<u>(2,659)</u>	<u>(1,564)</u>	<u>(5,549)</u>
Income tax benefit	(10)	(592)	(333)	(1,241)
<b>Net income (loss)</b>	<u>\$ 19</u>	<u>\$ (2,067)</u>	<u>\$ (1,231)</u>	<u>\$ (4,308)</u>
<b>Earnings (loss) per common share:</b>				
Basic	\$ 0.03	\$ (4.82)	\$ (1.92)	\$ (10.08)
Diluted	\$ 0.03	\$ (4.82)	\$ (1.92)	\$ (10.08)
<b>Weighted average shares outstanding (in thousands):</b>				
Basic	644,123	428,807	639,366	427,260
Diluted	656,372	428,807	639,366	427,260
<b>Cash dividends declared per common share</b>	\$ —	\$ —	\$ —	\$ 0.10

See accompanying notes to condensed consolidated financial statements.

**AMERICAN AIRLINES GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(In millions)(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	\$ 19	\$ (2,067)	\$ (1,231)	\$ (4,308)
<b>Other comprehensive income (loss), net of tax:</b>				
Pension, retiree medical and other postretirement benefits	39	(4)	106	(131)
Investments	—	21	—	(1)
<b>Total other comprehensive income (loss), net of tax</b>	<u>39</u>	<u>17</u>	<u>106</u>	<u>(132)</u>
<b>Total comprehensive income (loss)</b>	<u>\$ 58</u>	<u>\$ (2,050)</u>	<u>\$ (1,125)</u>	<u>\$ (4,440)</u>

See accompanying notes to condensed consolidated financial statements.

**AMERICAN AIRLINES GROUP INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except share and par value)

	June 30, 2021 (Unaudited)	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 325	\$ 245
Short-term investments	17,625	6,619
Restricted cash and short-term investments	999	609
Accounts receivable, net	1,249	1,342
Aircraft fuel, spare parts and supplies, net	1,789	1,614
Prepaid expenses and other	660	666
Total current assets	22,647	11,095
<b>Operating property and equipment</b>		
Flight equipment	37,577	37,816
Ground property and equipment	9,132	9,194
Equipment purchase deposits	714	1,446
Total property and equipment, at cost	47,423	48,456
Less accumulated depreciation and amortization	(17,218)	(16,757)
Total property and equipment, net	30,205	31,699
<b>Operating lease right-of-use assets</b>	7,958	8,039
<b>Other assets</b>		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of \$765 and \$745, respectively	2,008	2,029
Deferred tax asset	3,631	3,239
Other assets	1,924	1,816
Total other assets	11,654	11,175
<b>Total assets</b>	<b>\$ 72,464</b>	<b>\$ 62,008</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt and finance leases	\$ 2,798	\$ 2,797
Accounts payable	2,172	1,196
Accrued salaries and wages	1,580	1,716
Air traffic liability	7,095	4,757
Loyalty program liability	2,632	2,033
Operating lease liabilities	1,587	1,651
Other accrued liabilities	3,657	2,419
Total current liabilities	21,521	16,569
<b>Noncurrent liabilities</b>		
Long-term debt and finance leases, net of current maturities	37,201	29,796
Pension and postretirement benefits	6,627	7,069
Loyalty program liability	6,674	7,162
Operating lease liabilities	6,711	6,777
Other liabilities	1,397	1,502
Total noncurrent liabilities	58,610	52,306
<b>Commitments and contingencies</b>		
<b>Stockholders' equity (deficit)</b>		
Common stock, \$0.01 par value; 1,750,000,000 shares authorized, 647,446,499 shares issued and outstanding at June 30, 2021; 621,479,522 shares issued and outstanding at December 31, 2020	6	6
Additional paid-in capital	7,200	6,894
Accumulated other comprehensive loss	(6,997)	(7,103)
Retained deficit	(7,876)	(6,664)
Total stockholders' deficit	(7,667)	(6,867)
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 72,464</b>	<b>\$ 62,008</b>

See accompanying notes to condensed consolidated financial statements.

**AMERICAN AIRLINES GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)(Unaudited)

	Six Months Ended June 30,	
	2021	2020
<b>Net cash provided by (used in) operating activities</b>	\$ 3,644	\$ (1,076)
<b>Cash flows from investing activities:</b>		
Capital expenditures, net of aircraft purchase deposit returns	118	(1,233)
Proceeds from sale-leaseback transactions	163	376
Proceeds from sale of property and equipment	161	148
Purchases of short-term investments	(13,840)	(7,936)
Sales of short-term investments	2,837	2,131
Increase in restricted short-term investments	(404)	(386)
Other investing activities	(71)	(61)
Net cash used in investing activities	(11,036)	(6,961)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	12,096	9,464
Payments on long-term debt and finance leases	(5,040)	(2,477)
Proceeds from issuance of equity	460	1,527
Deferred financing costs	(166)	(84)
Treasury stock repurchases and shares withheld for taxes pursuant to employee stock plans	(13)	(173)
Dividend payments	—	(43)
Other financing activities	121	—
Net cash provided by financing activities	7,458	8,214
Net increase in cash and restricted cash	66	177
Cash and restricted cash at beginning of period	399	290
Cash and restricted cash at end of period <sup>(1)</sup>	\$ 465	\$ 467
<b>Non-cash transactions:</b>		
Right-of-use (ROU) assets acquired through operating leases	\$ 706	\$ 421
Property and equipment acquired through finance leases	61	—
Settlement of bankruptcy obligations	—	56
Deferred financing costs paid through issuance of debt	—	17
<b>Supplemental information:</b>		
Interest paid, net	687	501
Income taxes paid	1	2

<sup>(1)</sup> The following table provides a reconciliation of cash and restricted cash to amounts reported within the condensed consolidated balance sheets:

Cash	\$ 325	\$ 462
Restricted cash included in restricted cash and short-term investments	140	5
Total cash and restricted cash	\$ 465	\$ 467

See accompanying notes to condensed consolidated financial statements.



**AMERICAN AIRLINES GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(In millions, except share amounts)(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total
<b>Balance at December 31, 2020</b>	\$ 6	\$ 6,894	\$ (7,103)	\$ (6,664)	\$ (6,867)
Net loss	—	—	—	(1,250)	(1,250)
Other comprehensive income, net	—	—	67	—	67
Impact of adoption of Accounting Standards Update (ASU) 2020-06 related to convertible instruments (see Note 1(c))	—	(320)	—	19	(301)
Issuance of 18,194,573 shares of AAG common stock pursuant to an at-the-market offering, net of offering costs	—	316	—	—	316
Issuance of PSP2 Warrants (see Note 1(b))	—	65	—	—	65
Issuance of 1,700,380 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	(13)	—	—	(13)
Share-based compensation expense	—	38	—	—	38
<b>Balance at March 31, 2021</b>	<u>6</u>	<u>6,980</u>	<u>(7,036)</u>	<u>(7,895)</u>	<u>(7,945)</u>
Net income	—	—	—	19	19
Other comprehensive income, net	—	—	39	—	39
Issuance of 5,956,191 shares of AAG common stock pursuant to an at-the-market offering, net of offering costs	—	144	—	—	144
Issuance of PSP2 and PSP3 Warrants (see Note 1(b))	—	56	—	—	56
Issuance of 115,833 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	—	—	—	—
Share-based compensation expense	—	20	—	—	20
<b>Balance at June 30, 2021</b>	<u>\$ 6</u>	<u>\$ 7,200</u>	<u>\$ (6,997)</u>	<u>\$ (7,876)</u>	<u>\$ (7,667)</u>

**AMERICAN AIRLINES GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(In millions, except share amounts)(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total
<b>Balance at December 31, 2019</b>	\$ 4	\$ 3,945	\$ (6,331)	\$ 2,264	\$ (118)
Net loss	—	—	—	(2,241)	(2,241)
Other comprehensive loss, net	—	—	(149)	—	(149)
Purchase and retirement of 6,378,025 shares of AAG common stock	—	(145)	—	—	(145)
Dividends declared on AAG common stock (\$0.10 per share)	—	—	—	(44)	(44)
Issuance of 1,062,052 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	(13)	—	—	(13)
Settlement of single-dip unsecured claims held in Disputed Claims Reserve	—	56	—	—	56
Share-based compensation expense	—	18	—	—	18
<b>Balance at March 31, 2020</b>	4	3,861	(6,480)	(21)	(2,636)
Net loss	—	—	—	(2,067)	(2,067)
Other comprehensive income, net	—	—	17	—	17
Issuance of PSP1 Warrants	—	55	—	—	55
Equity component of convertible debt issued, net of tax and offering costs	—	320	—	—	320
Issuance of 85,215,000 shares of AAG common stock pursuant to a public stock offering, net of offering costs	1	1,112	—	—	1,113
Issuance of 454,621 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	(2)	—	—	(2)
Share-based compensation expense	—	31	—	—	31
<b>Balance at June 30, 2020</b>	<u>\$ 5</u>	<u>\$ 5,377</u>	<u>\$ (6,463)</u>	<u>\$ (2,088)</u>	<u>\$ (3,169)</u>

See accompanying notes to condensed consolidated financial statements.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.  
(Unaudited)**

**1. Basis of Presentation and Recent Accounting Pronouncements**

**(a) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of American Airlines Group Inc. (we, us, our and similar terms, or AAG) should be read in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020. The accompanying unaudited condensed consolidated financial statements include the accounts of AAG and its wholly-owned subsidiaries. AAG's principal subsidiary is American Airlines, Inc. (American). All significant intercompany transactions have been eliminated.

Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented. The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The most significant areas of judgment relate to passenger revenue recognition, impairment of goodwill, impairment of long-lived and intangible assets, the loyalty program, deferred tax assets, as well as pension and retiree medical and other postretirement benefits. Certain prior period amounts have been reclassified to conform to the current year presentation. See Note 10 for further information.

**(b) Impact of Coronavirus (COVID-19)**

COVID-19 has been declared a global health pandemic by the World Health Organization. COVID-19 has surfaced in nearly all regions of the world, which has driven the implementation of significant, government-imposed measures to prevent or reduce its spread, including travel restrictions, testing regimes, closing of borders, "stay at home" orders and business closures. As a result, we have experienced an unprecedented decline in the demand for air travel, which has resulted in a material deterioration in our revenues. While global vaccination efforts are underway and demand for air travel has begun to return, the continued impact of COVID-19, including any increases in infection rates, new variants and renewed governmental action to slow the spread of COVID-19 such as has occurred throughout Western Europe and Latin America during the first six months of 2021, cannot be estimated.

We have taken aggressive actions to mitigate the effects of the COVID-19 pandemic on our business, including deep capacity reductions, structural changes to our fleet, cost reductions, and steps to preserve cash and improve our overall liquidity position. We remain extremely focused on taking all self-help measures available to manage our business during this unprecedented time, consistent with the terms of the financial assistance we have received from the U.S. Government under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021 (PSP Extension Law) and Section 7301 of the American Rescue Plan Act of 2021 (the ARP).

*Capacity Reductions*

Our capacity (as measured by available seat miles) continues to be significantly reduced compared to pre-COVID-19 pandemic levels with flying during the second quarter of 2021 down 24.6% as compared to the second quarter of 2019. Domestic capacity in the second quarter of 2021 was down 12.8% while international capacity was down 46.5% versus the second quarter of 2019.

While demand for domestic and short-haul international markets has largely recovered to 2019 levels, uncertainty continues to exist. We will continue to match our forward capacity with observed booking trends for future travel and make further adjustments to our capacity as needed.

*Cost Reductions*

We have reduced our 2021 operating expenditures as a result of permanent non-volume cost reductions and other efficiency measures. These reductions include labor productivity enhancements, management salaries and benefits and other permanent cost reductions. Also, an additional 1,600 represented team members opted in to a voluntary early retirement program, which occurred during the first quarter of 2021.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.  
(Unaudited)**

### *Liquidity*

As of June 30, 2021, we had \$21.3 billion in total available liquidity, consisting of \$18.0 billion in unrestricted cash and short-term investments, \$2.8 billion in an undrawn capacity under revolving credit facilities and a total of \$470 million in undrawn short-term revolving and other facilities.

During the first six months of 2021, we completed the following financing transactions (see Note 5 for further information):

- issued \$3.5 billion in aggregate principal amount of 5.50% Senior Secured Notes due 2026 and \$3.0 billion in aggregate principal amount of 5.75% Senior Secured Notes due 2029 and entered into the \$3.5 billion AAdvantage Term Loan Facility of which the full amount of term loans was drawn at closing;
- repaid in full \$750 million under the 2013 Revolving Facility, \$1.6 billion under the 2014 Revolving Facility and \$450 million under the April 2016 Revolving Facility, all of which was borrowed in the second quarter of 2020 in response to the COVID-19 pandemic;
- repaid the \$550 million of outstanding loans under the \$7.5 billion secured term loan facility with the U.S. Department of the Treasury (Treasury) (the Treasury Loan Agreement) and terminated the Treasury Loan Agreement;
- issued 24.2 million shares of AAG common stock at an average price of \$19.26 per share pursuant to an at-the-market offering for net proceeds of \$460 million (approximately \$650 million of at-the-market authorization remains available at June 30, 2021);
- issued approximately \$150 million in special facility revenue bonds related to John F. Kennedy International Airport (JFK), of which \$62 million was used to fund the redemption of other bonds related to JFK; and
- raised \$163 million principally from aircraft sale-leaseback transactions.

In addition to the foregoing financings, during the first quarter of 2021, we received an aggregate of approximately \$3.1 billion in financial assistance through the payroll support program (PSP2) established under the PSP Extension Law. In April 2021, we received an additional installment of \$463 million for an aggregate \$3.5 billion of such PSP2 financial assistance. In connection with our receipt of this financial assistance, AAG issued a promissory note (the PSP2 Promissory Note) to Treasury for \$1.0 billion in aggregate principal amount and warrants to purchase up to an aggregate of approximately 6.6 million shares (the PSP2 Warrant Shares) of AAG common stock.

During the second quarter of 2021, we received an aggregate of approximately \$3.3 billion in financial assistance through the payroll support program (PSP3) established under the ARP. In connection with our receipt of this financial assistance, AAG issued a promissory note (the PSP3 Promissory Note) to Treasury for \$946 million in aggregate principal amount and warrants to purchase up to an aggregate of approximately 4.4 million shares (the PSP3 Warrant Shares) of AAG common stock. See below for further discussion on PSP2 and PSP3.

A significant portion of our debt financing agreements contain covenants requiring us to maintain an aggregate of at least \$2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities and/or contain loan to value, collateral coverage and/or debt service coverage ratio covenants.

Given the above actions and our current assumptions about the future impact of the COVID-19 pandemic on travel demand, which could be materially different due to the inherent uncertainties of the current operating environment, we expect to meet our cash obligations as well as remain in compliance with the debt covenants in our existing financing agreements for the next 12 months based on our current level of unrestricted cash and short-term investments, our anticipated access to liquidity (including via proceeds from financings), and projected cash flows from operations.

### *PSP2*

On January 15, 2021 (the PSP2 Closing Date), American, Envoy Air Inc. (Envoy), Piedmont Airlines, Inc. (Piedmont) and PSA Airlines, Inc. (PSA and together with American, Envoy and Piedmont, the Subsidiaries), entered into a Payroll Support Program Extension Agreement (the PSP2 Agreement) with Treasury, with respect to PSP2 as provided pursuant to the PSP Extension Law. In connection with our entry into the PSP2 Agreement, on the PSP2 Closing Date, AAG also entered into a warrant agreement (the PSP2 Warrant Agreement) with Treasury and issued the PSP2 Promissory Note to Treasury, with the Subsidiaries as guarantors.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.  
(Unaudited)**

PSP2 Agreement

In connection with PSP2, we are required to comply with the relevant provisions of the PSP Extension Law, which are substantially similar as the restrictions contained in the Payroll Support Program Agreement entered into by the Subsidiaries with Treasury in connection with the payroll support program established under the CARES Act, but are in effect for a longer time period. These provisions include the requirement that funds provided pursuant to the PSP2 Agreement be used exclusively for the continuation of payment of eligible employee wages, salaries and benefits, the requirement against involuntary furloughs and reductions in employee pay rates and benefits through March 31, 2021, the provisions that prohibit the repurchase of AAG common stock, and the payment of common stock dividends through at least March 31, 2022, the provisions that restrict the payment of certain executive compensation until at least October 1, 2022, as well as a requirement to recall employees involuntarily terminated or furloughed after September 30, 2020. As was the case with PSP1, the PSP2 Agreement also imposes substantial reporting obligations on us.

Pursuant to the PSP2 Agreement, Treasury provided us financial assistance in three installments (each prior installment and any future installment disbursement, an Installment) totaling approximately \$3.5 billion in the aggregate, all of which was received as of June 30, 2021. As partial compensation to the U.S. Government for the provision of financial assistance under PSP2, AAG issued the PSP2 Promissory Note in the aggregate principal amount of \$1.0 billion and issued warrants (each a PSP2 Warrant and, collectively, the PSP2 Warrants) to Treasury to purchase up to an aggregate of approximately 6.6 million shares of AAG common stock for an exercise price of \$15.66 per share, subject to adjustment. See Note 5 for further information on the PSP2 Promissory Note and below for more information on the PSP2 Warrant Agreement and PSP2 Warrants.

For accounting purposes, the \$3.5 billion of aggregate financial assistance we received pursuant to the PSP2 Agreement is allocated to the PSP2 Promissory Note, the PSP2 Warrants and the other PSP2 financial assistance (the PSP2 Financial Assistance). The aggregate principal amount of \$1.0 billion of the PSP2 Promissory Note was recorded as unsecured long-term debt, and the total fair value of the PSP2 Warrants of \$76 million, estimated using a Black-Scholes option pricing model, was recorded in stockholders' deficit in the condensed consolidated balance sheet. The remaining amount of approximately \$2.4 billion of PSP2 Financial Assistance was recognized as a credit to special items, net in the condensed consolidated statement of operations primarily in the first quarter of 2021, the remaining period over which the continuation of payment of eligible employee wages, salaries and benefits was required. The third installment of PSP2 Financial Assistance was received and recognized as a credit to special items, net in the second quarter of 2021. For the three and six months ended June 30, 2021, \$314 million and \$2.4 billion of PSP2 Financial Assistance, respectively, was recognized as a credit to special items, net in the condensed consolidated statements of operations.

PSP2 Warrant Agreement and PSP2 Warrants

As partial compensation to the U.S. Government for the provision of financial assistance under the PSP2 Agreement, and pursuant to the PSP2 Warrant Agreement, AAG issued the PSP2 Warrants to Treasury to purchase PSP2 Warrant Shares. The exercise price of the PSP2 Warrant Shares is \$15.66 per share, subject to certain anti-dilution provisions provided for in the PSP2 Warrants.

Pursuant to the PSP2 Warrant Agreement, AAG issued to Treasury PSP2 Warrants to purchase up to an aggregate of approximately 6.6 million shares of AAG common stock for an exercise price of \$15.66 per share, subject to adjustment.

The PSP2 Warrants do not have any voting rights and are freely transferrable, with registration rights. Each PSP2 Warrant expires on the fifth anniversary of the date of issuance of such PSP2 Warrant. The PSP2 Warrants will be exercisable either through net share settlement or cash, at our option. The PSP2 Warrants were and will be issued solely as compensation to the U.S. Government related to entry into the PSP2 Agreement. No separate proceeds (apart from the financial assistance described above) were received upon issuance of the PSP2 Warrants or will be received upon exercise thereof.

PSP3

On April 23, 2021 (the PSP3 Closing Date), American, Envoy, Piedmont and PSA (collectively, the Subsidiaries), entered into a Payroll Support Program 3 Agreement (the PSP3 Agreement) with Treasury, with respect to PSP3 as provided pursuant to the ARP. In connection with our entry into the PSP3 Agreement, on the PSP3 Closing Date, AAG also entered into a warrant agreement (the PSP3 Warrant Agreement) with Treasury and issued the PSP3 Promissory Note to Treasury, with the Subsidiaries as guarantors.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.  
(Unaudited)**

PSP3 Agreement

In connection with PSP3, we are required to comply with the relevant provisions of the ARP, which are substantially similar as the restrictions contained in the Payroll Support Program Agreement entered into by the Subsidiaries with Treasury in connection with the payroll support program established under the CARES Act, but are in effect for a longer time period. These provisions include the requirement that funds provided pursuant to the PSP3 Agreement be used exclusively for the continuation of payment of eligible employee wages, salaries and benefits, the requirement against involuntary furloughs and reductions in employee pay rates and benefits through at least September 30, 2021, the provisions that prohibit the repurchase of AAG common stock, and the payment of common stock dividends through at least September 30, 2022, the provisions that restrict the payment of certain executive compensation until April 1, 2023. As was the case with PSP1 and PSP2, the PSP3 Agreement also imposes substantial reporting obligations on us.

Pursuant to the PSP3 Agreement, Treasury provided us financial assistance in two installments (each prior installment and any future installment disbursement, a PSP3 Installment) totaling approximately \$3.3 billion in the aggregate, all of which was received as of June 30, 2021. As partial compensation to the U.S. Government for the provision of financial assistance under PSP3, AAG issued the PSP3 Promissory Note in the aggregate principal amount of \$946 million and issued warrants (each a PSP3 Warrant and, collectively, the PSP3 Warrants) to Treasury to purchase up to an aggregate of approximately 4.4 million shares of AAG common stock for an exercise price of \$21.75 per share, subject to adjustment. See Note 5 for further information on the PSP3 Promissory Note and below for more information on the PSP3 Warrant Agreement and PSP3 Warrants.

For accounting purposes, the \$3.3 billion of aggregate financial assistance we received pursuant to the PSP3 Agreement is allocated to the PSP3 Promissory Note, the PSP3 Warrants and the other PSP3 financial assistance (the PSP3 Financial Assistance). The aggregate principal amount of \$946 million of the PSP3 Promissory Note was recorded as unsecured long-term debt, and the total fair value of the PSP3 Warrants of \$46 million, estimated using a Black-Scholes option pricing model, was recorded in stockholders' deficit in the condensed consolidated balance sheet. The remaining amount of approximately \$2.3 billion of PSP3 Financial Assistance will be recognized as a credit to special items, net in the condensed consolidated statement of operations in the second and third quarters of 2021, the remaining period over which the continuation of payment of eligible employee wages, salaries and benefits is expected, as required by the PSP3 Agreement. At June 30, 2021, approximately \$1.1 billion of the PSP3 Financial Assistance was deferred in other accrued liabilities in the condensed consolidated balance sheet and approximately \$1.2 billion was recognized as a credit to special items, net in the condensed consolidated statement of operations.

PSP3 Warrant Agreement and PSP3 Warrants

As partial compensation to the U.S. Government for the provision of financial assistance under the PSP3 Agreement, and pursuant to the PSP3 Warrant Agreement, AAG issued the PSP3 Warrants to Treasury to purchase PSP3 Warrant Shares. The exercise price of the PSP3 Warrant Shares is \$21.75 per share, subject to certain anti-dilution provisions provided for in the PSP3 Warrants.

Pursuant to the PSP3 Warrant Agreement, AAG issued to Treasury PSP3 Warrants to purchase up to an aggregate of approximately 4.4 million shares of AAG common stock for an exercise price of \$21.75 per share, subject to adjustment.

The PSP3 Warrants do not have any voting rights and are freely transferrable, with registration rights. Each PSP3 Warrant expires on the fifth anniversary of the date of issuance of such PSP3 Warrant. The PSP3 Warrants will be exercisable either through net share settlement or cash, at our option. The PSP3 Warrants were and will be issued solely as compensation to the U.S. Government related to entry into the PSP3 Agreement. No separate proceeds (apart from the financial assistance described above) were received upon issuance of the PSP3 Warrants or will be received upon exercise thereof.

**(c) Recent Accounting Pronouncements**

*ASU 2020-06: Accounting for Convertible Instruments and Contracts In An Entity's Own Equity (the New Convertible Debt Standard)*

The New Convertible Debt Standard simplifies the accounting for certain convertible instruments by removing the separation models for convertible debt with a cash conversion feature and for convertible instruments with a beneficial conversion feature. As a result, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. Additionally, the New Convertible Debt Standard amends the diluted earnings per share calculation for convertible instruments by requiring the use of the if-converted method. The treasury stock method is no longer available. Entities may adopt the New Convertible Debt Standard using either a full or

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.**  
(Unaudited)

modified retrospective approach, and it is effective for interim and annual reporting periods beginning after December 15, 2021. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2020. The New Convertible Debt Standard is applicable to our 6.50% convertible senior notes due 2025 (the Convertible Notes). We early adopted the New Convertible Debt Standard as of January 1, 2021 using the modified retrospective method to recognize our Convertible Notes as a single liability instrument. As of January 1, 2021, we recorded a \$415 million (\$320 million net of tax) reduction to additional paid-in capital to remove the equity component of the Convertible Notes from our balance sheet and a \$19 million cumulative effect adjustment credit, net of tax, to retained deficit related to non-cash debt discount amortization recognized in periods prior to adoption resulting in a corresponding reduction of \$389 million to the debt discount associated with the Convertible Notes.

*ASU 2019-12: Simplifying the Accounting for Income Taxes (Topic 740)*

This standard simplifies the accounting and disclosure requirements for income taxes by clarifying the existing guidance to improve consistency in the application of Accounting Standards Codification 740. This standard also removed the requirement to calculate income tax expense for the stand-alone financial statements of wholly-owned subsidiaries that are not subject to income tax. We adopted this standard effective January 1, 2021, and it did not have a material impact on our condensed consolidated financial statements.

## 2. Special Items, Net

Special items, net in the condensed consolidated statements of operations consisted of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
PSP Financial Assistance <sup>(1)</sup>	\$ (1,288)	\$ (1,803)	\$ (3,170)	\$ (1,803)
Severance expenses <sup>(2)</sup>	—	332	168	537
Mark-to-market adjustments on bankruptcy obligations, net <sup>(3)</sup>	—	—	6	(49)
Fleet impairment <sup>(4)</sup>	—	—	—	743
Labor contract expenses <sup>(5)</sup>	—	10	—	228
Other operating special items, net	—	(33)	—	(18)
Mainline operating special items, net	(1,288)	(1,494)	(2,996)	(362)
PSP Financial Assistance <sup>(1)</sup>	(167)	(216)	(410)	(216)
Fleet impairment <sup>(4)</sup>	—	24	27	117
Severance expenses <sup>(2)</sup>	—	14	2	14
Regional operating special items, net	(167)	(178)	(381)	(85)
Operating special items, net	(1,455)	(1,672)	(3,377)	(447)
Mark-to-market adjustments on equity and other investments, net <sup>(6)</sup>	37	—	(13)	180
Debt refinancing, extinguishment and other, net	—	11	26	48
Nonoperating special items, net	37	11	13	228

<sup>(1)</sup> The 2021 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP2 and PSP3 Agreements. See Note 1(b) for further information. The 2020 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP1 Agreement.

<sup>(2)</sup> Severance expenses include salary and medical costs primarily associated with certain team members who opted in to voluntary early retirement programs offered as a result of reductions to our operation due to the COVID-19 pandemic. Cash payments related to our voluntary early retirement programs for the three and six months ended June 30, 2021 were approximately \$120 million and \$290 million, respectively.

<sup>(3)</sup> Bankruptcy obligations that will be settled in shares of our common stock are marked-to-market based on our stock price.



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- (4) Fleet impairment resulted from our decision to retire certain aircraft earlier than planned driven primarily by the severe decline in air travel due to the COVID-19 pandemic. In the first six months of 2021, we retired our remaining fleet of Embraer 140 aircraft resulting in a non-cash write-down of these aircraft. In the first six months of 2020, we retired our Boeing 757, Boeing 767, Airbus A330-300 and Embraer 190 fleets as well as certain Embraer 140 and Bombardier CRJ200 aircraft resulting in a \$784 million non-cash write-down of mainline and regional aircraft and associated spare parts and \$76 million in cash charges primarily for impairment of ROU assets and lease return costs.
- (5) Labor contract expenses primarily related to one-time charges resulting from the ratification of a new contract with the Transport Workers Union and International Association of Machinists & Aerospace Workers for our maintenance and fleet service team members, including signing bonuses and adjustments to vacation accruals resulting from pay rate increases.
- (6) Mark-to-market adjustments on equity and other investments, net primarily related to net unrealized gains and losses associated with our equity investment in China Southern Airlines Company Limited (China Southern Airlines) and certain treasury rate lock derivative instruments.

### 3. Earnings (Loss) Per Common Share

The following table sets forth the computation of basic and diluted earnings (loss) per common share (EPS) (in millions, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Basic EPS:</b>				
Net income (loss)	\$ 19	\$ (2,067)	\$ (1,231)	\$ (4,308)
Weighted average common shares outstanding (in thousands)	644,123	428,807	639,366	427,260
Basic EPS	<u>\$ 0.03</u>	<u>\$ (4.82)</u>	<u>\$ (1.92)</u>	<u>\$ (10.08)</u>
<b>Diluted EPS:</b>				
Net income (loss) for purposes of computing diluted EPS	\$ 19	\$ (2,067)	\$ (1,231)	\$ (4,308)
Share computation for diluted EPS (in thousands):				
Basic weighted average common shares outstanding	644,123	428,807	639,366	427,260
Dilutive effect of stock awards and warrants	12,249	—	—	—
Diluted weighted average common shares outstanding	<u>656,372</u>	<u>428,807</u>	<u>639,366</u>	<u>427,260</u>
Diluted EPS	<u>\$ 0.03</u>	<u>\$ (4.82)</u>	<u>\$ (1.92)</u>	<u>\$ (10.08)</u>

Securities that could potentially dilute EPS in the future, and which were excluded from the calculation of diluted EPS because inclusion of such shares would be antidilutive, are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
6.50% convertible senior notes	61,728	4,070	61,728	2,035
PSP1 Warrants	—	6,368	5,632	3,184
Restricted stock unit awards	1,182	5,781	3,191	5,357
Treasury Loan Warrants	—	—	1,755	—
PSP2 Warrants	—	—	1,242	—
PSP3 Warrants	—	—	34	—



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#### 4. Revenue Recognition

##### Revenue

The following are the significant categories comprising our reported operating revenues (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Passenger revenue:				
Passenger travel	\$ 5,995	\$ 1,006	\$ 8,888	\$ 8,085
Loyalty revenue - travel <sup>(1)</sup>	550	102	836	703
Total passenger revenue	6,545	1,108	9,724	8,788
Cargo	326	130	641	277
Other:				
Loyalty revenue - marketing services <sup>(2)</sup>	529	356	986	927
Other revenue	78	28	135	145
Total other revenue	607	384	1,121	1,072
Total operating revenues	\$ 7,478	\$ 1,622	\$ 11,486	\$ 10,137

<sup>(1)</sup> Loyalty revenue included in passenger revenue is principally comprised of mileage credit redemptions, which were earned from travel or co-branded credit card and other partners.

<sup>(2)</sup> During the three months ended June 30, 2021 and 2020, cash payments from co-branded credit card and other partners was \$684 million and \$573 million, respectively. During the six months ended June 30, 2021 and 2020, cash payments from co-branded credit card and other partners was \$1.7 billion and \$1.8 billion, respectively.

The following is our total passenger revenue by geographic region (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Domestic	\$ 5,444	\$ 1,026	\$ 8,099	\$ 6,806
Latin America	936	34	1,417	1,214
Atlantic	125	42	147	565
Pacific	40	6	61	203
Total passenger revenue	\$ 6,545	\$ 1,108	\$ 9,724	\$ 8,788

We attribute passenger revenue by geographic region based upon the origin and destination of each flight segment.

##### Contract Balances

Our significant contract liabilities are comprised of (1) outstanding loyalty program mileage credits that may be redeemed for future travel and other non-air travel awards, reported as loyalty program liability on the condensed consolidated balance sheets and (2) ticket sales for transportation that has not yet been provided, reported as air traffic liability on the condensed consolidated balance sheets.

	June 30, 2021	December 31, 2020
	(In millions)	
Loyalty program liability	\$ 9,306	\$ 9,195
Air traffic liability	7,095	4,757
Total	\$ 16,401	\$ 13,952

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The balance of the loyalty program liability fluctuates based on seasonal patterns, which impact the volume of mileage credits issued through travel or sold to co-branded credit card and other partners (deferral of revenue) and mileage credits redeemed (recognition of revenue). Changes in loyalty program liability are as follows (in millions):

Balance at December 31, 2020	\$	9,195
Deferral of revenue		983
Recognition of revenue <sup>(1)</sup>		(872)
Balance at June 30, 2021 <sup>(2)</sup>	\$	<u>9,306</u>

<sup>(1)</sup> Principally relates to revenue recognized from the redemption of mileage credits for both air and non-air travel awards. Mileage credits are combined in one homogenous pool and are not separately identifiable. As such, the revenue is comprised of miles that were part of the loyalty program deferred revenue balance at the beginning of the period, as well as miles that were issued during the period.

<sup>(2)</sup> Mileage credits can be redeemed at any time and generally do not expire as long as that AAdvantage member has any type of qualifying activity at least every 18 months. In response to the COVID-19 pandemic, we suspended the expiration of mileage credits through December 31, 2021 and eliminated mileage reinstatement fees for canceled award tickets. As of June 30, 2021, our current loyalty program liability was \$2.6 billion and represents our current estimate of revenue expected to be recognized in the next 12 months based on historical as well as projected trends, with the balance reflected in long-term loyalty program liability expected to be recognized as revenue in periods thereafter. Given the inherent uncertainty of the current operating environment due to the COVID-19 pandemic, we will continue to monitor redemption patterns and may adjust our estimates in the future.

The air traffic liability principally represents tickets sold for future travel on American and partner airlines, as well as estimated future refunds and exchanges of tickets sold for past travel. The balance in our air traffic liability also fluctuates with seasonal travel patterns. The contract duration of passenger tickets is generally one year. Accordingly, any revenue associated with tickets sold for future travel will be recognized within 12 months. For the six months ended June 30, 2021, \$1.2 billion of revenue was recognized in passenger revenue that was included in our air traffic liability at December 31, 2020. In response to the COVID-19 pandemic, we extended the contract duration for certain tickets to March 31, 2022, principally those tickets which were scheduled to expire from March 1, 2020 through March 31, 2021. Additionally, we have eliminated change fees for most domestic and international tickets. As of June 30, 2021, the air traffic liability included approximately \$1.6 billion of travel credits related to these unused tickets. Given this change in contract duration and uncertainty surrounding the future demand for air travel, our estimates of revenue that will be recognized from the air traffic liability for future flown or unused tickets as well as our estimates of refunds may be subject to variability and differ from historical experience.

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**5. Debt**

Long-term debt included in the condensed consolidated balance sheets consisted of (in millions):

	June 30, 2021	December 31, 2020
<i>Secured</i>		
2013 Term Loan Facility, variable interest rate of 1.85%, installments through 2025	\$ 1,770	\$ 1,788
2013 Revolving Facility	—	750
2014 Term Loan Facility, variable interest rate of 1.85%, installments through 2027	1,208	1,220
2014 Revolving Facility	—	1,643
April 2016 Spare Parts Term Loan Facility, variable interest rate of 2.10%, installments through 2023	950	960
April 2016 Revolving Facility	—	450
December 2016 Term Loan Facility, variable interest rate of 2.07%, installments through 2023	1,200	1,200
11.75% senior secured notes, interest only payments until due in July 2025	2,500	2,500
10.75% senior secured IP notes, interest only payments until due in February 2026	1,000	1,000
10.75% senior secured LGA/DCA notes, interest only payments until due in February 2026	200	200
Treasury Term Loan Facility	—	550
5.50% senior secured notes, installments beginning in July 2023 until due in April 2026	3,500	—
5.75% senior secured notes, installments beginning in July 2026 until due in April 2029	3,000	—
AAdvantage Term Loan Facility, variable interest rate of 5.50%, installments beginning in July 2023 through April 2028	3,500	—
Enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 3.00% to 8.39%, averaging 3.91%, maturing from 2021 to 2032	10,176	11,013
Equipment loans and other notes payable, fixed and variable interest rates ranging from 1.22% to 4.64%, averaging 1.85%, maturing from 2021 to 2032	3,788	4,417
Special facility revenue bonds, fixed interest rates ranging from 2.25% to 5.38%, maturing from 2026 to 2036	1,129	1,064
	<u>33,921</u>	<u>28,755</u>
<i>Unsecured</i>		
PSP1 Promissory Note	1,765	1,765
PSP2 Promissory Note	1,035	—
PSP3 Promissory Note	946	—
6.50% convertible senior notes, interest only payments until due in July 2025	1,000	1,000
5.000% senior notes, interest only payments until due in June 2022	750	750
3.75% senior notes, interest only payments until due in March 2025	500	500
	<u>5,996</u>	<u>4,015</u>
Total long-term debt	39,917	32,770
Less: Total unamortized debt discount, premium and issuance costs	496	749
Less: Current maturities	2,692	2,697
Long-term debt, net of current maturities	<u>\$ 36,729</u>	<u>\$ 29,324</u>

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As of June 30, 2021, the maximum availability under our revolving credit and other facilities is as follows (in millions):

2013 Revolving Facility	\$	750
2014 Revolving Facility		1,643
April 2016 Revolving Facility		450
Short-term Revolving and Other Facilities		470
Total	\$	<u>3,313</u>

American has an undrawn \$400 million short-term revolving credit facility it entered into in December 2019, which was set to expire at the beginning of July 2021 but which has been extended through the beginning of October 2021 and the available amount thereunder increased to \$500 million. American has the option to extend further this short-term revolving credit facility to January 2022. American also currently has approximately \$70 million of available borrowing base under a cargo receivables facility that was entered into in December 2020. The December 2016 Credit Facilities provide for a revolving credit facility that may be established thereunder in the future.

Secured financings are collateralized by assets, consisting primarily of aircraft, engines, simulators, aircraft spare parts, airport gate leasehold rights, route authorities and airport slots, as well as certain intellectual property and loyalty program assets.

#### **6.50% Convertible Senior Notes**

At June 30, 2021, the if-converted value of the Convertible Notes exceeded the principal amount by \$309 million. The last reported sale price per share of our common stock (as defined in the Convertible Notes Indenture) exceeded 130% of the conversion price of the Convertible Notes for each of at least 20 trading days during the 30 consecutive trading days ending on June 30, 2021. Accordingly, pursuant to the terms of the Convertible Notes Indenture, the holders of the Convertible Notes may convert at their option at any time during the quarter ending September 30, 2021. Each \$1,000 principal amount of Convertible Notes is convertible at a rate of 61.7284 shares of our common stock, subject to adjustment as provided in the Convertible Notes Indenture. We may settle conversions by paying or delivering, as applicable, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

#### **2021 Financing Activities**

##### *2013, 2014 and April 2016 Revolving Facilities*

In March 2021, American repaid in full the \$750 million of revolving loans outstanding under the 2013 Revolving Facility, the \$1.6 billion of revolving loans outstanding under the 2014 Revolving Facility and the \$450 million of revolving loans outstanding under the April 2016 Revolving Facility. Following the March 2021 repayment, American is able to draw upon the commitments under these revolving facilities again as needed upon the terms of the underlying credit agreements or leave them undrawn, in each case, until such commitments expire, which is currently scheduled to occur in 2024 for substantially all of such commitments. As of June 30, 2021, there were no borrowings or letters of credit outstanding under the 2013 Revolving Facility, the 2014 Revolving Facility or the April 2016 Revolving Facility.

##### *PSP2 Promissory Note*

As partial compensation to the U.S. Government for the provision of financial assistance under the PSP2 Agreement, AAG issued the PSP2 Promissory Note to Treasury, which provides for our unconditional promise to pay to Treasury the principal sum of \$1.0 billion, and the guarantee of our obligations under the PSP2 Promissory Note by the Subsidiaries.

The PSP2 Promissory Note bears interest on the outstanding principal amount at a rate equal to 1.00% per annum until the fifth anniversary of the PSP2 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 PSP2 Closing Date (the PSP2 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 PSP2 Promissory Note, together with all accrued and unpaid interest thereon and all other amounts payable under the PSP2 Promissory Note, will be due and payable on the PSP2 Maturity Date.

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We may, at any time and from time to time, voluntarily prepay amounts outstanding under the PSP2 Promissory Note, in whole or in part, without penalty or premium. Within 30 days of the occurrence of certain change of control triggering events, we are required to prepay the aggregate outstanding principal amount of the PSP2 Promissory Note at such time, together with any accrued interest or other amounts owing under the PSP2 Promissory Note at such time.

The PSP2 Promissory Note is our senior unsecured obligation and each guarantee of the PSP2 Promissory Note is the senior unsecured obligation of each of the Subsidiaries, respectively.

The PSP2 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 PSP2 Promissory Note may, and in certain circumstances will automatically, be accelerated and become due and payable immediately.

#### *PSP3 Promissory Note*

As partial compensation to the U.S. Government for the provision of financial assistance under the PSP3 Agreement, AAG issued the PSP3 Promissory Note to Treasury, which provides for our unconditional promise to pay to Treasury the principal sum of \$946 million, subject to an increase equal to 30% of the amount of any additional PSP3 Installment disbursed under the PSP3 Agreement, and the guarantee of our obligations under the PSP3 Promissory Note by the Subsidiaries.

The PSP3 Promissory Note bears interest on the outstanding principal amount at a rate equal to 1.00% per annum until the fifth anniversary of the PSP3 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 PSP3 Closing Date (the PSP3 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 September 30, 2021. The aggregate principal amount outstanding under the PSP3 Promissory Note, together with all accrued and unpaid interest thereon and all other amounts payable under the PSP3 Promissory Note, will be due and payable on the PSP3 Maturity Date.

We may, at any time and from time to time, voluntarily prepay amounts outstanding under the PSP3 Promissory Note, in whole or in part, without penalty or premium. Within 30 days of the occurrence of certain change of control triggering events, we are required to prepay the aggregate outstanding principal amount of the PSP3 Promissory Note at such time, together with any accrued interest or other amounts owing under the PSP3 Promissory Note at such time.

The PSP3 Promissory Note is our senior unsecured obligation and each guarantee of the PSP3 Promissory Note is the senior unsecured obligation of each of the Subsidiaries, respectively. The PSP3 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 PSP3 Promissory Note may, and in certain circumstances will automatically, be accelerated and become due and payable immediately.

#### *AAdvantage Financing*

On March 24, 2021 (the AAdvantage Financing Closing Date), American and AAdvantage Loyalty IP Ltd., a newly formed Cayman Islands exempted company incorporated with limited liability and an indirect wholly owned subsidiary of American (Loyalty Issuer and, together with American, the AAdvantage Issuers), completed the offering of \$3.5 billion aggregate principal amount of 5.50% Senior Secured Notes due 2026 (the 2026 Notes) and \$3.0 billion aggregate principal amount of 5.75% Senior Secured Notes due 2029 (the 2029 Notes, and together with the 2026 Notes, the AAdvantage Notes). The AAdvantage Notes are fully and unconditionally guaranteed (the AAdvantage Note Guarantees) on a senior unsecured basis by AAG and fully and unconditionally guaranteed on a senior secured basis, jointly and severally, by AAdvantage Holdings 1, Ltd., a newly formed Cayman Islands exempted company incorporated with limited liability and a direct wholly owned subsidiary of American, and AAdvantage Holdings 2, Ltd., a newly formed Cayman Islands exempted company incorporated with limited liability and an indirect wholly owned subsidiary of American and the direct parent of Loyalty Issuer (HoldCo2 and, together with AAdvantage Holdings 1, Ltd., the SPV Guarantors, and the SPV Guarantors together with AAG, the AAdvantage Guarantors). The AAdvantage Notes were issued pursuant to an indenture, dated as of March 24, 2021 (the AAdvantage Indenture), by and among the AAdvantage Issuers, the AAdvantage Guarantors and Wilmington Trust, National Association, as trustee and as collateral custodian.

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Concurrent with the issuance of the AAdvantage Notes, the AAdvantage Issuers, as co-borrowers, entered into a term loan credit and guaranty agreement, dated March 24, 2021, with Barclays Bank PLC, as administrative agent, Wilmington Trust, National Association, as collateral administrator, and the lenders party thereto, providing for a \$3.5 billion term loan facility (the AAdvantage Term Loan Facility and collectively with the AAdvantage Notes, the AAdvantage Financing) and pursuant to which the full \$3.5 billion of term loans (the AAdvantage Loans) were drawn on the AAdvantage Financing Closing Date. The AAdvantage Loans are fully and unconditionally guaranteed (together with the AAdvantage Note Guarantees, the AAdvantage Guarantees) by the AAdvantage Guarantors.

Subject to certain permitted liens and other exceptions, the AAdvantage Notes, AAdvantage Loans and AAdvantage Guarantees provided by the SPV Guarantors will be secured by a first-priority security interest in, and pledge of, various agreements with respect to the AAdvantage program (the AAdvantage Agreements) (including all payments thereunder) and rights under an intercompany agreement and certain IP Licenses (as defined below), certain rights under the AAdvantage program, certain deposit accounts that will receive cash under the AAdvantage Agreements, certain reserve accounts, the equity of each of Loyalty Issuer and the SPV Guarantors and substantially all other assets of Loyalty Issuer and the SPV Guarantors (collectively, the AAdvantage Collateral).

*Payment Terms of the AAdvantage Notes and AAdvantage Loans under the AAdvantage Term Loan Facility*

Interest on the AAdvantage Notes is payable in cash, quarterly in arrears on the 20th day of each January, April, July and October (each, an AAdvantage Payment Date), beginning July 20, 2021. The 2026 Notes will mature on April 20, 2026, and the 2029 Notes will mature on April 20, 2029. The outstanding principal on the 2026 Notes will be repaid in quarterly installments of approximately \$292 million on each AAdvantage Payment Date, beginning on July 20, 2023. The outstanding principal on the 2029 Notes will be repaid in quarterly installments of \$250 million on each AAdvantage Payment Date, beginning on July 20, 2026.

The AAdvantage Issuers may redeem the AAdvantage Notes, at their option, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the AAdvantage Notes redeemed plus a "make-whole" premium, together with accrued and unpaid interest to the date of redemption.

The scheduled maturity date of the AAdvantage Loans under the AAdvantage Term Loan Facility is April 20, 2028. The AAdvantage Loans bear interest at a variable rate equal to LIBOR (but not less than 0.75% per annum), plus a margin of 4.75% per annum, payable on each AAdvantage Payment Date. The outstanding principal on the AAdvantage Loans will be repaid in quarterly installments of \$175 million, on each AAdvantage Payment Date beginning with the AAdvantage Payment Date in July 2023. These amortization payments (as well as those for the AAdvantage Notes) will be subject to the occurrence of certain early amortization events, including the failure to satisfy a minimum debt service coverage ratio at specified determination dates.

Prepayment of some or all of the AAdvantage Loans outstanding under the AAdvantage Term Loan Facility is permitted, although payment of an applicable premium is required as specified in the AAdvantage Term Loan Facility.

The AAdvantage Indenture and the AAdvantage Term Loan Facility contain mandatory prepayment provisions triggered upon (i) the issuance or incurrence by Loyalty Issuer or the SPV Guarantors of certain indebtedness or (ii) the receipt by American or its subsidiaries of net proceeds from pre-paid frequent flyer (i.e., AAdvantage) mile purchases exceeding \$500 million, with prepayment required only in respect of net proceeds from such purchases exceeding \$505 million in the aggregate. Each of these prepayments would also require payment of an applicable premium. Certain other events, including the occurrence of a change of control with respect to AAG and certain AAdvantage Collateral sales exceeding a specified threshold, will also trigger mandatory repurchase or mandatory prepayment provisions under the AAdvantage Indenture and the AAdvantage Term Loan Facility, respectively.

*Other Terms of the AAdvantage Indenture and the AAdvantage Term Loan Facility*

The AAdvantage Indenture and the AAdvantage Term Loan Facility contain certain covenants that limit the ability of Loyalty Issuer, the SPV Guarantors and, in certain circumstances, American and AAG, to among other things, (i) incur additional indebtedness and make restricted payments, (ii) incur certain liens on the AAdvantage Collateral, (iii) merge, consolidate or sell substantially all of their assets, (iv) dispose of the AAdvantage Collateral, (v) sell pre-paid frequent flyer (i.e. AAdvantage) miles in excess of \$550 million in the aggregate, and (vi) terminate, amend, waive, supplement or modify the IP Licenses, or exercise rights and remedies thereunder, except under certain circumstances. American and Loyalty Issuer are also prohibited from substantially reducing the AAdvantage program business or modifying the terms of the AAdvantage program in a manner that would reasonably be expected to materially impair repayment of the AAdvantage Financing obligations (described as a Payment Material Adverse Effect in the AAdvantage Indenture and the

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AAdvantage Term Loan Facility), and AAG and its subsidiaries are prohibited from changing the policies and procedures of the AAdvantage program in a manner that would reasonably be expected to have a Payment Material Adverse Effect or operating a competing loyalty program. Notwithstanding these restrictions, the AAdvantage program is expected to operate as it has in the past, and the entry into the AAdvantage Financing is not expected to have any impact on the benefits offered to AAdvantage members.

In addition, subject to certain exceptions, the AAdvantage Indenture and the AAdvantage Term Loan Facility restrict the ability of American, Loyalty Issuer or any Guarantor to terminate, or modify certain terms within, the intercompany agreement governing the relationship between American and Loyalty Issuer with respect to the AAdvantage program.

The AAdvantage Indenture and the AAdvantage Term Loan Facility also require the AAdvantage Issuers to comply with certain affirmative covenants, including (i) certain reporting requirements and (ii) the use of commercially reasonable efforts to cause sufficient counterparties to AAdvantage Agreements to direct payments with respect to the AAdvantage program into a collections account, such that at least 90% of such cash receipts in a quarterly reporting period are deposited directly into this collection account, with amounts to be distributed from this collection account for the payment of fees, principal and interest on the AAdvantage Notes and the AAdvantage Loans pursuant to a payment waterfall described in the AAdvantage Indenture and the AAdvantage Term Loan Facility, respectively. In addition, the AAdvantage Indenture and the AAdvantage Term Loan Facility require AAG to maintain minimum liquidity, defined as the sum of (a) unrestricted cash and cash equivalents and (b) the aggregate principal amount committed and available to be drawn under all of AAG's revolving credit and other facilities, at the close of any business day of at least \$2.0 billion.

Subject to certain materiality thresholds, qualifications, exceptions, "baskets" and grace and cure periods, the AAdvantage Indenture and the AAdvantage Term Loan Facility contain various events of default, including payment defaults, covenant defaults, cross-defaults to certain indebtedness, termination of certain agreements related to the AAdvantage program, bankruptcy events of Loyalty Issuer or any SPV Guarantor, and a change of control of Loyalty Issuer or any SPV Guarantor. A bankruptcy event of American is not itself an event of default; following an American bankruptcy, an event of default would only occur if American failed to satisfy certain enumerated bankruptcy case milestones, including an assumption of the AAdvantage Financing by a certain date. Upon the occurrence of an event of default, the outstanding obligations under the AAdvantage Indenture and the AAdvantage Term Loan Facility may (or, with respect to the bankruptcy events noted above, shall) be accelerated and become due and payable immediately.

*Terms of Certain Intercompany Agreements Related to the AAdvantage Financing*

In connection with the issuance of the AAdvantage Notes and entry into the AAdvantage Term Loan Facility, American, Loyalty Issuer and the SPV Guarantors entered into a series of transactions that resulted in the transfer to Loyalty Issuer of, among other things, American's rights to certain data and other intellectual property used in the AAdvantage program (subject to certain exceptions) (such assets, the Transferred AAdvantage IP) and certain rights of American under specified AAdvantage Agreements. Loyalty Issuer has entered into a license agreement with HoldCo2 pursuant to which Loyalty Issuer has granted to HoldCo2 an exclusive, irrevocable (subject to certain termination rights), perpetual, worldwide, royalty-bearing license to use the Transferred AAdvantage IP (the HoldCo2 License), and HoldCo2 has in turn granted to American an exclusive, irrevocable (subject to certain termination rights), perpetual, worldwide, royalty-bearing sublicense to use the Transferred AAdvantage IP (together with the HoldCo2 License, the IP Licenses). The IP Licenses would be terminated, and American's right to use the Transferred AAdvantage IP would cease, upon specified termination events, including, but not limited to, the occurrence of an event of default under the AAdvantage Indenture or the AAdvantage Term Loan Facility. In certain circumstances, such a termination would trigger a liquidated damages payment in an amount that is greater than the initial principal amount of the AAdvantage Notes and the AAdvantage Loans.

In addition, proceeds from the AAdvantage Financing were loaned by Loyalty Issuer to American pursuant to an intercompany note that was guaranteed by AAG. The borrowings under this intercompany note are payable on demand by Loyalty Issuer or, after the occurrence and during the continuance of an event of default under the AAdvantage Financing, by the master collateral agent under the AAdvantage Financing.



**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.  
(Unaudited)**

#### *Treasury Loan Agreement*

On September 25, 2020, American and AAG entered into a Loan and Guarantee Agreement (the Treasury Loan Agreement) with Treasury, which provided for a secured term loan facility (the Treasury Term Loan Facility) that permitted American to borrow up to \$5.5 billion. Subsequently, on October 21, 2020, American and AAG entered into an amendment to the Treasury Loan Agreement, which increased the borrowing amount to up to \$7.5 billion. American had borrowed \$550 million under the Treasury Term Loan Facility in September 2020. On March 24, 2021, American used proceeds from the AAdvantage Financing to prepay in full the \$550 million outstanding under the Treasury Term Loan Facility and terminated the Treasury Loan Agreement.

#### *JFK Special Facility Revenue Bonds*

In January 2020, American and British Airways announced the start of construction projects to upgrade New York's JFK Terminal 8 (the Terminal). The renovation projects at the Terminal include: (i) the reconfiguration or elimination of certain existing gates and the construction of jumbo gates, (ii) the construction of approximately 51,000 square feet of new terminal building space and the refurbishment of 73,300 square feet of existing terminal space, (iii) the expansion of the baggage system capacity of the Terminal, (iv) improvements to the premium passenger lounges, check-in and, potentially, security access areas, and (v) bathroom refreshment, new signage, and other upgrades. The construction project is currently scheduled to be completed in 2023 and is estimated to cost approximately \$439 million, of which approximately \$298 million was funded with proceeds of the special facility revenue bonds issued by the New York Transportation Development Corporation (NYTDC) on behalf of American in June 2020 (the 2020 JFK Bonds) and approximately \$84 million of which will be funded with proceeds of the approximately \$150 million of special facility revenue bonds the NYTDC issued in June 2021 (the 2021 JFK Bonds).

American is required to pay debt service on the 2021 JFK Bonds through payments under a loan agreement with NYTDC (as amended), and American and AAG guarantee the 2021 JFK Bonds. American continues to pay debt service on the outstanding bonds issued by NYTDC on behalf of American in 2016 and 2020 (the 2016 and 2020 JFK Bonds) and American and AAG continue to guarantee the 2016 and 2020 JFK Bonds. American's and AAG's obligations under these guarantees are secured by a leasehold mortgage on American's lease of the Terminal and related property from the Port Authority of New York and New Jersey.

The 2021 JFK Bonds, in aggregate, were priced at par value. The gross proceeds from the issuance of the 2021 JFK Bonds were approximately \$150 million. Of this amount, approximately \$4 million was used to fund the costs of issuance of the 2021 JFK Bonds, approximately \$62 million was used to fund the redemption of the 2016 and 2020 JFK Bonds due August 2021, with the remaining amount of proceeds received to be held in restricted cash and short-term investments on the condensed consolidated balance sheet and to be used to finance a portion of the cost of the renovation and expansion of the Terminal. The 2021 JFK Bonds are comprised of term bonds, \$70 million of which bear interest at 2.25% per annum and mature on August 1, 2026, and \$80 million of which bear interest at 3.00% per annum and mature on August 1, 2031.

## **6. Income Taxes**

At December 31, 2020, we had approximately \$16.5 billion of federal net operating losses (NOLs) available to reduce future federal taxable income, of which \$8.5 billion will expire beginning in 2023 if unused and \$8.0 billion can be carried forward indefinitely (NOL Carryforwards). We also had approximately \$5.0 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2020, which will expire in taxable years 2020 through 2040 if unused.

Our ability to use our NOL Carryforwards depends on the amount of taxable income generated in future periods. We provide a valuation allowance for our deferred tax assets, which include our NOLs, when it is more likely than not that some portion, or all of our deferred tax assets, will not be realized. We consider all available positive and negative evidence and make certain assumptions in evaluating the realizability of our deferred tax assets. Many factors are considered that impact our assessment of future profitability, including conditions which are beyond our control, such as the health of the economy, the availability and price volatility of aircraft fuel and travel demand. We presently have a \$34 million valuation allowance on certain net deferred tax assets related to state NOL Carryforwards. There can be no assurance that an additional valuation allowance on our net deferred tax assets will not be required. Such valuation allowance could be material.

During the three and six months ended June 30, 2021, we recorded an income tax benefit of \$10 million and \$333 million, respectively.



**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.**  
(Unaudited)

**7. Fair Value Measurements and Other Investments**
**Assets Measured at Fair Value on a Recurring Basis**

We utilize the market approach to measure the fair value of our financial assets. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Our short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the six months ended June 30, 2021.

Assets measured at fair value on a recurring basis are summarized below (in millions):

	Fair Value Measurements as of June 30, 2021			
	Total	Level 1	Level 2	Level 3
Short-term investments <sup>(1), (2)</sup> :				
Money market funds	\$ 3,983	\$ 3,983	\$ —	\$ —
Corporate obligations	9,492	—	9,492	—
Bank notes/certificates of deposit/time deposits	2,835	—	2,835	—
Repurchase agreements	1,315	—	1,315	—
	<u>17,625</u>	<u>3,983</u>	<u>13,642</u>	<u>—</u>
Restricted cash and short-term investments <sup>(1), (3)</sup>	999	785	214	—
Long-term investments <sup>(4)</sup>	168	168	—	—
<b>Total</b>	<b><u>\$ 18,792</u></b>	<b><u>\$ 4,936</u></b>	<b><u>\$ 13,856</u></b>	<b><u>\$ —</u></b>

<sup>(1)</sup> All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses are recorded in accumulated other comprehensive loss at each reporting period. There were no credit losses.

<sup>(2)</sup> Our short-term investments mature in one year or less.

<sup>(3)</sup> Restricted cash and short-term investments primarily include collateral associated with the payment of certain fees and interest in respect of the AAdvantage Financing, money market funds to be used to finance a substantial portion of the cost of the renovation and expansion of Terminal 8 at JFK as well as collateral held to support workers' compensation obligations.

<sup>(4)</sup> Long-term investments primarily include our equity investment in China Southern Airlines, in which we presently own a 1.8% equity interest, and are classified in other assets on the condensed consolidated balance sheet.

**Fair Value of Debt**

The fair value of our long-term debt was estimated using quoted market prices or discounted cash flow analyses, based on our current estimated incremental borrowing rates for similar types of borrowing arrangements. If our long-term debt was measured at fair value, it would have been classified as Level 2 except for \$3.7 billion and \$2.3 billion as of June 30, 2021 and December 31, 2020, respectively, which would have been classified as Level 3 in the fair value hierarchy. The fair value of our Convertible Notes was \$1.6 billion and \$1.2 billion as of June 30, 2021 and December 31, 2020, respectively.

The carrying value and estimated fair value of our long-term debt, including current maturities, were as follows (in millions):

	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 39,421	\$ 41,521	\$ 32,021	\$ 30,454

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.**  
(Unaudited)

### 8. Employee Benefit Plans

The following table provides the components of net periodic benefit cost (income) (in millions):

Three Months Ended June 30,	Pension Benefits		Retiree Medical and Other Postretirement Benefits	
	2021	2020	2021	2020
Service cost	\$ 1	\$ 1	\$ 3	\$ 2
Interest cost	131	154	8	8
Expected return on assets	(271)	(252)	(3)	(3)
Settlements	—	4	—	—
Amortization of:				
Prior service cost (benefit)	7	7	(3)	(52)
Unrecognized net loss (gain)	52	41	(6)	(5)
Net periodic benefit income	<u>\$ (80)</u>	<u>\$ (45)</u>	<u>\$ (1)</u>	<u>\$ (50)</u>

Six Months Ended June 30,	Pension Benefits		Retiree Medical and Other Postretirement Benefits	
	2021	2020	2021	2020
Service cost	\$ 2	\$ 2	\$ 5	\$ 3
Interest cost	262	307	14	14
Expected return on assets	(543)	(505)	(6)	(6)
Special termination benefits	—	—	139	—
Settlements	—	4	—	—
Amortization of:				
Prior service cost (benefit)	14	14	(7)	(106)
Unrecognized net loss (gain)	105	83	(11)	(12)
Net periodic benefit cost (income)	<u>\$ (160)</u>	<u>\$ (95)</u>	<u>\$ 134</u>	<u>\$ (107)</u>

Effective November 1, 2012, substantially all of our defined benefit pension plans were frozen.

The service cost component of net periodic benefit cost (income) is included in operating expenses, the cost for the special termination benefits is included in special items, net and the other components of net periodic benefit cost (income) are included in nonoperating other income (expense), net in the condensed consolidated statements of operations.

During the first quarter of 2021, we remeasured our retiree medical and other postretirement benefits to account for enhanced healthcare benefits provided to eligible team members who opted in to voluntary early retirement programs offered as a result of reductions to our operation due to the COVID-19 pandemic. For the six months ended June 30, 2021, we recognized a \$139 million special charge for these enhanced healthcare benefits and increased our postretirement benefits obligation by \$139 million.

In January 2021, we made \$241 million in contributions to our pension plans, including a contribution of \$130 million for the 2020 calendar year that was permitted to be deferred to January 4, 2021 as provided under the CARES Act. On March 11, 2021, the ARP was enacted, which included funding relief provisions benefiting single employer qualified retirement benefit pension plans such as those sponsored by us. Based on our current understanding of the ARP provisions applicable to our pension plans, we will have no additional funding requirements for 2021.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.**  
(Unaudited)

### 9. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss (AOCI) are as follows (in millions):

	Pension, Retiree Medical and Other Postretirement Benefits	Unrealized Gain (Loss) on Investments	Income Tax Benefit (Provision) <sup>(1)</sup>	Total
Balance at December 31, 2020	\$ (6,236)	\$ (2)	\$ (865)	\$ (7,103)
Other comprehensive income (loss) before reclassifications	35	—	(8)	27
Amounts reclassified from AOCI	101	—	(22) <sup>(2)</sup>	79
Net current-period other comprehensive income (loss)	136	—	(30)	106
Balance at June 30, 2021	<u>\$ (6,100)</u>	<u>\$ (2)</u>	<u>\$ (895)</u>	<u>\$ (6,997)</u>

<sup>(1)</sup> Relates principally to pension, retiree medical and other postretirement benefits obligations that will not be recognized in net loss until the obligations are fully extinguished.

<sup>(2)</sup> Relates to pension, retiree medical and other postretirement benefits obligations and is recognized within the income tax benefit on the condensed consolidated statement of operations.

Reclassifications out of AOCI are as follows (in millions):

AOCI Components	Amounts reclassified from AOCI				Affected line items on the condensed consolidated statements of operations
	Three Months Ended June 30,		Six Months Ended June 30,		
	2021	2020	2021	2020	
Amortization of pension, retiree medical and other postretirement benefits:					
Prior service cost (benefit)	\$ 3	\$ (34)	\$ 6	\$ (71)	Nonoperating other income (expense), net
Actuarial loss	36	30	73	58	Nonoperating other income (expense), net
Total reclassifications for the period, net of tax	<u>\$ 39</u>	<u>\$ (4)</u>	<u>\$ 79</u>	<u>\$ (13)</u>	

### 10. Regional Expenses

Our regional carriers provide scheduled air transportation under the brand name "American Eagle." The American Eagle carriers include our wholly-owned regional carriers as well as third-party regional carriers. Substantially all of our regional carrier arrangements are in the form of capacity purchase agreements. Expenses associated with American Eagle operations are classified as regional expenses on the condensed consolidated statements of operations.

Beginning in the first quarter of 2021, aircraft fuel and related taxes as well as certain salaries, wages and benefits, other rent and landing fees, selling and other expenses are no longer allocated to regional expenses on our condensed consolidated statements of operations. The second quarter and six months ended June 30, 2020 condensed consolidated statements of operations have been recast to conform to the 2021 presentation. This statement of operations presentation change has no impact on total operating expenses or net loss.

Regional expenses for the three months ended June 30, 2021 and 2020 include \$77 million and \$84 million of depreciation and amortization, respectively, and \$2 million and \$3 million of aircraft rent, respectively. Regional expenses for the six months ended June 30, 2021 and 2020 include \$159 million and \$168 million of depreciation and amortization, respectively, and \$4 million and \$8 million of aircraft rent, respectively.

During the three months ended June 30, 2021 and 2020, we recognized \$91 million and \$61 million, respectively, of expense under our capacity purchase agreement with Republic Airways Inc. (Republic). During the six months ended June 30, 2021 and 2020, we recognized \$218 million and \$211 million, respectively, of expense under our capacity purchase agreement with Republic. We hold a 25% equity interest in Republic Airways Holdings Inc., the parent company of Republic.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.  
(Unaudited)**

## **11. Legal Proceedings**

*Chapter 11 Cases.* On November 29, 2011, AMR Corporation (AMR), American, and certain of AMR's other direct and indirect domestic subsidiaries (the Debtors) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On October 21, 2013, the Bankruptcy Court entered an order approving and confirming the Debtors' fourth amended joint plan of reorganization (as amended, the Plan). On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan and completed the acquisition of US Airways Group, Inc. by AMR (the Merger).

Pursuant to rulings of the Bankruptcy Court, the Plan established a disputed claims reserve (the Disputed Claims Reserve) to hold shares of AAG common stock reserved for issuance to disputed claimholders at the Effective Date that ultimately become holders of allowed claims. The shares of AAG common stock issued to the Disputed Claims Reserve were originally issued on December 13, 2013 and have at all times since been included in the number of shares issued and outstanding as reported from time to time in our quarterly and annual reports, including for calculating earnings per common share. As disputed claims are resolved, the claimants receive distributions of shares from the Disputed Claims Reserve. We are not required to distribute additional shares above the limits contemplated by the Plan, even if the shares remaining for distribution in the Disputed Claims Reserve are not sufficient to fully pay any additional allowed unsecured claims. If any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to us but rather will be distributed to former AMR stockholders and former convertible noteholders treated as stockholders under the Plan. As of June 30, 2021, the Disputed Claims Reserve held approximately 4.8 million shares of AAG common stock.

*Private Party Antitrust Action Related to Passenger Capacity.* We, along with Delta Air Lines, Inc., Southwest Airlines Co., United Airlines, Inc. and, in the case of litigation filed in Canada, Air Canada, were named as defendants in approximately 100 putative class action lawsuits alleging unlawful agreements with respect to air passenger capacity. The U.S. lawsuits were consolidated in the Federal District Court for the District of Columbia (the DC Court). On June 15, 2018, we reached a settlement agreement with the plaintiffs in the amount of \$45 million to resolve all class claims in the U.S. lawsuits. That settlement was approved by the DC Court on May 13, 2019, however three parties who objected to the settlement have appealed that decision to the United States Court of Appeals for the District of Columbia. We believe these appeals are without merit and intend to vigorously defend against them.

*Private Party Antitrust Action Related to the Merger.* On August 6, 2013, a lawsuit captioned Carolyn Fjord, et al., v. AMR Corporation, et al., was filed in the Bankruptcy Court. The complaint named as defendants US Airways Group, Inc., US Airways, Inc., AMR and American, alleged that the effect of the Merger may be to create a monopoly in violation of Section 7 of the Clayton Antitrust Act, and sought injunctive relief and/or divestiture. On November 27, 2013, the Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On August 29, 2018, the Bankruptcy Court denied in part defendants' motion for summary judgment, and fully denied plaintiffs' cross-motion for summary judgment. The parties' evidentiary cases were presented before the Bankruptcy Court in a bench trial in March 2019 and the parties submitted proposed findings of fact and conclusions of law and made closing arguments in April 2019. On January 29, 2021, the Bankruptcy Court published its decision finding in our favor. The plaintiffs have appealed this ruling. We believe this lawsuit is without merit and intend to continue to vigorously defend against the allegations, including plaintiffs' appeal of the Bankruptcy Court's January 29, 2021 ruling.

*General.* In addition to the specifically identified legal proceedings, we and our subsidiaries are also engaged in other legal proceedings from time to time. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Therefore, although we will vigorously defend ourselves in each of the actions described above and such other legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain but could be material.

## **12. Subsequent Event**

### *April 2016 Spare Parts Term Loan Facility*

On July 22, 2021, American repaid in full the outstanding term loans in the aggregate principal amount of \$950 million and terminated the April 2016 Spare Parts Term Loan Facility. The April 2016 Revolving Facility, in the aggregate principal amount of \$450 million, none of which was drawn or outstanding as of June 30, 2021, and which has a final maturity of October 2024, remains in place.

**ITEM 1B. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.**

**AMERICAN AIRLINES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Operating revenues:</b>				
Passenger	\$ 6,545	\$ 1,108	\$ 9,724	\$ 8,788
Cargo	326	130	641	277
Other	607	384	1,120	1,071
Total operating revenues	<u>7,478</u>	<u>1,622</u>	<u>11,485</u>	<u>10,136</u>
<b>Operating expenses:</b>				
Aircraft fuel and related taxes	1,611	309	2,644	2,092
Salaries, wages and benefits	2,860	2,610	5,590	5,827
Regional expenses	639	447	1,264	1,555
Maintenance, materials and repairs	459	287	835	915
Other rent and landing fees	686	413	1,256	1,024
Aircraft rent	356	334	706	669
Selling expenses	277	57	427	442
Depreciation and amortization	481	499	959	1,059
Special items, net	(1,288)	(1,494)	(2,996)	(362)
Other	958	601	1,676	1,891
Total operating expenses	<u>7,039</u>	<u>4,063</u>	<u>12,361</u>	<u>15,112</u>
<b>Operating income (loss)</b>	<u>439</u>	<u>(2,441)</u>	<u>(876)</u>	<u>(4,976)</u>
<b>Nonoperating income (expense):</b>				
Interest income	9	92	18	196
Interest expense, net	(447)	(255)	(780)	(515)
Other income (expense), net	49	72	158	(33)
Total nonoperating expense, net	<u>(389)</u>	<u>(91)</u>	<u>(604)</u>	<u>(352)</u>
<b>Income (loss) before income taxes</b>	<u>50</u>	<u>(2,532)</u>	<u>(1,480)</u>	<u>(5,328)</u>
Income tax benefit	(1)	(564)	(315)	(1,191)
<b>Net income (loss)</b>	<u>\$ 51</u>	<u>\$ (1,968)</u>	<u>\$ (1,165)</u>	<u>\$ (4,137)</u>

See accompanying notes to condensed consolidated financial statements.

**AMERICAN AIRLINES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(In millions)(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	\$ 51	\$ (1,968)	\$ (1,165)	\$ (4,137)
<b>Other comprehensive income (loss), net of tax:</b>				
Pension, retiree medical and other postretirement benefits	39	(4)	105	(131)
Investments	—	21	—	(1)
<b>Total other comprehensive income (loss), net of tax</b>	<u>39</u>	<u>17</u>	<u>105</u>	<u>(132)</u>
<b>Total comprehensive income (loss)</b>	<u>\$ 90</u>	<u>\$ (1,951)</u>	<u>\$ (1,060)</u>	<u>\$ (4,269)</u>

See accompanying notes to condensed consolidated financial statements.

**AMERICAN AIRLINES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except share and par value)

	June 30, 2021	December 31, 2020
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 305	\$ 231
Short-term investments	17,609	6,617
Restricted cash and short-term investments	999	609
Accounts receivable, net	1,240	1,334
Receivables from related parties, net	5,328	7,877
Aircraft fuel, spare parts and supplies, net	1,693	1,520
Prepaid expenses and other	631	633
Total current assets	27,805	18,821
<b>Operating property and equipment</b>		
Flight equipment	37,235	37,485
Ground property and equipment	8,772	8,836
Equipment purchase deposits	714	1,446
Total property and equipment, at cost	46,721	47,767
Less accumulated depreciation and amortization	(16,826)	(16,393)
Total property and equipment, net	29,895	31,374
<b>Operating lease right-of-use assets</b>	7,917	7,994
<b>Other assets</b>		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of \$765 and \$745, respectively	2,008	2,029
Deferred tax asset	3,520	3,235
Other assets	1,713	1,671
Total other assets	11,332	11,026
<b>Total assets</b>	<b>\$ 76,949</b>	<b>\$ 69,215</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt and finance leases	\$ 2,053	\$ 2,800
Accounts payable	2,069	1,116
Accrued salaries and wages	1,504	1,661
Air traffic liability	7,095	4,757
Loyalty program liability	2,632	2,033
Operating lease liabilities	1,577	1,641
Other accrued liabilities	3,403	2,300
Total current liabilities	20,333	16,308
<b>Noncurrent liabilities</b>		
Long-term debt and finance leases, net of current maturities	31,985	26,182
Pension and postretirement benefits	6,586	7,027
Loyalty program liability	6,674	7,162
Operating lease liabilities	6,677	6,739
Other liabilities	1,347	1,449
Total noncurrent liabilities	53,269	48,559
<b>Commitments and contingencies</b>		
<b>Stockholder's equity</b>		
Common stock, \$1.00 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	17,108	17,050
Accumulated other comprehensive loss	(7,089)	(7,194)
Retained deficit	(6,672)	(5,508)
Total stockholder's equity	3,347	4,348
<b>Total liabilities and stockholder's equity</b>	<b>\$ 76,949</b>	<b>\$ 69,215</b>

See accompanying notes to condensed consolidated financial statements.

**AMERICAN AIRLINES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)(Unaudited)

	Six Months Ended June 30,	
	2021	2020
<b>Net cash provided by operating activities</b>	\$ 6,134	\$ 2,295
<b>Cash flows from investing activities:</b>		
Capital expenditures, net of aircraft purchase deposit returns	133	(1,208)
Proceeds from sale-leaseback transactions	163	376
Proceeds from sale of property and equipment	161	148
Purchases of short-term investments	(13,827)	(7,936)
Sales of short-term investments	2,837	2,131
Increase in restricted short-term investments	(404)	(386)
Other investing activities	(71)	(62)
Net cash used in investing activities	(11,008)	(6,937)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	10,115	6,868
Payments on long-term debt and finance leases	(5,016)	(1,971)
Deferred financing costs	(165)	(75)
Net cash provided by financing activities	4,934	4,822
Net increase in cash and restricted cash	60	180
Cash and restricted cash at beginning of period	385	277
Cash and restricted cash at end of period <sup>(1)</sup>	\$ 445	\$ 457
<b>Non-cash transactions:</b>		
Right-of-use (ROU) assets acquired through operating leases	\$ 704	\$ 412
Property and equipment acquired through finance leases	61	—
Settlement of bankruptcy obligations	—	56
Deferred financing costs paid through issuance of debt	—	17
<b>Supplemental information:</b>		
Interest paid, net	615	469
Income taxes paid	1	2

<sup>(1)</sup> The following table provides a reconciliation of cash and restricted cash to amounts reported within the condensed consolidated balance sheets:

Cash	\$ 305	\$ 452
Restricted cash included in restricted cash and short-term investments	140	5
Total cash and restricted cash	\$ 445	\$ 457

See accompanying notes to condensed consolidated financial statements.



**AMERICAN AIRLINES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY**  
(In millions)(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total
<b>Balance at December 31, 2020</b>	\$ —	\$ 17,050	\$ (7,194)	\$ (5,508)	\$ 4,348
Net loss	—	—	—	(1,215)	(1,215)
Other comprehensive income, net	—	—	66	—	66
Share-based compensation expense	—	38	—	—	38
<b>Balance at March 31, 2021</b>	—	17,088	(7,128)	(6,723)	3,237
Net income	—	—	—	51	51
Other comprehensive income, net	—	—	39	—	39
Share-based compensation expense	—	20	—	—	20
<b>Balance at June 30, 2021</b>	<u>\$ —</u>	<u>\$ 17,108</u>	<u>\$ (7,089)</u>	<u>\$ (6,672)</u>	<u>\$ 3,347</u>

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total
<b>Balance at December 31, 2019</b>	\$ —	\$ 16,903	\$ (6,423)	\$ 2,942	\$ 13,422
Net loss	—	—	—	(2,169)	(2,169)
Other comprehensive loss, net	—	—	(149)	—	(149)
Share-based compensation expense	—	18	—	—	18
Intercompany equity transfer	—	56	—	—	56
<b>Balance at March 31, 2020</b>	—	16,977	(6,572)	773	11,178
Net loss	—	—	—	(1,968)	(1,968)
Other comprehensive income, net	—	—	17	—	17
Share-based compensation expense	—	31	—	—	31
<b>Balance at June 30, 2020</b>	<u>\$ —</u>	<u>\$ 17,008</u>	<u>\$ (6,555)</u>	<u>\$ (1,195)</u>	<u>\$ 9,258</u>

See accompanying notes to condensed consolidated financial statements.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.  
(Unaudited)**

**1. Basis of Presentation and Recent Accounting Pronouncements**

**(a) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of American Airlines, Inc. (American) should be read in conjunction with the consolidated financial statements contained in American's Annual Report on Form 10-K for the year ended December 31, 2020. American is the principal wholly-owned subsidiary of American Airlines Group Inc. (AAG). All significant intercompany transactions have been eliminated.

Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented. The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The most significant areas of judgment relate to passenger revenue recognition, impairment of goodwill, impairment of long-lived and intangible assets, the loyalty program, deferred tax assets, as well as pension and retiree medical and other postretirement benefits. Certain prior period amounts have been reclassified to conform to the current year presentation. See Note 9 for further information.

**(b) Impact of Coronavirus (COVID-19)**

COVID-19 has been declared a global health pandemic by the World Health Organization. COVID-19 has surfaced in nearly all regions of the world, which has driven the implementation of significant, government-imposed measures to prevent or reduce its spread, including travel restrictions, testing regimes, closing of borders, "stay at home" orders and business closures. As a result, American has experienced an unprecedented decline in the demand for air travel, which has resulted in a material deterioration in its revenues. While global vaccination efforts are underway and demand for air travel has begun to return, the continued impact of COVID-19, including any increases in infection rates, new variants and renewed governmental action to slow the spread of COVID-19 such as has occurred throughout Western Europe and Latin America during the first six months of 2021, cannot be estimated.

American has taken aggressive actions to mitigate the effects of the COVID-19 pandemic on its business, including deep capacity reductions, structural changes to its fleet, cost reductions, and steps to preserve cash and improve its overall liquidity position. American remains extremely focused on taking all self-help measures available to manage its business during this unprecedented time, consistent with the terms of the financial assistance it has received from the U.S. Government under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021 (PSP Extension Law) and Section 7301 of the American Rescue Plan Act of 2021 (the ARP).

*Capacity Reductions*

American's capacity (as measured by available seat miles) continues to be significantly reduced compared to pre-COVID-19 pandemic levels with flying during the second quarter of 2021 down 24.6% as compared to the second quarter of 2019. Domestic capacity in the second quarter of 2021 was down 12.8% while international capacity was down 46.5% versus the second quarter of 2019.

While demand for domestic and short-haul international markets has largely recovered to 2019 levels, uncertainty continues to exist. American will continue to match its forward capacity with observed booking trends for future travel and make further adjustments to American's capacity as needed.

*Cost Reductions*

American has reduced its 2021 operating expenditures as a result of permanent non-volume cost reductions and other efficiency measures. These reductions include labor productivity enhancements, management salaries and benefits and other permanent cost reductions. Also, an additional 1,600 represented team members opted in to a voluntary early retirement program, which occurred during the first quarter of 2021.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.**  
**(Unaudited)**

### *Liquidity*

As of June 30, 2021, American had \$21.2 billion in total available liquidity, consisting of \$17.9 billion in unrestricted cash and short-term investments, \$2.8 billion in an undrawn capacity under revolving credit facilities and a total of \$470 million in undrawn short-term revolving and other facilities.

During the first six months of 2021, American completed the following financing transactions (see Note 4 for further information):

- issued \$3.5 billion in aggregate principal amount of 5.50% Senior Secured Notes due 2026 and \$3.0 billion in aggregate principal amount of 5.75% Senior Secured Notes due 2029 and entered into the \$3.5 billion AAdvantage Term Loan Facility of which the full amount of term loans was drawn at closing;
- repaid in full \$750 million under the 2013 Revolving Facility, \$1.6 billion under the 2014 Revolving Facility and \$450 million under the April 2016 Revolving Facility, all of which was borrowed in the second quarter of 2020 in response to the COVID-19 pandemic;
- repaid the \$550 million of outstanding loans under the \$7.5 billion secured term loan facility with the U.S. Department of the Treasury (Treasury) (the Treasury Loan Agreement) and terminated the Treasury Loan Agreement;
- issued approximately \$150 million in special facility revenue bonds related to John F. Kennedy International Airport (JFK), of which \$62 million was used to fund the redemption of other bonds related to JFK; and
- raised \$163 million principally from aircraft sale-leaseback transactions.

In addition to the foregoing financings, during the first quarter of 2021, AAG and the Subsidiaries (as defined below) received an aggregate of approximately \$3.1 billion in financial assistance through the payroll support program (PSP2) established under the PSP Extension Law. In April 2021, AAG and the Subsidiaries received an additional installment of \$463 million for an aggregate \$3.5 billion of such PSP2 financial assistance. In connection with AAG and the Subsidiaries receipt of this financial assistance, AAG issued a promissory note (the PSP2 Promissory Note) to Treasury for \$1.0 billion in aggregate principal amount and warrants to purchase up to an aggregate of approximately 6.6 million shares (the PSP2 Warrant Shares) of AAG common stock.

During the second quarter of 2021, AAG and the Subsidiaries received an aggregate of approximately \$3.3 billion in financial assistance through the payroll support program (PSP3) established under the ARP. In connection with AAG and the Subsidiaries receipt of this financial assistance, AAG issued a promissory note (the PSP3 Promissory Note) to Treasury for \$946 million in aggregate principal amount and warrants to purchase up to an aggregate of approximately 4.4 million shares (the PSP3 Warrant Shares) of AAG common stock. See below for further discussion on PSP2 and PSP3.

A significant portion of American's debt financing agreements contain covenants requiring it to maintain an aggregate of at least \$2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities and/or contain loan to value, collateral coverage and/or debt service coverage ratio covenants.

Given the above actions and American's current assumptions about the future impact of the COVID-19 pandemic on travel demand, which could be materially different due to the inherent uncertainties of the current operating environment, American expects to meet its cash obligations as well as remain in compliance with the debt covenants in its existing financing agreements for the next 12 months based on its current level of unrestricted cash and short-term investments, its anticipated access to liquidity (including via proceeds from financings), and projected cash flows from operations.

### *PSP2*

On January 15, 2021 (the PSP2 Closing Date), American, Envoy Air Inc. (Envoy), Piedmont Airlines, Inc. (Piedmont) and PSA Airlines, Inc. (PSA and together with American, Envoy and Piedmont, the Subsidiaries), entered into a Payroll Support Program Extension Agreement (the PSP2 Agreement) with Treasury, with respect to PSP2 as provided pursuant to the PSP Extension Law. In connection with AAG and the Subsidiaries' entry into the PSP2 Agreement, on the PSP2 Closing Date, AAG also entered into a warrant agreement (the PSP2 Warrant Agreement) with Treasury and issued the PSP2 Promissory Note to Treasury, with the Subsidiaries as guarantors.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.  
(Unaudited)**

PSP2 Agreement

In connection with PSP2, AAG and the Subsidiaries are required to comply with the relevant provisions of the PSP Extension Law, which are substantially similar as the restrictions contained in the Payroll Support Program Agreement entered into by the Subsidiaries with Treasury in connection with the payroll support program established under the CARES Act, but are in effect for a longer time period. These provisions include the requirement that funds provided pursuant to the PSP2 Agreement be used exclusively for the continuation of payment of eligible employee wages, salaries and benefits, the requirement against involuntary furloughs and reductions in employee pay rates and benefits through March 31, 2021, the provisions that prohibit the repurchase of AAG common stock, and the payment of common stock dividends through at least March 31, 2022, the provisions that restrict the payment of certain executive compensation until at least October 1, 2022, as well as a requirement to recall employees involuntarily terminated or furloughed after September 30, 2020. As was the case with PSP1, the PSP2 Agreement also imposes substantial reporting obligations on AAG and its Subsidiaries.

Pursuant to the PSP2 Agreement, Treasury provided AAG and its Subsidiaries financial assistance in three installments (each prior installment and any future installment disbursement, an Installment) totaling approximately \$3.5 billion in the aggregate, all of which was received as of June 30, 2021. As partial compensation to the U.S. Government for the provision of financial assistance under PSP2, AAG issued the PSP2 Promissory Note in the aggregate principal amount of \$1.0 billion and issued warrants (each a PSP2 Warrant and, collectively, the PSP2 Warrants) to Treasury to purchase up to an aggregate of approximately 6.6 million shares of AAG common stock for an exercise price of \$15.66 per share, subject to adjustment. See below for more information on the PSP2 Warrant Agreement and PSP2 Warrants.

For accounting purposes, the \$3.5 billion of aggregate financial assistance AAG and the Subsidiaries received pursuant to the PSP2 Agreement is allocated to the PSP2 Promissory Note, the PSP2 Warrants and the other PSP2 financial assistance (the PSP2 Financial Assistance). The aggregate principal amount of \$1.0 billion of the PSP2 Promissory Note was recorded as unsecured long-term debt, and the total fair value of the PSP2 Warrants of \$76 million, estimated using a Black-Scholes option pricing model, was recorded in stockholders' deficit in AAG's condensed consolidated balance sheet. The remaining amount of approximately \$2.4 billion of PSP2 Financial Assistance was recognized as a credit to special items, net in the condensed consolidated statement of operations primarily in the first quarter of 2021, the remaining period over which the continuation of payment of eligible employee wages, salaries and benefits was required. The third installment of PSP2 Financial Assistance was received and recognized as a credit to special items, net in the second quarter of 2021. For the three and six months ended June 30, 2021, \$314 million and \$2.4 billion of PSP2 Financial Assistance, respectively, was recognized as a credit to special items, net in the condensed consolidated statements of operations.

PSP2 Warrant Agreement and PSP2 Warrants

As partial compensation to the U.S. Government for the provision of financial assistance under the PSP2 Agreement, and pursuant to the PSP2 Warrant Agreement, AAG issued the PSP2 Warrants to Treasury to purchase PSP2 Warrant Shares. The exercise price of the PSP2 Warrant Shares is \$15.66 per share, subject to certain anti-dilution provisions provided for in the PSP2 Warrants.

Pursuant to the PSP2 Warrant Agreement, AAG issued to Treasury PSP2 Warrants to purchase up to an aggregate of approximately 6.6 million shares of AAG common stock for an exercise price of \$15.66 per share, subject to adjustment.

The PSP2 Warrants do not have any voting rights and are freely transferrable, with registration rights. Each PSP2 Warrant expires on the fifth anniversary of the date of issuance of such PSP2 Warrant. The PSP2 Warrants will be exercisable either through net share settlement or cash, at AAG's option. The PSP2 Warrants were and will be issued solely as compensation to the U.S. Government related to entry into the PSP2 Agreement. No separate proceeds (apart from the financial assistance described above) were received upon issuance of the PSP2 Warrants or will be received upon exercise thereof.

PSP3

On April 23, 2021 (the PSP3 Closing Date), American, Envoy, Piedmont and PSA (collectively, the Subsidiaries), entered into a Payroll Support Program 3 Agreement (the PSP3 Agreement) with Treasury, with respect to PSP3 as provided pursuant to the ARP. In connection with AAG and the Subsidiaries' entry into the PSP3 Agreement, on the PSP3 Closing Date, AAG also entered into a warrant agreement (the PSP3 Warrant Agreement) with Treasury and issued the PSP3 Promissory Note to Treasury, with the Subsidiaries as guarantors.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.**  
**(Unaudited)**

PSP3 Agreement

In connection with PSP3, AAG and the Subsidiaries are required to comply with the relevant provisions of the ARP, which are substantially similar as the restrictions contained in the Payroll Support Program Agreement entered into by the Subsidiaries with Treasury in connection with the payroll support program established under the CARES Act, but are in effect for a longer time period. These provisions include the requirement that funds provided pursuant to the PSP3 Agreement be used exclusively for the continuation of payment of eligible employee wages, salaries and benefits, the requirement against involuntary furloughs and reductions in employee pay rates and benefits through at least September 30, 2021, the provisions that prohibit the repurchase of AAG common stock, and the payment of common stock dividends through at least September 30, 2022, the provisions that restrict the payment of certain executive compensation until April 1, 2023. As was the case with PSP1 and PSP2, the PSP3 Agreement also imposes substantial reporting obligations on AAG and the Subsidiaries.

Pursuant to the PSP3 Agreement, Treasury provided AAG and the Subsidiaries financial assistance in two installments (each prior installment and any future installment disbursement, a PSP3 Installment) totaling approximately \$3.3 billion in the aggregate, all of which was received as of June 30, 2021. As partial compensation to the U.S. Government for the provision of financial assistance under PSP3, AAG issued the PSP3 Promissory Note in the aggregate principal amount of \$946 million and issued warrants (each a PSP3 Warrant and, collectively, the PSP3 Warrants) to Treasury to purchase up to an aggregate of approximately 4.4 million shares of AAG common stock for an exercise price of \$21.75 per share, subject to adjustment. See below for more information on the PSP3 Warrant Agreement and PSP3 Warrants.

For accounting purposes, the \$3.3 billion of aggregate financial assistance AAG and the Subsidiaries received pursuant to the PSP3 Agreement is allocated to the PSP3 Promissory Note, the PSP3 Warrants and the other PSP3 financial assistance (the PSP3 Financial Assistance). The aggregate principal amount of \$946 million of the PSP3 Promissory Note was recorded as unsecured long-term debt, and the total fair value of the PSP3 Warrants of \$46 million, estimated using a Black-Scholes option pricing model, was recorded in stockholders' deficit in AAG's condensed consolidated balance sheet. The remaining amount of approximately \$2.3 billion of PSP3 Financial Assistance will be recognized as a credit to special items, net in the condensed consolidated statement of operations in the second and third quarters of 2021, the remaining period over which the continuation of payment of eligible employee wages, salaries and benefits is expected, as required by the PSP3 Agreement. At June 30, 2021, approximately \$1.1 billion of the PSP3 Financial Assistance was deferred in other accrued liabilities in the condensed consolidated balance sheet and approximately \$1.2 billion was recognized as a credit to special items, net in the condensed consolidated statement of operations.

PSP3 Warrant Agreement and PSP3 Warrants

As partial compensation to the U.S. Government for the provision of financial assistance under the PSP3 Agreement, and pursuant to the PSP3 Warrant Agreement, AAG issued the PSP3 Warrants to Treasury to purchase PSP3 Warrant Shares. The exercise price of the PSP3 Warrant Shares is \$21.75 per share, subject to certain anti-dilution provisions provided for in the PSP3 Warrants.

Pursuant to the PSP3 Warrant Agreement, AAG issued to Treasury PSP3 Warrants to purchase up to an aggregate of approximately 4.4 million shares of AAG common stock for an exercise price of \$21.75 per share, subject to adjustment.

The PSP3 Warrants do not have any voting rights and are freely transferrable, with registration rights. Each PSP3 Warrant expires on the fifth anniversary of the date of issuance of such PSP3 Warrant. The PSP3 Warrants will be exercisable either through net share settlement or cash, at AAG's option. The PSP3 Warrants were and will be issued solely as compensation to the U.S. Government related to entry into the PSP3 Agreement. No separate proceeds (apart from the financial assistance described above) were received upon issuance of the PSP3 Warrants or will be received upon exercise thereof.

**(c) Recent Accounting Pronouncement**

*Accounting Standards Update 2019-12: Simplifying the Accounting for Income Taxes (Topic 740)*

This standard simplifies the accounting and disclosure requirements for income taxes by clarifying the existing guidance to improve consistency in the application of Accounting Standards Codification 740. This standard also removed the requirement to calculate income tax expense for the stand-alone financial statements of wholly-owned subsidiaries that are not subject to income tax. American adopted this standard effective January 1, 2021, and it did not have a material impact on its condensed consolidated financial statements.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.**  
(Unaudited)

## 2. Special Items, Net

Special items, net in the condensed consolidated statements of operations consisted of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
PSP Financial Assistance <sup>(1)</sup>	\$ (1,288)	\$ (1,803)	\$ (3,170)	\$ (1,803)
Severance expenses <sup>(2)</sup>	—	332	168	537
Mark-to-market adjustments on bankruptcy obligations, net <sup>(3)</sup>	—	—	6	(49)
Fleet impairment <sup>(4)</sup>	—	—	—	743
Labor contract expenses <sup>(5)</sup>	—	10	—	228
Other operating special items, net	—	(33)	—	(18)
Mainline operating special items, net	(1,288)	(1,494)	(2,996)	(362)
PSP Financial Assistance <sup>(1)</sup>	(167)	(216)	(410)	(216)
Fleet impairment <sup>(4)</sup>	—	13	27	106
Regional operating special items, net	(167)	(203)	(383)	(110)
Operating special items, net	(1,455)	(1,697)	(3,379)	(472)
Mark-to-market adjustments on equity and other investments, net <sup>(6)</sup>	37	—	(13)	180
Debt refinancing, extinguishment and other, net	—	11	26	48
Nonoperating special items, net	37	11	13	228

<sup>(1)</sup> The 2021 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP2 and PSP3 Agreements. See Note 1(b) for further information. The 2020 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP1 Agreement.

<sup>(2)</sup> Severance expenses include salary and medical costs primarily associated with certain team members who opted in to voluntary early retirement programs offered as a result of reductions to American's operation due to the COVID-19 pandemic. Cash payments related to American's voluntary early retirement programs for the three and six months ended June 30, 2021 were approximately \$120 million and \$290 million, respectively.

<sup>(3)</sup> Bankruptcy obligations that will be settled in shares of AAG common stock are marked-to-market based on AAG's stock price.

<sup>(4)</sup> Fleet impairment resulted from American's decision to retire certain aircraft earlier than planned driven primarily by the severe decline in air travel due to the COVID-19 pandemic. In the first six months of 2021, American retired its remaining fleet of Embraer 140 aircraft resulting in a non-cash write-down of these aircraft. In the first six months of 2020, American retired its Boeing 757, Boeing 767, Airbus A330-300 and Embraer 190 fleets as well as certain Embraer 140 and Bombardier CRJ200 aircraft resulting in a \$773 million non-cash write-down of mainline and regional aircraft and associated spare parts and \$76 million in cash charges primarily for impairment of ROU assets and lease return costs.

<sup>(5)</sup> Labor contract expenses primarily related to one-time charges resulting from the ratification of a new contract with the Transport Workers Union and International Association of Machinists & Aerospace Workers for American's maintenance and fleet service team members, including signing bonuses and adjustments to vacation accruals resulting from pay rate increases.

<sup>(6)</sup> Mark-to-market adjustments on equity and other investments, net primarily related to net unrealized gains and losses associated with American's equity investment in China Southern Airlines Company Limited (China Southern Airlines) and certain treasury rate lock derivative instruments.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.**  
(Unaudited)

### 3. Revenue Recognition

#### Revenue

The following are the significant categories comprising American's reported operating revenues (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Passenger revenue:				
Passenger travel	\$ 5,995	\$ 1,006	\$ 8,888	\$ 8,085
Loyalty revenue - travel <sup>(1)</sup>	550	102	836	703
Total passenger revenue	6,545	1,108	9,724	8,788
Cargo	326	130	641	277
Other:				
Loyalty revenue - marketing services <sup>(2)</sup>	529	356	986	927
Other revenue	78	28	134	144
Total other revenue	607	384	1,120	1,071
Total operating revenues	\$ 7,478	\$ 1,622	\$ 11,485	\$ 10,136

<sup>(1)</sup> Loyalty revenue included in passenger revenue is principally comprised of mileage credit redemptions, which were earned from travel or co-branded credit card and other partners.

<sup>(2)</sup> During the three months ended June 30, 2021 and 2020, cash payments from co-branded credit card and other partners was \$684 million and \$573 million, respectively. During the six months ended June 30, 2021 and 2020, cash payments from co-branded credit card and other partners was \$1.7 billion and \$1.8 billion, respectively.

The following is American's total passenger revenue by geographic region (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Domestic	\$ 5,444	\$ 1,026	\$ 8,099	\$ 6,806
Latin America	936	34	1,417	1,214
Atlantic	125	42	147	565
Pacific	40	6	61	203
Total passenger revenue	\$ 6,545	\$ 1,108	\$ 9,724	\$ 8,788

American attributes passenger revenue by geographic region based upon the origin and destination of each flight segment.

#### Contract Balances

American's significant contract liabilities are comprised of (1) outstanding loyalty program mileage credits that may be redeemed for future travel and other non-air travel awards, reported as loyalty program liability on the condensed consolidated balance sheets and (2) ticket sales for transportation that has not yet been provided, reported as air traffic liability on the condensed consolidated balance sheets.

	June 30, 2021	December 31, 2020
	(In millions)	
Loyalty program liability	\$ 9,306	\$ 9,195
Air traffic liability	7,095	4,757
Total	\$ 16,401	\$ 13,952



**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.**  
**(Unaudited)**

The balance of the loyalty program liability fluctuates based on seasonal patterns, which impact the volume of mileage credits issued through travel or sold to co-branded credit card and other partners (deferral of revenue) and mileage credits redeemed (recognition of revenue). Changes in loyalty program liability are as follows (in millions):

Balance at December 31, 2020	\$	9,195
Deferral of revenue		983
Recognition of revenue <sup>(1)</sup>		(872)
Balance at June 30, 2021 <sup>(2)</sup>	\$	9,306

<sup>(1)</sup> Principally relates to revenue recognized from the redemption of mileage credits for both air and non-air travel awards. Mileage credits are combined in one homogenous pool and are not separately identifiable. As such, the revenue is comprised of miles that were part of the loyalty program deferred revenue balance at the beginning of the period, as well as miles that were issued during the period.

<sup>(2)</sup> Mileage credits can be redeemed at any time and generally do not expire as long as that AAdvantage member has any type of qualifying activity at least every 18 months. In response to the COVID-19 pandemic, American suspended the expiration of mileage credits through December 31, 2021 and eliminated mileage reinstatement fees for canceled award tickets. As of June 30, 2021, American's current loyalty program liability was \$2.6 billion and represents American's current estimate of revenue expected to be recognized in the next 12 months based on historical as well as projected trends, with the balance reflected in long-term loyalty program liability expected to be recognized as revenue in periods thereafter. Given the inherent uncertainty of the current operating environment due to the COVID-19 pandemic, American will continue to monitor redemption patterns and may adjust its estimates in the future.

The air traffic liability principally represents tickets sold for future travel on American and partner airlines, as well as estimated future refunds and exchanges of tickets sold for past travel. The balance in American's air traffic liability also fluctuates with seasonal travel patterns. The contract duration of passenger tickets is generally one year. Accordingly, any revenue associated with tickets sold for future travel will be recognized within 12 months. For the six months ended June 30, 2021, \$1.2 billion of revenue was recognized in passenger revenue that was included in American's air traffic liability at December 31, 2020. In response to the COVID-19 pandemic, American extended the contract duration for certain tickets to March 31, 2022, principally those tickets which were scheduled to expire from March 1, 2020 through March 31, 2021. Additionally, American has eliminated change fees for most domestic and international tickets. As of June 30, 2021, the air traffic liability included approximately \$1.6 billion of travel credits related to these unused tickets. Given this change in contract duration and uncertainty surrounding the future demand for air travel, American's estimates of revenue that will be recognized from the air traffic liability for future flown or unused tickets as well as American's estimates of refunds may be subject to variability and differ from historical experience.



**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.**  
(Unaudited)

**4. Debt**

Long-term debt included in the condensed consolidated balance sheets consisted of (in millions):

	June 30, 2021	December 31, 2020
<i>Secured</i>		
2013 Term Loan Facility, variable interest rate of 1.85%, installments through 2025	\$ 1,770	\$ 1,788
2013 Revolving Facility	—	750
2014 Term Loan Facility, variable interest rate of 1.85%, installments through 2027	1,208	1,220
2014 Revolving Facility	—	1,643
April 2016 Spare Parts Term Loan Facility, variable interest rate of 2.10%, installments through 2023	950	960
April 2016 Revolving Facility	—	450
December 2016 Term Loan Facility, variable interest rate of 2.07%, installments through 2023	1,200	1,200
11.75% senior secured notes, interest only payments until due in July 2025	2,500	2,500
10.75% senior secured IP notes, interest only payments until due in February 2026	1,000	1,000
10.75% senior secured LGA/DCA notes, interest only payments until due in February 2026	200	200
Treasury Term Loan Facility	—	550
5.50% senior secured notes, installments beginning in July 2023 until due in April 2026	3,500	—
5.75% senior secured notes, installments beginning in July 2026 until due in April 2029	3,000	—
AAdvantage Term Loan Facility, variable interest rate of 5.50%, installments beginning in July 2023 through April 2028	3,500	—
Enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 3.00% to 8.39%, averaging 3.91%, maturing from 2021 to 2032	10,176	11,013
Equipment loans and other notes payable, fixed and variable interest rates ranging from 1.22% to 4.64%, averaging 1.85%, maturing from 2021 to 2032	3,788	4,417
Special facility revenue bonds, fixed interest rates ranging from 2.25% to 5.38%, maturing from 2026 to 2036	1,129	1,040
<b>Total long-term debt</b>	<b>33,921</b>	<b>28,731</b>
Less: Total unamortized debt discount, premium and issuance costs	462	321
Less: Current maturities	1,946	2,700
<b>Long-term debt, net of current maturities</b>	<b>\$ 31,513</b>	<b>\$ 25,710</b>

As of June 30, 2021, the maximum availability under American's revolving credit and other facilities is as follows (in millions):

2013 Revolving Facility	\$ 750
2014 Revolving Facility	1,643
April 2016 Revolving Facility	450
Short-term Revolving and Other Facilities	470
<b>Total</b>	<b>\$ 3,313</b>

American has an undrawn \$400 million short-term revolving credit facility it entered into in December 2019, which was set to expire at the beginning of July 2021 but which has been extended through the beginning of October 2021 and the available amount thereunder increased to \$500 million. American has the option to extend further this short-term revolving credit facility to January 2022. American also currently has approximately \$70 million of available borrowing base under a cargo receivables facility that was entered into in December 2020. The December 2016 Credit Facilities provide for a revolving credit facility that may be established thereunder in the future.

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Secured financings are collateralized by assets, consisting primarily of aircraft, engines, simulators, aircraft spare parts, airport gate leasehold rights, route authorities and airport slots, as well as certain intellectual property and loyalty program assets.

### **2021 Financing Activities**

#### *2013, 2014 and April 2016 Revolving Facilities*

In March 2021, American repaid in full the \$750 million of revolving loans outstanding under the 2013 Revolving Facility, the \$1.6 billion of revolving loans outstanding under the 2014 Revolving Facility and the \$450 million of revolving loans outstanding under the April 2016 Revolving Facility. Following the March 2021 repayment, American is able to draw upon the commitments under these revolving facilities again as needed upon the terms of the underlying credit agreements or leave them undrawn, in each case, until such commitments expire, which is currently scheduled to occur in 2024 for substantially all of such commitments. As of June 30, 2021, there were no borrowings or letters of credit outstanding under the 2013 Revolving Facility, the 2014 Revolving Facility or the April 2016 Revolving Facility.

#### *AAdvantage Financing*

On March 24, 2021 (the AAdvantage Financing Closing Date), American and AAdvantage Loyalty IP Ltd., a newly formed Cayman Islands exempted company incorporated with limited liability and an indirect wholly owned subsidiary of American (Loyalty Issuer and, together with American, the AAdvantage Issuers), completed the offering of \$3.5 billion aggregate principal amount of 5.50% Senior Secured Notes due 2026 (the 2026 Notes) and \$3.0 billion aggregate principal amount of 5.75% Senior Secured Notes due 2029 (the 2029 Notes, and together with the 2026 Notes, the AAdvantage Notes). The AAdvantage Notes are fully and unconditionally guaranteed (the AAdvantage Note Guarantees) on a senior unsecured basis by AAG and fully and unconditionally guaranteed on a senior secured basis, jointly and severally, by AAdvantage Holdings 1, Ltd., a newly formed Cayman Islands exempted company incorporated with limited liability and a direct wholly owned subsidiary of American, and AAdvantage Holdings 2, Ltd., a newly formed Cayman Islands exempted company incorporated with limited liability and an indirect wholly owned subsidiary of American and the direct parent of Loyalty Issuer (HoldCo2 and, together with AAdvantage Holdings 1, Ltd., the SPV Guarantors, and the SPV Guarantors together with AAG, the AAdvantage Guarantors). The AAdvantage Notes were issued pursuant to an indenture, dated as of March 24, 2021 (the AAdvantage Indenture), by and among the AAdvantage Issuers, the AAdvantage Guarantors and Wilmington Trust, National Association, as trustee and as collateral custodian.

Concurrent with the issuance of the AAdvantage Notes, the AAdvantage Issuers, as co-borrowers, entered into a term loan credit and guaranty agreement, dated March 24, 2021, with Barclays Bank PLC, as administrative agent, Wilmington Trust, National Association, as collateral administrator, and the lenders party thereto, providing for a \$3.5 billion term loan facility (the AAdvantage Term Loan Facility and collectively with the AAdvantage Notes, the AAdvantage Financing) and pursuant to which the full \$3.5 billion of term loans (the AAdvantage Loans) were drawn on the AAdvantage Financing Closing Date. The AAdvantage Loans are fully and unconditionally guaranteed (together with the AAdvantage Note Guarantees, the AAdvantage Guarantees) by the AAdvantage Guarantors.

Subject to certain permitted liens and other exceptions, the AAdvantage Notes, AAdvantage Loans and AAdvantage Guarantees provided by the SPV Guarantors will be secured by a first-priority security interest in, and pledge of, various agreements with respect to the AAdvantage program (the AAdvantage Agreements) (including all payments thereunder) and rights under an intercompany agreement and certain IP Licenses (as defined below), certain rights under the AAdvantage program, certain deposit accounts that will receive cash under the AAdvantage Agreements, certain reserve accounts, the equity of each of Loyalty Issuer and the SPV Guarantors and substantially all other assets of Loyalty Issuer and the SPV Guarantors (collectively, the AAdvantage Collateral).

#### *Payment Terms of the AAdvantage Notes and AAdvantage Loans under the AAdvantage Term Loan Facility*

Interest on the AAdvantage Notes is payable in cash, quarterly in arrears on the 20th day of each January, April, July and October (each, an AAdvantage Payment Date), beginning July 20, 2021. The 2026 Notes will mature on April 20, 2026, and the 2029 Notes will mature on April 20, 2029. The outstanding principal on the 2026 Notes will be repaid in quarterly installments of approximately \$292 million on each AAdvantage Payment Date, beginning on July 20, 2023. The outstanding principal on the 2029 Notes will be repaid in quarterly installments of \$250 million on each AAdvantage Payment Date, beginning on July 20, 2026.

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The AAdvantage Issuers may redeem the AAdvantage Notes, at their option, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the AAdvantage Notes redeemed plus a “make-whole” premium, together with accrued and unpaid interest to the date of redemption.

The scheduled maturity date of the AAdvantage Loans under the AAdvantage Term Loan Facility is April 20, 2028. The AAdvantage Loans bear interest at a variable rate equal to LIBOR (but not less than 0.75% per annum), plus a margin of 4.75% per annum, payable on each AAdvantage Payment Date. The outstanding principal on the AAdvantage Loans will be repaid in quarterly installments of \$175 million, on each AAdvantage Payment Date beginning with the AAdvantage Payment Date in July 2023. These amortization payments (as well as those for the AAdvantage Notes) will be subject to the occurrence of certain early amortization events, including the failure to satisfy a minimum debt service coverage ratio at specified determination dates.

Prepayment of some or all of the AAdvantage Loans outstanding under the AAdvantage Term Loan Facility is permitted, although payment of an applicable premium is required as specified in the AAdvantage Term Loan Facility.

The AAdvantage Indenture and the AAdvantage Term Loan Facility contain mandatory prepayment provisions triggered upon (i) the issuance or incurrence by Loyalty Issuer or the SPV Guarantors of certain indebtedness or (ii) the receipt by American or its subsidiaries of net proceeds from pre-paid frequent flyer (i.e., AAdvantage) mile purchases exceeding \$500 million, with prepayment required only in respect of net proceeds from such purchases exceeding \$505 million in the aggregate. Each of these prepayments would also require payment of an applicable premium. Certain other events, including the occurrence of a change of control with respect to AAG and certain AAdvantage Collateral sales exceeding a specified threshold, will also trigger mandatory repurchase or mandatory prepayment provisions under the AAdvantage Indenture and the AAdvantage Term Loan Facility, respectively.

*Other Terms of the AAdvantage Indenture and the AAdvantage Term Loan Facility*

The AAdvantage Indenture and the AAdvantage Term Loan Facility contain certain covenants that limit the ability of Loyalty Issuer, the SPV Guarantors and, in certain circumstances, American and AAG, to among other things, (i) incur additional indebtedness and make restricted payments, (ii) incur certain liens on the AAdvantage Collateral, (iii) merge, consolidate or sell substantially all of their assets, (iv) dispose of the AAdvantage Collateral, (v) sell pre-paid frequent flyer (i.e. AAdvantage) miles in excess of \$550 million in the aggregate, and (vi) terminate, amend, waive, supplement or modify the IP Licenses, or exercise rights and remedies thereunder, except under certain circumstances. American and Loyalty Issuer are also prohibited from substantially reducing the AAdvantage program business or modifying the terms of the AAdvantage program in a manner that would reasonably be expected to materially impair repayment of the AAdvantage Financing obligations (described as a Payment Material Adverse Effect in the AAdvantage Indenture and the AAdvantage Term Loan Facility), and AAG and its subsidiaries are prohibited from changing the policies and procedures of the AAdvantage program in a manner that would reasonably be expected to have a Payment Material Adverse Effect or operating a competing loyalty program. Notwithstanding these restrictions, the AAdvantage program is expected to operate as it has in the past, and the entry into the AAdvantage Financing is not expected to have any impact on the benefits offered to AAdvantage members.

In addition, subject to certain exceptions, the AAdvantage Indenture and the AAdvantage Term Loan Facility restrict the ability of American, Loyalty Issuer or any Guarantor to terminate, or modify certain terms within, the intercompany agreement governing the relationship between American and Loyalty Issuer with respect to the AAdvantage program.

The AAdvantage Indenture and the AAdvantage Term Loan Facility also require the AAdvantage Issuers to comply with certain affirmative covenants, including (i) certain reporting requirements and (ii) the use of commercially reasonable efforts to cause sufficient counterparties to AAdvantage Agreements to direct payments with respect to the AAdvantage program into a collections account, such that at least 90% of such cash receipts in a quarterly reporting period are deposited directly into this collection account, with amounts to be distributed from this collection account for the payment of fees, principal and interest on the AAdvantage Notes and the AAdvantage Loans pursuant to a payment waterfall described in the AAdvantage Indenture and the AAdvantage Term Loan Facility, respectively. In addition, the AAdvantage Indenture and the AAdvantage Term Loan Facility require AAG to maintain minimum liquidity, defined as the sum of (a) unrestricted cash and cash equivalents and (b) the aggregate principal amount committed and available to be drawn under all of AAG's revolving credit and other facilities, at the close of any business day of at least \$2.0 billion.

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Subject to certain materiality thresholds, qualifications, exceptions, “baskets” and grace and cure periods, the AAdvantage Indenture and the AAdvantage Term Loan Facility contain various events of default, including payment defaults, covenant defaults, cross-defaults to certain indebtedness, termination of certain agreements related to the AAdvantage program, bankruptcy events of Loyalty Issuer or any SPV Guarantor, and a change of control of Loyalty Issuer or any SPV Guarantor. A bankruptcy event of American is not itself an event of default; following an American bankruptcy, an event of default would only occur if American failed to satisfy certain enumerated bankruptcy case milestones, including an assumption of the AAdvantage Financing by a certain date. Upon the occurrence of an event of default, the outstanding obligations under the AAdvantage Indenture and the AAdvantage Term Loan Facility may (or, with respect to the bankruptcy events noted above, shall) be accelerated and become due and payable immediately.

*Terms of Certain Intercompany Agreements Related to the AAdvantage Financing*

In connection with the issuance of the AAdvantage Notes and entry into the AAdvantage Term Loan Facility, American, Loyalty Issuer and the SPV Guarantors entered into a series of transactions that resulted in the transfer to Loyalty Issuer of, among other things, American's rights to certain data and other intellectual property used in the AAdvantage program (subject to certain exceptions) (such assets, the Transferred AAdvantage IP) and certain rights of American under specified AAdvantage Agreements. Loyalty Issuer has entered into a license agreement with HoldCo2 pursuant to which Loyalty Issuer has granted to HoldCo2 an exclusive, irrevocable (subject to certain termination rights), perpetual, worldwide, royalty-bearing license to use the Transferred AAdvantage IP (the HoldCo2 License), and HoldCo2 has in turn granted to American an exclusive, irrevocable (subject to certain termination rights), perpetual, worldwide, royalty-bearing sublicense to use the Transferred AAdvantage IP (together with the HoldCo2 License, the IP Licenses). The IP Licenses would be terminated, and American's right to use the Transferred AAdvantage IP would cease, upon specified termination events, including, but not limited to, the occurrence of an event of default under the AAdvantage Indenture or the AAdvantage Term Loan Facility. In certain circumstances, such a termination would trigger a liquidated damages payment in an amount that is greater than the initial principal amount of the AAdvantage Notes and the AAdvantage Loans.

In addition, proceeds from the AAdvantage Financing were loaned by Loyalty Issuer to American pursuant to an intercompany note that was guaranteed by AAG. The borrowings under this intercompany note are payable on demand by Loyalty Issuer or, after the occurrence and during the continuance of an event of default under the AAdvantage Financing, by the master collateral agent under the AAdvantage Financing.

*Treasury Loan Agreement*

On September 25, 2020, American and AAG entered into a Loan and Guarantee Agreement (the Treasury Loan Agreement) with Treasury, which provided for a secured term loan facility (the Treasury Term Loan Facility) that permitted American to borrow up to \$5.5 billion. Subsequently, on October 21, 2020, American and AAG entered into an amendment to the Treasury Loan Agreement, which increased the borrowing amount to up to \$7.5 billion. American had borrowed \$550 million under the Treasury Term Loan Facility in September 2020. On March 24, 2021, American used proceeds from the AAdvantage Financing to prepay in full the \$550 million outstanding under the Treasury Term Loan Facility and terminated the Treasury Loan Agreement.

*JFK Special Facility Revenue Bonds*

In January 2020, American and British Airways announced the start of construction projects to upgrade New York's JFK Terminal 8 (the Terminal). The renovation projects at the Terminal include: (i) the reconfiguration or elimination of certain existing gates and the construction of jumbo gates, (ii) the construction of approximately 51,000 square feet of new terminal building space and the refurbishment of 73,300 square feet of existing terminal space, (iii) the expansion of the baggage system capacity of the Terminal, (iv) improvements to the premium passenger lounges, check-in and, potentially, security access areas, and (v) bathroom refreshment, new signage, and other upgrades. The construction project is currently scheduled to be completed in 2023 and is estimated to cost approximately \$439 million, of which approximately \$298 million was funded with proceeds of the special facility revenue bonds issued by the New York Transportation Development Corporation (NYTDC) on behalf of American in June 2020 (the 2020 JFK Bonds) and approximately \$84 million of which will be funded with proceeds of the approximately \$150 million of special facility revenue bonds the NYTDC issued in June 2021 (the 2021 JFK Bonds).

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American is required to pay debt service on the 2021 JFK Bonds through payments under a loan agreement with NYTDC (as amended), and American and AAG guarantee the 2021 JFK Bonds. American continues to pay debt service on the outstanding bonds issued by NYTDC on behalf of American in 2016 and 2020 (the 2016 and 2020 JFK Bonds) and American and AAG continue to guarantee the 2016 and 2020 JFK Bonds. American's and AAG's obligations under these guarantees are secured by a leasehold mortgage on American's lease of the Terminal and related property from the Port Authority of New York and New Jersey.

The 2021 JFK Bonds, in aggregate, were priced at par value. The gross proceeds from the issuance of the 2021 JFK Bonds were approximately \$150 million. Of this amount, approximately \$4 million was used to fund the costs of issuance of the 2021 JFK Bonds, approximately \$62 million was used to fund the redemption of the 2016 and 2020 JFK Bonds due August 2021, with the remaining amount of proceeds received to be held in restricted cash and short-term investments on the condensed consolidated balance sheet and to be used to finance a portion of the cost of the renovation and expansion of the Terminal. The 2021 JFK Bonds are comprised of term bonds, \$70 million of which bear interest at 2.25% per annum and mature on August 1, 2026, and \$80 million of which bear interest at 3.00% per annum and mature on August 1, 2031.

## **5. Income Taxes**

At December 31, 2020, American had approximately \$16.5 billion of federal net operating losses (NOLs) available to reduce future federal taxable income, of which \$8.9 billion will expire beginning in 2023 if unused and \$7.6 billion can be carried forward indefinitely (NOL Carryforwards). American is a member of AAG's consolidated federal and certain state income tax returns. The amount of federal NOL Carryforwards available in those returns is \$16.5 billion to reduce AAG's future federal taxable income. American also had approximately \$5.0 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2020, which will expire in taxable years 2020 through 2040 if unused.

American's ability to use its NOL Carryforwards depends on the amount of taxable income generated in future periods. American provides a valuation allowance for its deferred tax assets, which include the NOLs, when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. American considers all available positive and negative evidence and makes certain assumptions in evaluating the realizability of its deferred tax assets. Many factors are considered that impact American's assessment of future profitability, including conditions which are beyond its control, such as the health of the economy, the availability and price volatility of aircraft fuel and travel demand. American presently has a \$24 million valuation allowance on certain net deferred tax assets related to state NOL Carryforwards. There can be no assurance that an additional valuation allowance on American's net deferred tax assets will not be required. Such valuation allowance could be material.

During the three and six months ended June 30, 2021, American recorded an income tax benefit of \$1 million and \$315 million, respectively.

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## 6. Fair Value Measurements and Other Investments

### Assets Measured at Fair Value on a Recurring Basis

American utilizes the market approach to measure the fair value of its financial assets. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. American's short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the six months ended June 30, 2021.

Assets measured at fair value on a recurring basis are summarized below (in millions):

	Fair Value Measurements as of June 30, 2021			
	Total	Level 1	Level 2	Level 3
Short-term investments <sup>(1), (2)</sup> :				
Money market funds	\$ 3,968	\$ 3,968	\$ —	\$ —
Corporate obligations	9,492	—	9,492	—
Bank notes/certificates of deposit/time deposits	2,834	—	2,834	—
Repurchase agreements	1,315	—	1,315	—
	<u>17,609</u>	<u>3,968</u>	<u>13,641</u>	<u>—</u>
Restricted cash and short-term investments <sup>(1), (3)</sup>	999	785	214	—
Long-term investments <sup>(4)</sup>	168	168	—	—
<b>Total</b>	<u>\$ 18,776</u>	<u>\$ 4,921</u>	<u>\$ 13,855</u>	<u>\$ —</u>

<sup>(1)</sup> All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses are recorded in accumulated other comprehensive loss at each reporting period. There were no credit losses.

<sup>(2)</sup> American's short-term investments mature in one year or less.

<sup>(3)</sup> Restricted cash and short-term investments primarily include collateral associated with the payment of certain fees and interest in respect of the AAdvantage Financing, money market funds to be used to finance a substantial portion of the cost of the renovation and expansion of Terminal 8 at JFK as well as collateral held to support workers' compensation obligations.

<sup>(4)</sup> Long-term investments primarily include American's equity investment in China Southern Airlines, in which American presently owns a 1.8% equity interest, and are classified in other assets on the condensed consolidated balance sheet.

### Fair Value of Debt

The fair value of American's long-term debt was estimated using quoted market prices or discounted cash flow analyses, based on American's current estimated incremental borrowing rates for similar types of borrowing arrangements. If American's long-term debt was measured at fair value, it would have been classified as Level 2 except for \$550 million as of December 31, 2020, which would have been classified as Level 3 in the fair value hierarchy.

The carrying value and estimated fair value of American's long-term debt, including current maturities, were as follows (in millions):

	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 33,459	\$ 35,429	\$ 28,410	\$ 27,193

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## 7. Employee Benefit Plans

The following table provides the components of net periodic benefit cost (income) (in millions):

Three Months Ended June 30,	Pension Benefits		Retiree Medical and Other Postretirement Benefits	
	2021	2020	2021	2020
Service cost	\$ 1	\$ 1	\$ 3	\$ 2
Interest cost	130	153	8	8
Expected return on assets	(270)	(251)	(3)	(3)
Settlements	—	4	—	—
Amortization of:				
Prior service cost (benefit)	7	7	(3)	(52)
Unrecognized net loss (gain)	52	41	(6)	(5)
Net periodic benefit income	<u>\$ (80)</u>	<u>\$ (45)</u>	<u>\$ (1)</u>	<u>\$ (50)</u>

  

Six Months Ended June 30,	Pension Benefits		Retiree Medical and Other Postretirement Benefits	
	2021	2020	2021	2020
Service cost	\$ 2	\$ 1	\$ 5	\$ 3
Interest cost	261	306	14	14
Expected return on assets	(540)	(503)	(6)	(6)
Special termination benefits	—	—	139	—
Settlements	—	4	—	—
Amortization of:				
Prior service cost (benefit)	14	14	(7)	(106)
Unrecognized net loss (gain)	104	83	(11)	(12)
Net periodic benefit cost (income)	<u>\$ (159)</u>	<u>\$ (95)</u>	<u>\$ 134</u>	<u>\$ (107)</u>

Effective November 1, 2012, substantially all of American's defined benefit pension plans were frozen.

The service cost component of net periodic benefit cost (income) is included in operating expenses, the cost for the special termination benefits is included in special items, net and the other components of net periodic benefit cost (income) are included in nonoperating other income (expense), net in the condensed consolidated statements of operations.

During the first quarter of 2021, American remeasured its retiree medical and other postretirement benefits to account for enhanced healthcare benefits provided to eligible team members who opted in to voluntary early retirement programs offered as a result of reductions to its operation due to the COVID-19 pandemic. For the six months ended June 30, 2021, American recognized a \$139 million special charge for these enhanced healthcare benefits and increased its postretirement benefits obligation by \$139 million.

In January 2021, American made \$241 million in contributions to its pension plans, including a contribution of \$130 million for the 2020 calendar year that was permitted to be deferred to January 4, 2021 as provided under the CARES Act. On March 11, 2021, the ARP was enacted, which included funding relief provisions benefiting single employer qualified retirement benefit pension plans such as those sponsored by American. Based on American's current understanding of the ARP provisions applicable to its pension plans, American will have no additional funding requirements for 2021.



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### 8. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss (AOCI) are as follows (in millions):

	Pension, Retiree Medical and Other Postretirement Benefits	Unrealized Gain (Loss) on Investments	Income Tax Benefit (Provision) <sup>(1)</sup>	Total
Balance at December 31, 2020	\$ (6,215)	\$ (2)	\$ (977)	\$ (7,194)
Other comprehensive income (loss) before reclassifications	35	—	(8)	27
Amounts reclassified from AOCI	100	—	(22) <sup>(2)</sup>	78
Net current-period other comprehensive income (loss)	135	—	(30)	105
Balance at June 30, 2021	<u>\$ (6,080)</u>	<u>\$ (2)</u>	<u>\$ (1,007)</u>	<u>\$ (7,089)</u>

<sup>(1)</sup> Relates principally to pension, retiree medical and other postretirement benefits obligations that will not be recognized in net loss until the obligations are fully extinguished.

<sup>(2)</sup> Relates to pension, retiree medical and other postretirement benefits obligations and is recognized within the income tax benefit on the condensed consolidated statement of operations.

Reclassifications out of AOCI are as follows (in millions):

AOCI Components	Amounts reclassified from AOCI				Affected line items on the condensed consolidated statements of operations
	Three Months Ended June 30,		Six Months Ended June 30,		
	2021	2020	2021	2020	
Amortization of pension, retiree medical and other postretirement benefits:					
Prior service cost (benefit)	\$ 3	\$ (34)	\$ 6	\$ (71)	Nonoperating other income (expense), net
Actuarial loss	36	30	72	57	Nonoperating other income (expense), net
Total reclassifications for the period, net of tax	<u>\$ 39</u>	<u>\$ (4)</u>	<u>\$ 78</u>	<u>\$ (14)</u>	

### 9. Regional Expenses

American's regional carriers provide scheduled air transportation under the brand name "American Eagle." The American Eagle carriers include AAG's wholly-owned regional carriers as well as third-party regional carriers. Substantially all of American's regional carrier arrangements are in the form of capacity purchase agreements. Expenses associated with American Eagle operations are classified as regional expenses on the condensed consolidated statements of operations.

Beginning in the first quarter of 2021, aircraft fuel and related taxes as well as certain salaries, wages and benefits, other rent and landing fees, selling and other expenses are no longer allocated to regional expenses on American's condensed consolidated statements of operations. The second quarter and six months ended June 30, 2020 condensed consolidated statements of operations have been recast to conform to the 2021 presentation. This statement of operations presentation change has no impact on total operating expenses or net loss.

Regional expenses for the three months ended June 30, 2021 and 2020 include \$64 million and \$71 million of depreciation and amortization, respectively, and \$2 million and \$3 million of aircraft rent, respectively. Regional expenses for the six months ended June 30, 2021 and 2020 include \$132 million and \$141 million of depreciation and amortization, respectively, and \$4 million and \$8 million of aircraft rent, respectively.

During the three months ended June 30, 2021 and 2020, American recognized \$91 million and \$61 million, respectively, of expense under its capacity purchase agreement with Republic Airways Inc. (Republic). During the six months ended June 30, 2021 and 2020, American recognized \$218 million and \$211 million, respectively, of expense under its capacity purchase agreement with Republic. American holds a 25% equity interest in Republic Airways Holdings Inc., the parent company of Republic.



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**10. Transactions with Related Parties**

The following represents the net receivables (payables) to related parties (in millions):

	June 30, 2021	December 31, 2020
AAG <sup>(1)</sup>	\$ 7,487	\$ 9,940
AAG's wholly-owned subsidiaries <sup>(2)</sup>	(2,159)	(2,063)
<b>Total</b>	<b>\$ 5,328</b>	<b>\$ 7,877</b>

- <sup>(1)</sup> The decrease in American's net related party receivable from AAG is primarily due to cash received from the proceeds of AAG financing transactions including the PSP2 Promissory Note, the PSP3 Promissory Note and the issuance of shares of AAG common stock pursuant to an at-the-market offering.
- <sup>(2)</sup> The net payable to AAG's wholly-owned subsidiaries consists primarily of amounts due under regional capacity purchase agreements with AAG's wholly-owned regional airlines operating under the brand name of American Eagle.

**11. Legal Proceedings**

*Chapter 11 Cases.* On November 29, 2011, AMR Corporation (AMR), American, and certain of AMR's other direct and indirect domestic subsidiaries (the Debtors) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On October 21, 2013, the Bankruptcy Court entered an order approving and confirming the Debtors' fourth amended joint plan of reorganization (as amended, the Plan). On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan and completed the acquisition of US Airways Group, Inc. by AMR (the Merger).

Pursuant to rulings of the Bankruptcy Court, the Plan established a disputed claims reserve (the Disputed Claims Reserve) to hold shares of AAG common stock reserved for issuance to disputed claimholders at the Effective Date that ultimately become holders of allowed claims. The shares of AAG common stock issued to the Disputed Claims Reserve were originally issued on December 13, 2013 and have at all times since been included in the number of shares issued and outstanding as reported by AAG from time to time in its quarterly and annual reports, including for calculating earnings per common share. As disputed claims are resolved, the claimants receive distributions of shares from the Disputed Claims Reserve. American is not required to distribute additional shares above the limits contemplated by the Plan, even if the shares remaining for distribution in the Disputed Claims Reserve are not sufficient to fully pay any additional allowed unsecured claims. If any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to AAG but rather will be distributed to former AMR stockholders and former convertible noteholders treated as stockholders under the Plan. As of June 30, 2021, the Disputed Claims Reserve held approximately 4.8 million shares of AAG common stock.

*Private Party Antitrust Action Related to Passenger Capacity.* American, along with Delta Air Lines, Inc., Southwest Airlines Co., United Airlines, Inc. and, in the case of litigation filed in Canada, Air Canada, were named as defendants in approximately 100 putative class action lawsuits alleging unlawful agreements with respect to air passenger capacity. The U.S. lawsuits were consolidated in the Federal District Court for the District of Columbia (the DC Court). On June 15, 2018, American reached a settlement agreement with the plaintiffs in the amount of \$45 million to resolve all class claims in the U.S. lawsuits. That settlement was approved by the DC Court on May 13, 2019, however three parties who objected to the settlement have appealed that decision to the United States Court of Appeals for the District of Columbia. American believes these appeals are without merit and intends to vigorously defend against them.

*Private Party Antitrust Action Related to the Merger.* On August 6, 2013, a lawsuit captioned Carolyn Fjord, et al., v. AMR Corporation, et al., was filed in the Bankruptcy Court. The complaint named as defendants US Airways Group, Inc., US Airways, Inc., AMR and American, alleged that the effect of the Merger may be to create a monopoly in violation of Section 7 of the Clayton Antitrust Act, and sought injunctive relief and/or divestiture. On November 27, 2013, the Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On August 29, 2018, the Bankruptcy Court denied in part defendants' motion for summary judgment, and fully denied plaintiffs' cross-motion for summary judgment. The parties' evidentiary cases were presented before the Bankruptcy Court in a bench trial in March 2019 and the parties submitted proposed findings of fact and conclusions of law and made closing arguments in April 2019. On January 29, 2021, the Bankruptcy Court published its decision finding in American's favor. The plaintiffs have appealed this ruling. American believes this lawsuit is without merit and intends to continue to vigorously defend against the allegations, including plaintiffs' appeal of the Bankruptcy Court's January 29, 2021 ruling.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.**  
**(Unaudited)**

*General.* In addition to the specifically identified legal proceedings, American and its subsidiaries are also engaged in other legal proceedings from time to time. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within American's control. Therefore, although American will vigorously defend itself in each of the actions described above and such other legal proceedings, their ultimate resolution and potential financial and other impacts on American are uncertain but could be material.

## **12. Subsequent Event**

### *April 2016 Spare Parts Term Loan Facility*

On July 22, 2021, American repaid in full the outstanding term loans in the aggregate principal amount of \$950 million and terminated the April 2016 Spare Parts Term Loan Facility. The April 2016 Revolving Facility, in the aggregate principal amount of \$450 million, none of which was drawn or outstanding as of June 30, 2021, and which has a final maturity of October 2024, remains in place.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Part I, Item 2 of this report should be read in conjunction with Part II, Item 7 of AAG's and American's Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Form 10-K). The information contained herein is not a comprehensive discussion and analysis of the financial condition and results of operations of AAG and American, but rather updates disclosures made in the 2020 Form 10-K.

### Financial Overview

#### *Impact of Coronavirus (COVID-19)*

COVID-19 has been declared a global health pandemic by the World Health Organization. COVID-19 has surfaced in nearly all regions of the world, which has driven the implementation of significant, government-imposed measures to prevent or reduce its spread, including travel restrictions, testing regimes, closing of borders, "stay at home" orders and business closures. As a result, we have experienced an unprecedented decline in the demand for air travel, which has resulted in a material deterioration in our revenues. While global vaccination efforts are underway and demand for air travel has begun to return, the continued impact of COVID-19, including any increases in infection rates, new variants and renewed governmental action to slow the spread of COVID-19 such as has occurred throughout Western Europe and Latin America during the first six months of 2021, cannot be estimated.

We have taken aggressive actions to mitigate the effects of the COVID-19 pandemic on our business, including deep capacity reductions, structural changes to our fleet, cost reductions, and steps to preserve cash and improve our overall liquidity position. We remain extremely focused on taking all self-help measures available to manage our business during this unprecedented time, consistent with the terms of the financial assistance we have received from the U.S. Government under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021 (PSP Extension Law) and Section 7301 of the American Rescue Plan Act of 2021 (the ARP).

#### Capacity Reductions

Our capacity (as measured by available seat miles) continues to be significantly reduced compared to pre-COVID-19 pandemic levels with flying during the second quarter of 2021 down 24.6% as compared to the second quarter of 2019. Domestic capacity in the second quarter of 2021 was down 12.8% while international capacity was down 46.5% versus the second quarter of 2019.

We currently expect our third quarter of 2021 system capacity to be down 15% to 20% as compared to the third quarter of 2019. While demand for domestic and short-haul international markets has largely recovered to 2019 levels, uncertainty continues to exist. We will continue to match our forward capacity with observed booking trends for future travel and make further adjustments to our capacity as needed.

#### Cost Reductions

In aggregate, we estimate that we have reduced our 2021 operating expenditures by more than \$1.3 billion, which are permanent non-volume cost reductions and other efficiency measures. These reductions include approximately \$600 million in labor productivity enhancements, \$500 million in management salaries and benefits and \$200 million in other permanent cost reductions. Also, an additional 1,600 represented team members opted in to a voluntary early retirement program, which occurred during the first quarter of 2021.

#### Liquidity

As of June 30, 2021, we had \$21.3 billion in total available liquidity, consisting of \$18.0 billion in unrestricted cash and short-term investments, \$2.8 billion in an undrawn capacity under revolving credit facilities and a total of \$470 million in undrawn short-term revolving and other facilities.

During the first six months of 2021, we completed the following financing transactions (see Note 5 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information):

- issued \$3.5 billion in aggregate principal amount of 5.50% Senior Secured Notes due 2026 and \$3.0 billion in aggregate principal amount of 5.75% Senior Secured Notes due 2029 and entered into the \$3.5 billion AAdvantage Term Loan Facility of which the full amount of term loans was drawn at closing;

- repaid in full \$750 million under the 2013 Revolving Facility, \$1.6 billion under the 2014 Revolving Facility and \$450 million under the April 2016 Revolving Facility, all of which was borrowed in the second quarter of 2020 in response to the COVID-19 pandemic;
- repaid the \$550 million of outstanding loans under the \$7.5 billion secured term loan facility with the U.S. Department of the Treasury (Treasury) (the Treasury Loan Agreement) and terminated the Treasury Loan Agreement;
- issued 24.2 million shares of AAG common stock at an average price of \$19.26 per share pursuant to an at-the-market offering for net proceeds of \$460 million (approximately \$650 million of at-the-market authorization remains available at June 30, 2021);
- issued approximately \$150 million in special facility revenue bonds related to John F. Kennedy International Airport (JFK), of which \$62 million was used to fund the redemption of other bonds related to JFK; and
- raised \$163 million principally from aircraft sale-leaseback transactions.

In addition to the foregoing financings, during the first quarter of 2021, we received an aggregate of approximately \$3.1 billion in financial assistance through the payroll support program (PSP2) established under the PSP Extension Law. In April 2021, we received an additional installment of \$463 million for an aggregate \$3.5 billion of such PSP2 financial assistance. In connection with our receipt of this financial assistance, AAG issued a promissory note (the PSP2 Promissory Note) to Treasury for \$1.0 billion in aggregate principal amount and warrants to purchase up to an aggregate of approximately 6.6 million shares (the PSP2 Warrant Shares) of AAG common stock.

During the second quarter of 2021, we received an aggregate of approximately \$3.3 billion in financial assistance through the payroll support program (PSP3) established under the ARP. In connection with our receipt of this financial assistance, AAG issued a promissory note (the PSP3 Promissory Note) to Treasury for \$946 million in aggregate principal amount and warrants to purchase up to an aggregate of approximately 4.4 million shares (the PSP3 Warrant Shares) of AAG common stock. See Note 1 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further discussion on PSP2 and PSP3.

A significant portion of our debt financing agreements contain covenants requiring us to maintain an aggregate of at least \$2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities and/or contain loan to value, collateral coverage and/or debt service coverage ratio covenants.

Given the above actions and our current assumptions about the future impact of the COVID-19 pandemic on travel demand, which could be materially different due to the inherent uncertainties of the current operating environment, we expect to meet our cash obligations as well as remain in compliance with the debt covenants in our existing financing agreements for the next 12 months based on our current level of unrestricted cash and short-term investments, our anticipated access to liquidity (including via proceeds from financings), and projected cash flows from operations.

### AAG's Second Quarter 2021 Results

The selected financial data presented below is derived from AAG's unaudited condensed consolidated financial statements included in Part I, Item 1A of this report and should be read in conjunction with those financial statements and the related notes thereto.

Beginning in the first quarter of 2021, aircraft fuel and related taxes as well as certain salaries, wages and benefits, other rent and landing fees, selling and other expenses are no longer allocated to regional expenses on our condensed consolidated statements of operations. The second quarter and six months ended June 30, 2020 condensed consolidated statements of operations have been recast to conform to the 2021 presentation within this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. This statement of operations presentation change has no impact on total operating expenses or net loss.

	Three Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Passenger revenue	\$ 6,545	\$ 1,108	\$ 5,437	nm <sup>(2)</sup>
Cargo revenue	326	130	196	nm
Other operating revenue	607	384	223	57.9
Total operating revenues	7,478	1,622	5,856	nm
Aircraft fuel and related taxes	1,611	309	1,302	nm
Salaries, wages and benefits	2,862	2,610	252	9.6
Total operating expenses	7,037	4,108	2,929	71.3
Operating income (loss)	441	(2,486)	(2,927)	nm
Pre-tax income (loss)	9	(2,659)	(2,668)	nm
Income tax benefit	(10)	(592)	(582)	(98.4)
Net income (loss)	19	(2,067)	(2,086)	nm
Pre-tax income (loss) – GAAP	\$ 9	\$ (2,659)	\$ (2,668)	nm
Adjusted for: pre-tax net special items <sup>(1)</sup>	(1,418)	(1,661)	(243)	(14.6)
Pre-tax loss excluding net special items	\$ (1,409)	\$ (4,320)	\$ (2,911)	(67.4)

<sup>(1)</sup> See below "Reconciliation of GAAP to Non-GAAP Financial Measures" and Note 2 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for details on the components of net special items.

<sup>(2)</sup> Not meaningful or greater than 100% change. In addition, due to the volatility caused by the COVID-19 pandemic, many line item fluctuations may be expressed as not meaningful.

#### Pre-Tax Income (Loss) and Net Income (Loss)

Pre-tax income and net income were \$9 million and \$19 million, respectively, in the second quarter of 2021. This compares to second quarter 2020 pre-tax loss and net loss of \$2.7 billion and \$2.1 billion, respectively. Excluding the effects of pre-tax net special items, pre-tax loss was \$1.4 billion and \$4.3 billion in the second quarter of 2021 and 2020, respectively. The quarter-over-quarter improvement in our pre-tax income (loss), on both a GAAP basis and excluding pre-tax net special items, was primarily due to higher revenues driven by strong leisure demand domestically and in Latin America, offset in part by an increase in our operating expenses due to tripling our capacity as compared to the second quarter of 2020 as demand returned from the trough of the COVID-19 pandemic.

### Revenue

In the second quarter of 2021, we reported total operating revenues of \$7.5 billion, an increase of \$5.9 billion as compared to the second quarter of 2020. Passenger revenue was \$6.5 billion in the second quarter of 2021, an increase of \$5.4 billion as compared to the second quarter of 2020. The increase in passenger revenue in the second quarter of 2021 was due to increased revenue passenger miles (RPMs) driven by strong leisure demand domestically and in Latin America resulting in a 77.0% load factor in the second quarter of 2021.

In the second quarter of 2021, cargo revenue was \$326 million, an increase of \$196 million as compared to the second quarter of 2020. The increase in cargo revenue was primarily due to an increase in cargo ton miles reflecting increases in freight volumes, principally as a result of adding capacity and cargo-only flights to our schedule.

Other operating revenue increased \$223 million, or 57.9%, as compared to the second quarter of 2020, driven primarily by higher revenue associated with our loyalty program.

Our total revenue per available seat mile (TRASM) was 13.71 cents in the second quarter of 2021, a 44.3% increase as compared to 9.50 cents in the second quarter of 2020.

### Fuel

Aircraft fuel expense was \$1.6 billion in the second quarter of 2021, which was \$1.3 billion higher as compared to the second quarter of 2020. This increase was primarily driven by higher fuel consumption as a result of increased capacity and a 69.5% increase in the average price per gallon of aircraft fuel including related taxes to \$1.91 in the second quarter of 2021 from \$1.13 in the second quarter of 2020.

As of June 30, 2021, we did not have any fuel hedging contracts outstanding to hedge our fuel consumption. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review that policy from time to time based on market conditions and other factors. We do not currently view the market opportunities to hedge fuel prices as attractive because, among other things, our future fuel needs remain unclear due to uncertainties regarding air travel demand and any hedging would potentially require significant capital or collateral to be placed at risk. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices.

### Other Costs

We remain committed to actively managing our cost structure, which we believe is necessary in an industry whose economic prospects are heavily dependent upon two variables we cannot control: general economic conditions and the price of fuel. In particular, the onset of the COVID-19 pandemic resulted in a very rapid deterioration in general economic conditions.

Our 2021 second quarter total operating cost per available seat mile (CASM) was 12.90 cents, a decrease of 46.4%, from 24.05 cents in the second quarter of 2020. This decrease in CASM was primarily driven by higher capacity due to increased passenger demand and cost reduction and efficiency initiatives as discussed above, offset in part by an increase in fuel price.

Our 2021 second quarter total operating CASM excluding net special items and fuel was 12.61 cents, a decrease of 60.6%, from 32.04 cents in the second quarter of 2020. This decrease in CASM excluding net special items and fuel was primarily driven by higher capacity and cost reduction and efficiency initiatives as previously discussed.

For a reconciliation of total operating CASM to total operating CASM excluding net special items and fuel, see below *“Reconciliation of GAAP to Non-GAAP Financial Measures.”*

### Reconciliation of GAAP to Non-GAAP Financial Measures

We sometimes use financial measures that are derived from the condensed consolidated financial statements but that are not presented in accordance with GAAP to understand and evaluate our current operating performance and to allow for period-to-period comparisons. We believe these non-GAAP financial measures may also provide useful information to investors and others. These non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies, and should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with GAAP. We are providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis.

The following table presents the reconciliation of pre-tax income (loss) (GAAP measure) to pre-tax loss excluding net special items (non-GAAP measure). Management uses this non-GAAP financial measure to evaluate our current operating performance and to allow for period-to-period comparisons. As net special items may vary from period-to-period in nature and amount, the adjustment to exclude net special items allows management an additional tool to understand our core operating performance.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(In millions)				
<b>Reconciliation of Pre-Tax Loss Excluding Net Special Items:</b>				
Pre-tax income (loss) – GAAP	\$ 9	\$ (2,659)	\$ (1,564)	\$ (5,549)
Pre-tax net special items <sup>(1)</sup> :				
Operating special items, net	(1,455)	(1,672)	(3,377)	(447)
Nonoperating special items, net	37	11	13	228
Total pre-tax net special items	(1,418)	(1,661)	(3,364)	(219)
Pre-tax loss excluding net special items	<u>\$ (1,409)</u>	<u>\$ (4,320)</u>	<u>\$ (4,928)</u>	<u>\$ (5,768)</u>

<sup>(1)</sup> See Note 2 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information on net special items.

Additionally, the table below presents the reconciliation of total operating expenses (GAAP measure) to total operating costs excluding net special items and fuel (non-GAAP measure) and CASM to CASM excluding net special items and fuel. Management uses total operating costs and CASM excluding net special items and fuel to evaluate our current operating performance and for period-to-period comparisons. The price of fuel, over which we have no control, impacts the comparability of period-to-period financial performance. The adjustment to exclude fuel and net special items allows management an additional tool to understand and analyze our non-fuel costs and core operating performance. Amounts may not recalculate due to rounding.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Reconciliation of CASM Excluding Net Special Items and Fuel:</b>				
<b>(In millions)</b>				
Total operating expenses – GAAP	\$ 7,037	\$ 4,108	\$ 12,360	\$ 15,171
Operating net special items <sup>(1)</sup> :				
Mainline operating special items, net	1,288	1,494	2,996	362
Regional operating special items, net	167	178	381	85
Aircraft fuel and related taxes	(1,611)	(309)	(2,644)	(2,092)
Total operating expenses, excluding net special items and fuel	\$ 6,881	\$ 5,471	\$ 13,093	\$ 13,526
<b>(In cents)</b>				
Total Available Seat Miles (ASM)	54,555	17,081	92,319	79,180
CASM	12.90	24.05	13.39	19.16
Operating net special items per ASM <sup>(1)</sup> :				
Mainline operating special items, net	2.36	8.75	3.25	0.46
Regional operating special items, net	0.31	1.04	0.41	0.11
Aircraft fuel and related taxes per ASM	(2.95)	(1.81)	(2.86)	(2.64)
CASM, excluding net special items and fuel	12.61	32.04	14.18	17.08

<sup>(1)</sup> See Note 2 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information on net special items.



**AAG's Results of Operations**
**Operating Statistics**

The table below sets forth selected operating data for the three and six months ended June 30, 2021 and 2020. Amounts may not recalculate due to rounding.

	Three Months Ended June 30,		Increase (Decrease)	Six Months Ended June 30,		Increase (Decrease)
	2021	2020		2021	2020	
Revenue passenger miles (millions) <sup>(a)</sup>	42,022	7,231	nm %	64,486	52,402	23.1 %
Available seat miles (millions) <sup>(b)</sup>	54,555	17,081	nm %	92,319	79,180	16.6 %
Passenger load factor (percent) <sup>(c)</sup>	77.0	42.3	34.7 pts	69.9	66.2	3.7 pts
Yield (cents) <sup>(d)</sup>	15.57	15.32	1.7 %	15.08	16.77	(10.1) %
Passenger revenue per available seat mile (cents)	12.00	6.48	85.0 %	10.53	11.10	(5.1) %
Total revenue per available seat mile (cents) <sup>(f)</sup>	13.71	9.50	44.3 %	12.44	12.80	(2.8) %
Fuel consumption (gallons in millions)	844	275	nm %	1,452	1,246	16.5 %
Average aircraft fuel price including related taxes (dollars per gallon)	1.91	1.13	69.5 %	1.82	1.68	8.4 %
Total operating cost per available seat mile (cents)	12.90	24.05	(46.4) %	13.39	19.16	(30.1) %
Aircraft at end of period <sup>(h)</sup>	1,413	1,394	1.4 %	1,413	1,394	1.4 %
Full-time equivalent employees at end of period	117,400	107,400	9.3 %	117,400	107,400	9.3 %

<sup>(a)</sup> Revenue passenger mile (RPM) – A basic measure of sales volume. One RPM represents one passenger flown one mile.

<sup>(b)</sup> Available seat mile (ASM) – A basic measure of production. One ASM represents one seat flown one mile.

<sup>(c)</sup> Passenger load factor – The percentage of available seats that are filled with revenue passengers.

<sup>(d)</sup> Yield – A measure of airline revenue derived by dividing passenger revenue by RPMs.

<sup>(e)</sup> Passenger revenue per available seat mile (PRASM) – Passenger revenue divided by ASMs.

<sup>(f)</sup> Total revenue per available seat mile (TRASM) – Total revenues divided by ASMs.

<sup>(g)</sup> Total operating cost per available seat mile (CASM) – Total operating expenses divided by ASMs.

<sup>(h)</sup> Includes aircraft owned and leased by American as well as aircraft operated by third-party regional carriers under capacity purchase agreements. Excludes 37 Boeing 737-800 mainline aircraft and three Embraer 145 regional aircraft that are in temporary storage at June 30, 2021.

**Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020**
Operating Revenues

	Three Months Ended June 30,		Increase	Percent Increase
	2021	2020		
	(In millions, except percentage changes)			
Passenger	\$ 6,545	\$ 1,108	\$ 5,437	nm
Cargo	326	130	196	nm
Other	607	384	223	57.9
Total operating revenues	\$ 7,478	\$ 1,622	\$ 5,856	nm

This table presents our passenger revenue and the quarter-over-quarter change in certain operating statistics:

	Three Months Ended June 30, 2021 (In millions)	Increase vs. Three Months Ended June 30, 2020				PRASM
		RPMs	ASMs	Load Factor	Passenger Yield	
Passenger revenue	\$ 6,545	nm %	nm %	34.7 pts	1.7 %	85.0 %

Passenger revenue increased \$5.4 billion in the second quarter of 2021 from the second quarter of 2020 primarily due to increased RPMs driven by strong leisure demand domestically and in Latin America resulting in a 77.0% load factor in the second quarter of 2021.

Cargo revenue increased \$196 million in the second quarter of 2021 from the second quarter of 2020 primarily due to an increase in cargo ton miles reflecting increases in freight volumes, principally as a result of adding capacity and cargo-only flights to our schedule.

Other operating revenue increased \$223 million, or 57.9%, as compared to the second quarter of 2020, driven primarily by higher revenue associated with our loyalty program.

Total operating revenues in the second quarter of 2021 increased \$5.9 billion from the second quarter of 2020 driven principally by the increase in passenger revenue as described above. Our TRASM was 13.71 cents in the second quarter of 2021, a 44.3% increase as compared to 9.50 cents in the second quarter of 2020.

Operating Expenses

	Three Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	\$ 1,611	\$ 309	\$ 1,302	nm
Salaries, wages and benefits	2,862	2,610	252	9.6
Regional expenses	635	492	143	29.3
Maintenance, materials and repairs	459	287	172	59.9
Other rent and landing fees	686	413	273	66.2
Aircraft rent	356	334	22	6.4
Selling expenses	277	57	220	nm
Depreciation and amortization	481	499	(18)	(3.6)
Mainline operating special items, net	(1,288)	(1,494)	206	(13.8)
Other	958	601	357	59.6
Total operating expenses	\$ 7,037	\$ 4,108	\$ 2,929	71.3

Total operating expenses increased \$2.9 billion, or 71.3%, in the second quarter of 2021 from the second quarter of 2020 primarily due to our increased capacity.

Aircraft fuel and related taxes increased \$1.3 billion in the second quarter of 2021 from the second quarter of 2020 due to increased capacity as well as a 69.5% increase in the average price per gallon of aircraft fuel including related taxes to \$1.91 in the second quarter of 2021 from \$1.13 in the second quarter of 2020.

Aircraft rent increased \$22 million, or 6.4%, in the second quarter of 2021 from the second quarter of 2020 primarily due to the delivery of 31 new leased mainline aircraft subsequent to the second quarter of 2020.

Selling expenses increased \$220 million in the second quarter of 2021 from the second quarter of 2020 due to higher commission expense and credit card fees driven by the overall increase in revenues.

Operating Special Items, Net

	Three Months Ended June 30,	
	2021	2020
	(In millions)	
PSP Financial Assistance <sup>(1)</sup>	\$ (1,288)	\$ (1,803)
Severance expenses <sup>(2)</sup>	—	332
Labor contract expenses	—	10
Other operating special items, net	—	(33)
Mainline operating special items, net	(1,288)	(1,494)
PSP Financial Assistance <sup>(1)</sup>	(167)	(216)
Fleet impairment <sup>(3)</sup>	—	24
Severance expenses <sup>(2)</sup>	—	14
Regional operating special items, net	(167)	(178)
Operating special items, net	\$ (1,455)	\$ (1,672)

<sup>(1)</sup> The 2021 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP2 and PSP3 Agreements. See Note 1(b) to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information. The 2020 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP1 Agreement.

<sup>(2)</sup> Severance expenses include salary and medical costs primarily associated with certain team members who opted in to voluntary early retirement programs offered as a result of reductions to our operation due to the COVID-19 pandemic. Cash payments related to our voluntary early retirement programs for the three months ended June 30, 2021 were approximately \$120 million.

<sup>(3)</sup> Fleet impairment resulted from our decision to retire certain aircraft earlier than planned driven primarily by the severe decline in air travel due to the COVID-19 pandemic. In the second quarter of 2020, we retired certain Embraer 140 and Bombardier CRJ200 aircraft resulting in a non-cash write-down of regional aircraft and associated spare parts.

### Nonoperating Results

	Three Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Interest income	\$ 5	\$ 10	\$ (5)	(50.7)
Interest expense, net	(486)	(254)	(232)	91.0
Other income, net	49	71	(22)	(31.1)
Total nonoperating expense, net	\$ (432)	\$ (173)	\$ (259)	nm

Interest income decreased in the second quarter of 2021 compared to the second quarter of 2020 primarily as a result of lower returns on our short-term investments. Interest expense, net increased in the second quarter of 2021 compared to the second quarter of 2020 primarily due to the issuance of debt subsequent to the second quarter of 2020, including \$10.0 billion associated with the AAdvantage Financing, to improve our liquidity position in response to the COVID-19 pandemic.

In the second quarter of 2021, other nonoperating income, net included \$85 million of non-service related pension and other postretirement benefit plan income, offset in part by \$37 million of net special charges principally for mark-to-market net unrealized losses associated with our equity investment in China Southern Airlines Company Limited (China Southern Airlines).

In the second quarter of 2020, other nonoperating income, net included \$98 million of non-service related pension and other postretirement benefit plan income, offset in part by \$11 million of net special charges associated with debt refinancings and extinguishments and \$10 million of net foreign currency losses, principally associated with losses from Latin American currencies.

### Income Taxes

In the second quarter of 2021, we recorded an income tax benefit of \$10 million. Substantially all of our income or loss before income taxes is attributable to the United States.

See Note 6 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for additional information on income taxes.

### **Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020**

#### Operating Revenues

	Six Months Ended June 30,		Increase	Percent Increase
	2021	2020		
	(In millions, except percentage changes)			
Passenger	\$ 9,724	\$ 8,788	\$ 936	10.7
Cargo	641	277	364	nm
Other	1,121	1,072	49	4.5
Total operating revenues	\$ 11,486	\$ 10,137	\$ 1,349	13.3

This table presents our passenger revenue and the period-over-period change in certain operating statistics:

	Six Months Ended June 30, 2021 (In millions)	Increase (Decrease) vs. Six Months Ended June 30, 2020				
		RPMs	ASMs	Load Factor	Passenger Yield	PRASM
Passenger revenue	\$ 9,724	23.1 %	16.6 %	3.7 pts	(10.1)%	(5.1)%

Passenger revenue increased \$936 million, or 10.7%, in the first six months of 2021 from the first six months of 2020 primarily due to a 23.1% increase in RPMs. This increase in RPMs was principally due to increased flying domestically and in Latin America driven by leisure demand, offset in part by reduced Atlantic and Pacific flying as a result of low passenger demand and government-imposed travel restrictions related to the COVID-19 pandemic. A 10.1% decrease in passenger yield offset in part the capacity driven increase to passenger revenue.

Cargo revenue increased \$364 million in the first six months of 2021 from the first six months of 2020 primarily due to a 77.5% increase in cargo ton miles reflecting higher freight volumes and the addition of cargo-only flights to our schedule as well as a 30.4% increase in cargo yield as a result of higher rates.

Total operating revenues in the first six months of 2021 increased \$1.3 billion, or 13.3%, from the first six months of 2020 driven principally by the increase in passenger and cargo revenue as described above. While our operating revenues increased, our TRASM decreased 2.8% to 12.44 cents in the first six months of 2021 from 12.80 cents in the 2020 period driven by a 10.1% reduction in passenger yield.

### Operating Expenses

	Six Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	\$ 2,644	\$ 2,092	\$ 552	26.4
Salaries, wages and benefits	5,593	5,830	(237)	(4.1)
Regional expenses	1,261	1,632	(371)	(22.7)
Maintenance, materials and repairs	835	915	(80)	(8.8)
Other rent and landing fees	1,256	1,024	232	22.7
Aircraft rent	706	669	37	5.6
Selling expenses	427	442	(15)	(3.4)
Depreciation and amortization	959	1,059	(100)	(9.4)
Mainline operating special items, net	(2,996)	(362)	(2,634)	nm
Other	1,675	1,870	(195)	(10.5)
Total operating expenses	\$ 12,360	\$ 15,171	\$ (2,811)	(18.5)

Total operating expenses decreased \$2.8 billion, or 18.5%, in the first six months of 2021 from the first six months of 2020 primarily due to a \$2.9 billion increase in net operating special credits. See further discussion of operating special items, net below. Excluding the impact of operating special items, net, total operating expenses increased \$119 million, or 0.8%. Although our capacity increased 16.6% in the first six months of 2021, our total operating expenses, excluding net special items, remained relatively flat due to the significant actions taken in 2020 to reduce costs including labor productivity enhancements, reductions in management salaries and benefits, and other non-volume cost reductions.

Aircraft fuel and related taxes increased \$552 million, or 26.4%, in the first six months of 2021 from the first six months of 2020 due to increased capacity as well as an 8.4% increase in the average price per gallon of aircraft fuel including related taxes to \$1.82 in the first six months of 2021 from \$1.68 in the first six months of 2020.

Other rent and landing fees increased \$232 million, or 22.7%, in the first six months of 2021 from the first six months of 2020 due to an increase in variable rent and landing fees due to our increased capacity.

Aircraft rent increased \$37 million, or 5.6%, in the first six months of 2021 from the first six months of 2020 primarily due to the delivery of 31 new leased mainline aircraft subsequent to the first six months of 2020.

Depreciation and amortization decreased \$100 million, or 9.4%, in the first six months of 2021 from the first six months of 2020 primarily due to the early retirement of aircraft as a result of the COVID-19 pandemic.

Operating Special Items, Net

	Six Months Ended June 30,	
	2021	2020
	(In millions)	
PSP Financial Assistance <sup>(1)</sup>	\$ (3,170)	\$ (1,803)
Severance expenses <sup>(2)</sup>	168	537
Mark-to-market adjustments on bankruptcy obligations, net <sup>(3)</sup>	6	(49)
Fleet impairment <sup>(4)</sup>	—	743
Labor contract expenses <sup>(5)</sup>	—	228
Other operating special items, net	—	(18)
Mainline operating special items, net	(2,996)	(362)
PSP Financial Assistance <sup>(1)</sup>	(410)	(216)
Fleet impairment <sup>(4)</sup>	27	117
Severance expenses <sup>(2)</sup>	2	14
Regional operating special items, net	(381)	(85)
Operating special items, net	\$ (3,377)	\$ (447)

<sup>(1)</sup> The 2021 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP2 and PSP3 Agreements. See Note 1(b) to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information. The 2020 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP1 Agreement.

<sup>(2)</sup> Severance expenses include salary and medical costs primarily associated with certain team members who opted in to voluntary early retirement programs offered as a result of reductions to our operation due to the COVID-19 pandemic. Cash payments related to our voluntary early retirement programs for the six months ended June 30, 2021 were approximately \$290 million.

<sup>(3)</sup> Bankruptcy obligations that will be settled in shares of our common stock are marked-to-market based on our stock price.

<sup>(4)</sup> Fleet impairment resulted from our decision to retire certain aircraft earlier than planned driven primarily by the severe decline in air travel due to the COVID-19 pandemic. In the first six months of 2021, we retired our remaining fleet of Embraer 140 aircraft resulting in a non-cash write down of these aircraft. In the first six months of 2020, we retired our Boeing 757, Boeing 767, Airbus A330-300 and Embraer 190 fleets as well as certain Embraer 140 and Bombardier CRJ200 aircraft resulting in a \$784 million non-cash write-down of mainline and regional aircraft and associated spare parts and \$76 million in cash charges primarily for impairment of right-of-use (ROU) assets and lease return costs.

<sup>(5)</sup> Labor contract expenses primarily related to one-time charges resulting from the ratification of a new contract with the Transport Workers Union and International Association of Machinists & Aerospace Workers for our maintenance and fleet service team members, including signing bonuses and adjustments to vacation accruals resulting from pay rate increases.

Nonoperating Results

	Six Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Interest income	\$ 8	\$ 31	\$ (23)	(73.2)
Interest expense, net	(856)	(512)	(344)	67.3
Other income (expense), net	158	(34)	192	nm
Total nonoperating expense, net	<u>\$ (690)</u>	<u>\$ (515)</u>	<u>\$ (175)</u>	34.2

Interest income decreased in the first six months of 2021 compared to the first six months of 2020 primarily as a result of lower returns on our short-term investments. Interest expense, net increased in the first six months of 2021 compared to the first six months of 2020 primarily due to the issuance of debt, including \$10.0 billion associated with the AAdvantage Financing, to improve our liquidity position in response to the COVID-19 pandemic.

In the first six months of 2021, other nonoperating income, net included \$172 million of non-service related pension and other postretirement benefit plan income and \$13 million of net special charges principally for non-cash charges associated with debt refinancings and extinguishments, offset in part by mark-to-market net unrealized gains associated with our equity investment in China Southern Airlines and certain treasury rate lock derivative instruments.

In the first six months of 2020, other nonoperating expense, net included \$228 million of net special charges principally for mark-to-market unrealized losses associated with our equity investment in China Southern Airlines and certain treasury rate lock derivative instruments and \$15 million of net foreign currency losses, primarily associated with losses from Latin American currencies, offset in part by \$207 million of non-service related pension and other postretirement benefit plan income.

Income Taxes

In the first six months of 2021, we recorded an income tax benefit of \$333 million. Substantially all of our income or loss before income taxes is attributable to the United States.

See Note 6 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for additional information on income taxes.

## American's Results of Operations

### Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

#### Operating Revenues

	Three Months Ended June 30,		Increase	Percent Increase
	2021	2020		
	(In millions, except percentage changes)			
Passenger	\$ 6,545	\$ 1,108	\$ 5,437	nm
Cargo	326	130	196	nm
Other	607	384	223	57.9
Total operating revenues	<u>\$ 7,478</u>	<u>\$ 1,622</u>	<u>\$ 5,856</u>	nm

Passenger revenue increased \$5.4 billion in the second quarter of 2021 from the second quarter of 2020 primarily due to increased RPMs driven by strong leisure demand domestically and in Latin America resulting in an increased load factor in the second quarter of 2021.

Cargo revenue increased \$196 million in the second quarter of 2021 from the second quarter of 2020 primarily due to an increase in cargo ton miles reflecting increases in freight volumes, principally as a result of adding capacity and cargo-only flights to our schedule.

Other operating revenue increased \$223 million, or 57.9%, as compared to the second quarter of 2020, driven primarily by higher revenue associated with our loyalty program.

Total operating revenues in the second quarter of 2021 increased \$5.9 billion from the second quarter of 2020 driven principally by the increase in passenger revenue as described above.

#### Operating Expenses

	Three Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	\$ 1,611	\$ 309	\$ 1,302	nm
Salaries, wages and benefits	2,860	2,610	250	9.6
Regional expenses	639	447	192	42.9
Maintenance, materials and repairs	459	287	172	59.9
Other rent and landing fees	686	413	273	66.2
Aircraft rent	356	334	22	6.4
Selling expenses	277	57	220	nm
Depreciation and amortization	481	499	(18)	(3.6)
Mainline operating special items, net	(1,288)	(1,494)	206	(13.8)
Other	958	601	357	59.6
Total operating expenses	<u>\$ 7,039</u>	<u>\$ 4,063</u>	<u>\$ 2,976</u>	73.3

Total operating expenses increased \$3.0 billion, or 73.3%, in the second quarter of 2021 from the second quarter of 2020 primarily due to American's increased capacity.

Aircraft fuel and related taxes increased \$1.3 billion in the second quarter of 2021 from the second quarter of 2020 due to increased capacity as well as a 69.5% increase in the average price per gallon of aircraft fuel including related taxes to \$1.91 in the second quarter of 2021 from \$1.13 in the second quarter of 2020.

Aircraft rent increased \$22 million, or 6.4%, in the second quarter of 2021 from the second quarter of 2020 primarily due to the delivery of 31 new leased mainline aircraft subsequent to the second quarter of 2020.



Selling expenses increased \$220 million in the second quarter of 2021 from the second quarter of 2020 due to higher commission expense and credit card fees driven by the overall increase in revenues.

Operating Special Items, Net

	Three Months Ended June 30,	
	2021	2020
	(In millions)	
PSP Financial Assistance <sup>(1)</sup>	\$ (1,288)	\$ (1,803)
Severance expenses <sup>(2)</sup>	—	332
Labor contract expenses	—	10
Other operating special items, net	—	(33)
Mainline operating special items, net	(1,288)	(1,494)
PSP Financial Assistance <sup>(1)</sup>	(167)	(216)
Fleet impairment <sup>(3)</sup>	—	13
Regional operating special items, net	(167)	(203)
Operating special items, net	\$ (1,455)	\$ (1,697)

<sup>(1)</sup> The 2021 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP2 and PSP3 Agreements. See Note 1(b) to American's Condensed Consolidated Financial Statements in Part I, Item 1B for further information. The 2020 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP1 Agreement.

<sup>(2)</sup> Severance expenses include salary and medical costs primarily associated with certain team members who opted in to voluntary early retirement programs offered as a result of reductions to American's operation due to the COVID-19 pandemic. Cash payments related to American's voluntary early retirement programs for the three months ended June 30, 2021 were approximately \$120 million.

<sup>(3)</sup> Fleet impairment resulted from American's decision to retire certain aircraft earlier than planned driven primarily by the severe decline in air travel due to the COVID-19 pandemic. In the second quarter of 2020, American retired certain Embraer 140 and Bombardier CRJ200 aircraft resulting in a non-cash write-down of regional aircraft and associated spare parts.

Nonoperating Results

	Three Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Interest income	\$ 9	\$ 92	\$ (83)	(90.1)
Interest expense, net	(447)	(255)	(192)	75.4
Other income, net	49	72	(23)	(31.8)
Total nonoperating expense, net	\$ (389)	\$ (91)	\$ (298)	nm

Interest income decreased in the second quarter of 2021 compared to the second quarter of 2020 primarily as a result of lower returns on American's short-term investments and lower interest-bearing related party receivables from American's parent company, AAG. Interest expense, net increased in the second quarter of 2021 compared to the second quarter of 2020 primarily due to the issuance of debt subsequent to the second quarter of 2020, including \$10.0 billion associated with the AAdvantage Financing, to improve American's liquidity position in response to the COVID-19 pandemic.

In the second quarter of 2021, other nonoperating income, net included \$85 million of non-service related pension and other postretirement benefit plan income, offset in part by \$37 million of net special charges principally for mark-to-market net unrealized losses associated with American's equity investment in China Southern Airlines.

In the second quarter of 2020, other nonoperating income, net included \$98 million of non-service related pension and other postretirement benefit plan income, offset in part by \$11 million of net special charges associated with debt refinancings and extinguishments and \$10 million of net foreign currency losses, principally associated with losses from Latin American currencies.

#### Income Taxes

American is a member of AAG's consolidated federal and certain state income tax returns.

In the second quarter of 2021, American recorded an income tax benefit of \$1 million. Substantially all of American's income or loss before income taxes is attributable to the United States.

See Note 5 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for additional information on income taxes.

### **Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020**

#### Operating Revenues

	Six Months Ended June 30,		Increase	Percent Increase
	2021	2020		
				(In millions, except percentage changes)
Passenger	\$ 9,724	\$ 8,788	\$ 936	10.7
Cargo	641	277	364	nm
Other	1,120	1,071	49	4.6
Total operating revenues	\$ 11,485	\$ 10,136	\$ 1,349	13.3

Passenger revenue increased \$936 million, or 10.7%, in the first six months of 2021 from the first six months of 2020 primarily due to an increase in RPMs. This increase in RPMs was principally due to increased flying domestically and in Latin America driven by leisure demand, offset in part by reduced Atlantic and Pacific flying as a result of low passenger demand and government-imposed travel restrictions related to the COVID-19 pandemic. A decrease in passenger yield offset in part the capacity driven increase to passenger revenue.

Cargo revenue increased \$364 million in the first six months of 2021 from the first six months of 2020 primarily due to an increase in cargo ton miles reflecting higher freight volumes and the addition of cargo-only flights to American's schedule as well as an increase in cargo yield as a result of higher rates.

Total operating revenues in the first six months of 2021 increased \$1.3 billion, or 13.3%, from the first six months of 2020 driven principally by the increase in passenger and cargo revenue as described above.

Operating Expenses

	Six Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	\$ 2,644	\$ 2,092	\$ 552	26.4
Salaries, wages and benefits	5,590	5,827	(237)	(4.1)
Regional expenses	1,264	1,555	(291)	(18.7)
Maintenance, materials and repairs	835	915	(80)	(8.8)
Other rent and landing fees	1,256	1,024	232	22.7
Aircraft rent	706	669	37	5.6
Selling expenses	427	442	(15)	(3.4)
Depreciation and amortization	959	1,059	(100)	(9.4)
Mainline operating special items, net	(2,996)	(362)	(2,634)	nm
Other	1,676	1,891	(215)	(11.4)
<b>Total operating expenses</b>	<b>\$ 12,361</b>	<b>\$ 15,112</b>	<b>\$ (2,751)</b>	<b>(18.2)</b>

Total operating expenses decreased \$2.8 billion, or 18.2%, in the first six months of 2021 from the first six months of 2020 primarily due to a \$2.9 billion increase in net operating special credits. See further discussion of operating special items, net below. Excluding the impact of operating special items, net, total operating expenses increased \$156 million, or 1.0%. Although American's capacity increased in the first six months of 2021, American's total operating expenses, excluding net special items, remained relatively flat due to the significant actions taken in 2020 to reduce costs including labor productivity enhancements, reductions in management salaries and benefits, and other non-volume cost reductions.

Aircraft fuel and related taxes increased \$552 million, or 26.4%, in the first six months of 2021 from the first six months of 2020 due to increased capacity as well as an increase in the average price per gallon of aircraft fuel including related taxes.

Other rent and landing fees increased \$232 million, or 22.7%, in the first six months of 2021 from the first six months of 2020 due to an increase in variable rent and landing fees due to our increased capacity.

Aircraft rent increased \$37 million, or 5.6%, in the first six months of 2021 from the first six months of 2020 primarily due to the delivery of 31 new leased mainline aircraft subsequent to the first six months of 2020.

Depreciation and amortization decreased \$100 million, or 9.4%, in the first six months of 2021 from the first six months of 2020 primarily due to the early retirement of aircraft as a result of the COVID-19 pandemic.

*Operating Special Items, Net*

	Six Months Ended June 30,	
	2021	2020
	(In millions)	
PSP Financial Assistance <sup>(1)</sup>	\$ (3,170)	\$ (1,803)
Severance expenses <sup>(2)</sup>	168	537
Mark-to-market adjustments on bankruptcy obligations, net <sup>(3)</sup>	6	(49)
Fleet impairment <sup>(4)</sup>	—	743
Labor contract expenses <sup>(5)</sup>	—	228
Other operating special items, net	—	(18)
Mainline operating special items, net	(2,996)	(362)
PSP Financial Assistance <sup>(1)</sup>	(410)	(216)
Fleet impairment <sup>(4)</sup>	27	106
Regional operating special items, net	(383)	(110)
Operating special items, net	\$ (3,379)	\$ (472)

<sup>(1)</sup> The 2021 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP2 and PSP3 Agreements. See Note 1(b) to American's Condensed Consolidated Financial Statements in Part I, Item 1B for further information. The 2020 PSP Financial Assistance represents recognition of a portion of the financial assistance received from Treasury pursuant to the PSP1 Agreement.

<sup>(2)</sup> Severance expenses include salary and medical costs primarily associated with certain team members who opted in to voluntary early retirement programs offered as a result of reductions to American's operation due to the COVID-19 pandemic. Cash payments related to American's voluntary early retirement programs for the six months ended June 30, 2021 were approximately \$290 million.

<sup>(3)</sup> Bankruptcy obligations that will be settled in shares of AAG common stock are marked-to-market based on AAG's stock price.

<sup>(4)</sup> Fleet impairment resulted from American's decision to retire certain aircraft earlier than planned driven primarily by the severe decline in air travel due to the COVID-19 pandemic. In the first six months of 2021, American retired its remaining fleet of Embraer 140 aircraft resulting in a non-cash write down of these aircraft. In the first six months of 2020, American retired its Boeing 757, Boeing 767, Airbus A330-300 and Embraer 190 fleets as well as certain Embraer 140 and Bombardier CRJ200 aircraft resulting in a \$773 million non-cash write down of mainline and regional aircraft and associated spare parts and \$76 million in cash charges primarily for impairment of ROU assets and lease return costs.

<sup>(5)</sup> Labor contract expenses primarily related to one-time charges resulting from the ratification of a new contract with the Transport Workers Union and International Association of Machinists & Aerospace Workers for American's maintenance and fleet service team members, including signing bonuses and adjustments to vacation accruals resulting from pay rate increases.

### Nonoperating Results

	Six Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
	(In millions, except percentage changes)			
Interest income	\$ 18	\$ 196	\$ (178)	(90.8)
Interest expense, net	(780)	(515)	(265)	51.4
Other income (expense), net	158	(33)	191	nm
Total nonoperating expense, net	\$ (604)	\$ (352)	\$ (252)	71.6

Interest income decreased in the first six months of 2021 compared to the first six months of 2020 primarily as a result of lower returns on American's short-term investments and lower interest-bearing related party receivables from American's parent company, AAG. Interest expense, net increased in the first six months of 2021 compared to the first six months of 2020 primarily due to the issuance of debt, including \$10.0 billion associated with the AAdvantage Financing, to improve American's liquidity position in response to the COVID-19 pandemic.

In the first six months of 2021, other nonoperating income, net included \$171 million of non-service related pension and other postretirement benefit plan income and \$13 million of net special charges principally for non-cash charges associated with debt refinancings and extinguishments, offset in part by mark-to-market net unrealized gains associated with American's equity investment in China Southern Airlines and certain treasury rate lock derivative instruments.

In the first six months of 2020, other nonoperating expense, net included \$228 million of net special charges principally for mark-to-market unrealized losses associated with American's equity investment in China Southern Airlines and certain treasury rate lock derivative instruments and \$15 million of net foreign currency losses, primarily associated with losses from Latin American currencies, offset in part by \$206 million of non-service related pension and other postretirement benefit plan income.

### Income Taxes

American is a member of AAG's consolidated federal and certain state income tax returns.

In the first six months of 2021, American recorded an income tax benefit of \$315 million. Substantially all of American's income or loss before income taxes is attributable to the United States.

See Note 5 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for additional information on income taxes.

## **Liquidity and Capital Resources**

### **Liquidity**

As of June 30, 2021, AAG had \$21.3 billion in total available liquidity and \$999 million in restricted cash and short-term investments. Additional detail regarding our available liquidity is provided in the table below (in millions):

	AAG		American	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Cash	\$ 325	\$ 245	\$ 305	\$ 231
Short-term investments	17,625	6,619	17,609	6,617
Undrawn facilities	3,313	7,396	3,313	7,396
Total available liquidity	\$ 21,263	\$ 14,260	\$ 21,227	\$ 14,244

Given the actions we have taken in response to the COVID-19 pandemic and our assumptions about its future impact on travel demand, which could be materially different due to the current inherent uncertainties of the current operating environment, we expect to meet our cash obligations as well as remain in compliance with the debt covenants in our existing financing agreements for the next 12 months based on our current level of unrestricted cash and short-term investments, our anticipated access to liquidity (including via proceeds from financings) and projected cash flows from operations.

### **Certain Covenants**

Certain of our debt financing agreements (including our secured notes, term loans, revolving credit facilities and spare engine EETCs) contain loan to value (LTV) or collateral coverage ratio covenants and require us to appraise the related collateral annually or semiannually. Pursuant to such agreements, if the LTV or collateral coverage ratio exceeds a specified threshold or if the value of the appraised collateral fails to meet a specified threshold, as the case may be, we are required, as applicable, to pledge additional qualifying collateral (which in some cases may include cash or investment securities), or pay down such financing, in whole or in part, or the interest rate for the financing under such agreements will be increased. As of the most recent applicable measurement dates, we were in compliance with each of the foregoing collateral coverage tests. Additionally, a significant portion of our debt financing agreements contain covenants requiring us to maintain an aggregate of at least \$2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities, and our AAdvantage Financing contains a debt service coverage ratio, pursuant to which failure to comply with a certain threshold may result in early repayment of the AAdvantage Financing. For further information regarding our debt covenants, see Note 5 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A and Note 4 to American's Condensed Consolidated Financial Statements in Part I, Item 1B.

### **Sources and Uses of Cash**

#### AAG

##### *Operating Activities*

Our net cash provided by operating activities was \$3.6 billion for the first six months of 2021 as compared to net cash used in operating activities of \$1.1 billion for the first six months of 2020, a \$4.7 billion period-over-period increase. In the first six months of 2021 and 2020, we received cash proceeds of approximately \$4.7 billion and \$3.7 billion associated with the PSP Financial Assistance, respectively. Excluding the PSP Financial Assistance, our operating cash flows increased \$3.7 billion compared to the first six months of 2020 driven by a decrease in our pre-tax loss as well as working capital increases principally in our air traffic liability as demand for travel returns. In addition, during the first six months of 2021, we made \$241 million in contributions to our pension plans and approximately \$290 million in cash payments associated with our voluntary early retirement programs. We expect cash payments under these programs of approximately \$280 million in the remainder of 2021, approximately \$230 million in 2022 and approximately \$530 million in 2023 and beyond.

##### *Investing Activities*

Our net cash used in investing activities was \$11.0 billion and \$7.0 billion for the first six months of 2021 and 2020, respectively.

Our principal investing activities in the first six months of 2021 included \$11.0 billion in net purchases of short-term investments as well as a \$404 million increase in restricted short-term investments primarily related to collateral for the AAdvantage Financing. These cash outflows were offset in part by \$163 million of proceeds primarily from aircraft sale-leaseback transactions and \$161 million of proceeds from the sale of property and equipment. Additionally, aircraft purchase deposit returns of \$772 million exceeded our capital expenditures for the first six months of 2021, which expenditures were principally related to the harmonization of interior configurations across our mainline fleet and the purchase of two Airbus A321neo aircraft.

Our principal investing activities in the first six months of 2020 included \$5.8 billion in net purchases of short-term investments, expenditures of \$1.2 billion for property and equipment, including six Airbus A321neo aircraft, three Embraer 175 aircraft and three Bombardier CRJ900 aircraft as well as a \$386 million increase in restricted short-term investments primarily related to cash proceeds from special facility revenue bonds. These cash outflows were offset in part by \$376 million of proceeds primarily from aircraft sale-leaseback transactions and \$148 million of proceeds from the sale of property and equipment.

##### *Financing Activities*

Our net cash provided by financing activities was \$7.5 billion and \$8.2 billion for the first six months of 2021 and 2020, respectively.

Our principal financing activities in the first six months of 2021 included \$12.1 billion in proceeds from the issuance of debt, including approximately \$10.0 billion associated with the AAdvantage Financing, \$1.0 billion in aggregate principal amount under the PSP2 Promissory Note, \$946 million in aggregate principal amount under the PSP3 Promissory Note and the \$150 million issuance of special facility revenue bonds related to JFK. We also had \$460 million in net proceeds

from the issuance of equity pursuant to an at-the-market offering. These cash inflows were offset in part by \$5.0 billion in debt repayments, including prepayments totaling \$2.8 billion for our revolving credit facilities and \$550 million of outstanding loans under the Treasury Loan Agreement, and \$1.6 billion in scheduled debt repayments. In addition, we had \$166 million of deferred financing cost cash outflows.

Our principal financing activities in the first six months of 2020 included \$9.5 billion in proceeds from the issuance of debt and \$1.5 billion in proceeds from the issuance of equity. These proceeds principally include \$2.8 billion borrowed under the 2014 Revolving Facility, the 2013 Revolving Facility and the April 2016 Revolving Facility, \$2.5 billion in aggregate principal amount of 11.75% senior secured notes, \$1.5 billion in aggregate principal amount under the PSP Promissory Note, \$1.0 billion in aggregate principal amount of AAG's 6.50% convertible senior notes, \$1.0 billion under the Delayed Draw Term Loan Credit Facility, \$500 million in aggregate principal amount of 3.75% unsecured senior notes due 2025 and the \$360 million issuance of special facility revenue bonds related to JFK as well as \$1.1 billion of net proceeds from a public offering of common stock. These cash inflows were offset in part by \$2.5 billion in debt repayments, consisting of approximately \$1.5 billion in scheduled debt repayments, including repayment of \$500 million of 4.625% senior notes, and the prepayment of the \$1.0 billion Delayed Draw Term Loan Credit Facility, as well as \$173 million in share repurchases (which occurred in the first quarter of 2020), \$84 million of deferred financing costs and \$43 million in dividend payments (which occurred in the first quarter of 2020).

### American

#### *Operating Activities*

American's net cash provided by operating activities was \$6.1 billion and \$2.3 billion for the first six months of 2021 and 2020, respectively, a \$3.8 billion period-over-period increase. In the first six months of 2021 and 2020, American received cash proceeds of approximately \$4.2 billion and \$3.3 billion associated with the PSP Financial Assistance, respectively. American also had a \$755 million net decrease in intercompany cash receipts principally from AAG's financing transactions. Excluding the PSP Financial Assistance and decrease in AAG's financing transactions, American's operating cash flows increased \$3.7 billion compared to the first six months of 2020 driven by a decrease in its pre-tax loss as well as working capital increases principally in American's air traffic liability as demand for travel returns. In addition, during the first six months of 2021, American made \$241 million in contributions to its pension plans and approximately \$290 million in cash payments associated with American's voluntary early retirement programs. American expects cash payments under these programs of approximately \$280 million in the remainder of 2021, approximately \$230 million in 2022 and approximately \$530 million in 2023 and beyond.

#### *Investing Activities*

American's net cash used in investing activities was \$11.0 billion and \$6.9 billion for the first six months of 2021 and 2020, respectively.

American's principal investing activities in the first six months of 2021 included \$11.0 billion in net purchases of short-term investments as well as a \$404 million increase in restricted short-term investments primarily related to collateral for the AAdvantage Financing. These cash outflows were offset in part by \$163 million of proceeds primarily from aircraft sale-leaseback transactions and \$161 million of proceeds from the sale of property and equipment. Additionally, aircraft purchase deposit returns of \$772 million exceeded American's capital expenditures for the first six months of 2021, which expenditures were principally related to the harmonization of interior configurations across its mainline fleet and the purchase of two Airbus A321neo aircraft.

American's principal investing activities in the first six months of 2020 included \$5.8 billion in net purchases of short-term investments, expenditures of \$1.2 billion for property and equipment, including six Airbus A321neo aircraft, three Embraer 175 aircraft and three Bombardier CRJ900 aircraft as well as a \$386 million increase in restricted short-term investments primarily related to cash proceeds from special facility revenue bonds. These cash outflows were offset in part by \$376 million of proceeds primarily from aircraft sale-leaseback transactions and \$148 million of proceeds from the sale of property and equipment.

#### *Financing Activities*

American's net cash provided by financing activities was \$4.9 billion and \$4.8 billion for the first six months of 2021 and 2020, respectively.



American's principal financing activities in the first six months of 2021 included \$10.1 billion in proceeds from the issuance of debt, including approximately \$10.0 billion associated with the AAdvantage Financing and the \$150 million issuance of special facility revenue bonds related to JFK. These cash inflows were offset in part by \$5.0 billion in debt repayments, including prepayments totaling \$2.8 billion for American's revolving credit facilities and \$550 million of outstanding loans under the Treasury Loan Agreement, and \$1.6 billion in scheduled debt repayments. In addition, American had \$165 million of deferred financing cost cash outflows.

American's principal financing activities in the first six months of 2020 included \$6.9 billion in proceeds from the issuance of debt, including \$2.8 billion borrowed under the 2014 Revolving Facility, the 2013 Revolving Facility and the April 2016 Revolving Facility, \$2.5 billion in aggregate principal amount of 11.75% senior secured notes, \$1.0 billion under the Delayed Draw Term Loan Credit Facility and the \$360 million issuance of special facility revenue bonds related to JFK. These cash inflows were offset in part by \$2.0 billion in debt repayments, consisting of the prepayment of the \$1.0 billion Delayed Draw Term Loan Credit Facility and approximately \$1.0 billion in scheduled debt repayments, as well as \$75 million of deferred financing costs.

## Commitments

### Significant Indebtedness

As of June 30, 2021, AAG had \$39.9 billion in long-term debt, including current maturities of \$2.7 billion. As of June 30, 2021, American had \$33.9 billion in long-term debt, including current maturities of \$1.9 billion. All material changes in our significant indebtedness since our 2020 Form 10-K are discussed in Note 5 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A and Note 4 to American's Condensed Consolidated Financial Statements in Part I, Item 1B.

### Aircraft and Engine Purchase Commitments

As of June 30, 2021, we had definitive purchase agreements for the acquisition of the following aircraft <sup>(1)</sup>:

	Remainder of 2021	2022	2023	2024	2025	2026 and Thereafter	Total
<b>Airbus</b>							
A320neo Family	9	26	5	18	22	5	85
<b>Boeing</b>							
737 MAX Family	1	—	12	6	20	20	59
787 Family	11	2	11	6	8	5	43
Total	21	28	28	30	50	30	187

<sup>(1)</sup> Delivery schedule represents our best estimate as of the date of this report. Actual delivery dates are subject to change based on various potential factors including production delays by the manufacturer.

We also have agreements for 26 spare engines to be delivered in 2021 and beyond.

We currently have financing commitments in place for all remaining 21 aircraft scheduled to be delivered in 2021: 11 Boeing 787 Family aircraft, nine Airbus A320neo Family aircraft and one Boeing 737 MAX Family aircraft. We also have financing commitments in place for two Boeing 787 Family aircraft in 2022 and five Boeing 787 Family Aircraft in 2023. Our ability to draw on the financing commitments we have in place is subject to (1) the satisfaction of various terms and conditions, including in some cases, on our acquisition of the aircraft by a certain date and (2) the performance by the counterparty providing such financing commitments of its obligations thereunder. See Part II, Item 1A. Risk Factors – “We will need to obtain sufficient financing or other capital to operate successfully” for additional discussion.

### Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging or research and development arrangements with us.

There have been no material changes in our off-balance sheet arrangements as discussed in our 2020 Form 10-K.



### Contractual Obligations

The following table provides details of our future cash contractual obligations as of June 30, 2021 (in millions). Except to the extent set forth in the applicable accompanying footnotes, the table does not include commitments that are contingent on events or other factors that are uncertain or unknown at this time.

	Payments Due by Period							Total
	Remainder of 2021	2022	2023	2024	2025	2026 and Thereafter		
<b>American</b>								
Long-term debt:								
Principal amount <sup>(a), (c)</sup>	\$ 1,181	\$ 1,655	\$ 5,109	\$ 3,470	\$ 7,752	\$ 14,754	\$ 33,921	
Interest obligations <sup>(b), (c)</sup>	842	1,552	1,499	1,343	1,170	1,377	7,783	
Finance lease obligations	67	148	126	132	97	110	680	
Aircraft and engine purchase commitments <sup>(d)</sup>	449	1,676	1,625	2,496	3,382	1,764	11,392	
Operating lease commitments	981	2,004	1,856	1,483	1,096	4,973	12,393	
Regional capacity purchase agreements <sup>(e)</sup>	575	1,621	1,646	1,620	1,482	3,486	10,430	
Minimum pension obligations <sup>(f)</sup>	—	—	46	136	111	224	517	
Retiree medical and other postretirement benefits	46	90	85	82	77	358	738	
Other purchase obligations <sup>(g)</sup>	1,691	2,350	1,500	754	154	1,066	7,515	
<b>Total American Contractual Obligations</b>	<b>5,832</b>	<b>11,096</b>	<b>13,492</b>	<b>11,516</b>	<b>15,321</b>	<b>28,112</b>	<b>85,369</b>	
<b>AAG Parent and Other AAG Subsidiaries</b>								
Long-term debt:								
Principal amount <sup>(a)</sup>	—	750	—	—	1,500	3,746	5,996	
Interest obligations <sup>(b)</sup>	78	140	122	121	133	775	1,369	
Operating lease commitments	7	13	12	9	4	16	61	
Minimum pension obligations <sup>(f)</sup>	1	—	—	—	1	4	6	
<b>Total AAG Contractual Obligations</b>	<b>\$ 5,918</b>	<b>\$ 11,999</b>	<b>\$ 13,626</b>	<b>\$ 11,646</b>	<b>\$ 16,959</b>	<b>\$ 32,653</b>	<b>\$ 92,801</b>	

<sup>(a)</sup> Amounts represent contractual amounts due. Excludes \$462 million and \$34 million of unamortized debt discount, premium and issuance costs as of June 30, 2021 for American and AAG Parent, respectively. For additional information, see Note 5 and Note 4 to AAG's and American's Condensed Consolidated Financial Statements in Part I, Items 1A and 1B, respectively.

<sup>(b)</sup> For variable-rate debt, future interest obligations are estimated using the current forward rates at June 30, 2021.

<sup>(c)</sup> Includes \$10.2 billion of future principal payments and \$1.7 billion of future interest payments as of June 30, 2021, related to EETCs associated with mortgage financings of certain aircraft and spare engines.

<sup>(d)</sup> See "Aircraft and Engine Purchase Commitments" in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information about the firm commitment aircraft delivery schedule, in particular the footnotes to the table thereunder as to potential changes to such delivery schedule. Due to uncertainty surrounding the timing of delivery of certain aircraft, the amounts in the table represent our current best estimate; however, the actual delivery schedule may differ from the table above, potentially materially. Additionally, the amounts in the table exclude 11 and two Boeing 787-8 aircraft to be delivered in 2021 and 2022, respectively, as well as five Boeing 787-9 aircraft to be delivered in 2023, in each case, for which we have obtained committed lease financing. This financing is reflected in the operating lease commitments line above.

<sup>(e)</sup> Represents minimum payments under capacity purchase agreements with third-party regional carriers. These commitments are estimates of costs based on assumed minimum levels of flying under the capacity purchase agreements and our actual payments could differ materially. Rental payments under operating leases for certain aircraft flown under these capacity purchase agreements are reflected in the operating lease commitments line above.

- (f) On March 11, 2021, the ARP was enacted, which included funding relief provisions benefiting single employer qualified retirement benefit pension plans such as those sponsored by American. The amounts in the table represent minimum pension contributions based on actuarially determined estimates and reflect our current understanding of the ARP provisions applicable to our pension plans and could change based on any associated regulations or interpretive guidance from certain government agencies or any other factors.
- (g) Includes purchase commitments for aircraft fuel, flight equipment maintenance, construction projects and information technology support.

### **Capital Raising Activity and Other Possible Actions**

In light of the cash needs imposed by the current operating losses due to reduced demand in response to the COVID-19 pandemic as well as our significant financial commitments related to, among other things, the servicing and amortization of existing debt and equipment leasing arrangements, new flight equipment and pension funding obligations, we and our subsidiaries will regularly consider, and enter into negotiations related to, capital raising and liability management activity, which may include the entry into leasing transactions and future issuances of, and transactions designed to manage the timing and amount of, secured or unsecured debt obligations or additional equity securities in public or private offerings or otherwise. The cash available from operations (if any) and these sources, however, may not be sufficient to cover our cash obligations because economic factors may reduce the amount of cash generated by operations or increase costs. For instance, an economic downturn or general global instability caused by military actions, terrorism, disease outbreaks (in particular the ongoing global outbreak of COVID-19), natural disasters or other causes could reduce the demand for air travel, which would reduce the amount of cash generated by operations. See Part II, Item 1A. Risk Factors – *"The outbreak and global spread of COVID-19 has resulted in a severe decline in demand for air travel which has adversely impacted our business, operating results, financial condition and liquidity. The duration and severity of the COVID-19 pandemic, and similar public health threats that we may face in the future, could result in additional adverse effects on our business, operating results, financial condition and liquidity"* for additional discussion. An increase in costs, either due to an increase in borrowing costs caused by a reduction in credit ratings or a general increase in interest rates, or due to an increase in the cost of fuel, maintenance, aircraft, aircraft engines or parts, could decrease the amount of cash available to cover cash contractual obligations. Moreover, certain of our financing arrangements contain significant minimum cash balance or similar liquidity requirements. As a result, we cannot use all of our available cash to fund operations, capital expenditures and cash obligations without violating these requirements. See Note 5 and Note 4 to AAG's and American's Condensed Consolidated Financial Statements in Part I, Items 1A and 1B, respectively.

In the past, we have from time to time refinanced, redeemed or repurchased our debt and taken other steps to reduce or otherwise manage the aggregate amount and cost of our debt, lease and other obligations or otherwise improve our balance sheet. Going forward, depending on market conditions, our cash position and other considerations, we may continue to take such actions.

### **Critical Accounting Policies and Estimates**

For information regarding our critical accounting policies and estimates, see disclosures in the Consolidated Financial Statements and accompanying notes contained in our 2020 Form 10-K.

## Recent Accounting Pronouncements

### ***Accounting Standards Update (ASU) 2020-06: Accounting for Convertible Instruments and Contracts In An Entity's Own Equity (the New Convertible Debt Standard)***

The New Convertible Debt Standard simplifies the accounting for certain convertible instruments by removing the separation models for convertible debt with a cash conversion feature and for convertible instruments with a beneficial conversion feature. As a result, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. Additionally, the New Convertible Debt Standard amends the diluted earnings per share calculation for convertible instruments by requiring the use of the if-converted method. The treasury stock method is no longer available. Entities may adopt the New Convertible Debt Standard using either a full or modified retrospective approach, and it is effective for interim and annual reporting periods beginning after December 15, 2021. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2020. The New Convertible Debt Standard is applicable to our 6.50% convertible senior notes due 2025 (the Convertible Notes). We early adopted the New Convertible Debt Standard as of January 1, 2021 using the modified retrospective method to recognize our Convertible Notes as a single liability instrument. As of January 1, 2021, we recorded a \$415 million (\$320 million net of tax) reduction to additional paid-in capital to remove the equity component of the Convertible Notes from our balance sheet and a \$19 million cumulative effect adjustment credit, net of tax, to retained deficit related to non-cash debt discount amortization recognized in periods prior to adoption resulting in a corresponding reduction of \$389 million to the debt discount associated with the Convertible Notes.

### ***ASU 2019-12: Simplifying the Accounting for Income Taxes (Topic 740)***

This standard simplifies the accounting and disclosure requirements for income taxes by clarifying the existing guidance to improve consistency in the application of Accounting Standards Codification 740. This standard also removed the requirement to calculate income tax expense for the stand-alone financial statements of wholly-owned subsidiaries that are not subject to income tax. We adopted this standard effective January 1, 2021, and it did not have a material impact on our condensed consolidated financial statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### **AAG's and American's Market Risk Sensitive Instruments and Positions**

Our primary market risk exposures include the price of aircraft fuel, foreign currency exchange rates and interest rate risk. Our exposure to these market risks has not changed materially from our exposure discussed in our 2020 Form 10-K except as updated below.

#### ***Aircraft Fuel***

As of June 30, 2021, we did not have any fuel hedging contracts outstanding to hedge our fuel consumption. We do not currently view the market opportunities to hedge fuel prices as attractive because, among other things, our future fuel needs remain unclear due to uncertainties regarding air travel demand and any hedging would potentially require significant capital or collateral to be placed at risk. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review that policy from time to time based on market conditions and other factors. Based on our 2021 forecasted fuel consumption, we estimate that a one cent per gallon increase in the price of aircraft fuel would increase our 2021 annual fuel expense by \$34 million.

#### ***Foreign Currency***

We are exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated transactions. Our largest exposure comes from the British pound sterling, Euro, Canadian dollar and various Latin American currencies, primarily the Brazilian real. We do not currently have a foreign currency hedge program.

Generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition. See Part II, Item 1A. Risk Factors – *“We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control”* for additional discussion of this and other currency risks.

## **Interest**

Our earnings and cash flow are affected by changes in interest rates due to the impact those changes have on our interest expense from variable-rate debt instruments and our interest income from short-term, interest-bearing investments. If annual interest rates increase 100 basis points, based on our June 30, 2021 variable-rate debt and short-term investments balances, annual interest expense on variable rate debt would increase by approximately \$120 million and annual interest income on short-term investments would increase by approximately \$180 million.

On July 27, 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The discontinuation date for submission and publication of rates for certain tenors of USD LIBOR (1-month, 3-month, 6-month, and 12-month) was subsequently extended by the ICE Benchmark Administration (the administrator of LIBOR) until June 30, 2023. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2023. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become acceptable alternatives to LIBOR, or what effect these changes in views or alternatives may have on financial markets for LIBOR-linked financial instruments. While the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, has chosen SOFR as the recommended risk-free reference rate for the U.S. (calculated based on repurchase agreements backed by treasury securities), we cannot currently predict the extent to which this index will gain widespread acceptance as a replacement for LIBOR. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom, the United States or elsewhere.

We may in the future pursue amendments to our LIBOR-based debt transactions to provide for a transaction mechanism or other reference rate in anticipation of LIBOR's discontinuation, but we may not be able to reach agreement with our lenders on any such amendments. As of June 30, 2021, we had \$12.2 billion of borrowings based on LIBOR. The replacement of LIBOR with a comparable or successor rate could cause the amount of interest payable on our long-term debt to be different or higher than expected.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Management's Evaluation of Disclosure Controls and Procedures**

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of AAG's and American's disclosure controls and procedures as of June 30, 2021 was performed under the supervision and with the participation of AAG's and American's management, including AAG's and American's CEO and CFO. Based on that evaluation, AAG's and American's management, including AAG's and American's CEO and CFO, concluded that AAG's and American's disclosure controls and procedures were effective as of June 30, 2021 at the reasonable assurance level.

### **Changes in Internal Control over Financial Reporting**

For the quarter ended June 30, 2021, there have been no changes in AAG's or American's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, AAG's and American's internal control over financial reporting.

### **Limitation on the Effectiveness of Controls**

We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and, as noted above, the CEO and CFO of AAG and American believe that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2021.

## PART II: OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See Note 11 to each of AAG and American's Condensed Consolidated Financial Statements in Part I, Item 1A and Part I, Item 1B, respectively, for information on legal proceedings.

### ITEM 1A. RISK FACTORS

Below are certain risk factors that may affect our business, results of operations and financial condition, or the trading price of our common stock or other securities. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. Management cannot predict such new risks and uncertainties, nor can it assess the extent to which any of the risk factors below or any such new risks and uncertainties, or any combination thereof, may impact our business.

#### Risks Related to our Business

***The outbreak and global spread of COVID-19 has resulted in a severe decline in demand for air travel which has adversely impacted our business, operating results, financial condition and liquidity. The duration and severity of the COVID-19 pandemic, and similar public health threats that we may face in the future, could result in additional adverse effects on our business, operating results, financial condition and liquidity.***

The COVID-19 outbreak, along with the measures governments and private organizations worldwide have implemented in an attempt to contain the spread of this pandemic, has resulted in a severe decline in demand for air travel, which has adversely affected our business, operations and financial condition to an unprecedented extent. Measures such as travel restrictions, including testing regimes, "stay at home" and quarantine orders, limitations on public gatherings, cancellation of public events and many others have resulted in a precipitous decline in demand for both domestic and international business and leisure travel. In response to this material deterioration in demand, we have taken a number of aggressive actions to ameliorate our business, operations and financial condition. We have focused on reducing our capacity, making structural changes to our fleet, implementing cost reductions, preserving cash and improving our overall liquidity position. We have reduced our system-wide capacity and will continue to monitor conditions and to proactively evaluate and adjust our schedule to match demand. Additionally, we have retired certain mainline aircraft earlier than planned, including Airbus A330-200, Boeing 757, Boeing 767, Airbus A330-300 and Embraer 190 aircraft as well as regional aircraft, including certain Embraer 140 and Bombardier CRJ200 aircraft, which we expect will allow us to be more efficient by reducing the number of sub-fleets we operate, and we have also placed a number of Boeing 737-800 aircraft into temporary storage. We have moved quickly to attempt to better align our costs with our reduced schedule and made other cost-saving initiatives (including reductions in maintenance expense, marketing expense, event and training expense, airport facilities expense, salaries and benefits expense, and other volume-related expense reductions, including fuel). Nonetheless, we incurred significant net losses, excluding net special items, in 2020 and the first half of 2021, we continue to do so, and we expect to continue to do so until there is a significant global recovery in demand for air travel. The duration and severity of the COVID-19 pandemic remain uncertain, and there can be no assurance that any of the mitigating actions we have taken will suffice to sustain our business and operations through this pandemic.

We have taken and will take additional actions to improve our financial position, including measures to improve liquidity, such as obtaining financial assistance under the CARES Act, the PSP Extension Law and the ARP. In 2020, we received approximately \$6.0 billion in financial assistance from Treasury through PSP1 established under the CARES Act, and in the first six months of 2021, we received approximately \$3.5 billion in financial assistance from Treasury through PSP2 established under the PSP Extension Law and \$3.3 billion in financial assistance from Treasury through PSP3 established under the ARP. In connection with the financial assistance we have received through PSP1, PSP2 and PSP3, we are required to comply with the relevant provisions of the CARES Act, the PSP Extension Law and the ARP, including the requirement that funds provided pursuant to PSP1, PSP2 and PSP3 be used exclusively for the continuation of payment of eligible employee wages, salaries and benefits; the requirement against involuntary furloughs and reductions in employee pay rates and benefits through at least September 30, 2021; the requirement to recall employees involuntarily terminated or furloughed after September 30, 2020; the requirement that certain levels of commercial air service be maintained; provisions prohibiting the repurchase of AAG common stock and the payment of common stock dividends through September 30, 2022; and restrictions on the payment of certain executive compensation until April 1, 2023. Additionally, under PSP1, PSP2 and PSP3, we and certain of our subsidiaries are, and will continue to be, subject to substantial and continuing reporting obligations. The substance and duration of these restrictions may materially affect our operations, and we may not be successful in managing these impacts.

We may pursue the issuance of additional unsecured and secured debt securities, equity securities and equity-linked securities and/or the entry into additional bilateral and syndicated secured and/or unsecured credit facilities, among other items. There can be no assurance as to the timing of any such financing transactions, which may be in the near term, or that we will be able to obtain such additional financing on favorable terms, or at all. Any such actions could be conducted in the near term, may be material in nature, could result in the incurrence and issuance of significant additional indebtedness or equity and could impose significant covenants and restrictions to which we are not currently subject.

The measures we have taken to reduce our expenditures and to improve our liquidity, and any other strategic actions that we may take in the future in response to the COVID-19 pandemic may not be effective in offsetting decreased demand, and we may not be permitted to take certain strategic actions that we believe are beneficial if such strategic actions are in contravention of the requirements under the CARES Act, the PSP Extension Law or the ARP, which could result in a material adverse effect on our business, operating results and financial condition.

The full extent of the ongoing impact of the COVID-19 pandemic on our longer-term operational and financial performance will depend on future developments, many of which are outside our control, including the effectiveness of the mitigation strategies discussed above; the duration and spread of COVID-19, including recurrence of the pandemic, and related travel advisories, restrictions and testing regimes; the supply of effective vaccines and success of efforts to deploy the vaccines; the impact of the COVID-19 pandemic on overall long-term demand for air travel; the impact on demand and capacity which could result from government mandates on air service (including, for instance, requirements for passengers to wear face coverings while traveling or have their temperature checked or have administered COVID-19 tests and other checks prior to or after entering an airport or boarding an airplane, or which would limit the number of seats that can be occupied on an aircraft to allow for social distancing or prohibit flights to certain locations); the impact of COVID-19 on our employees' ability to work because they are quarantined or sickened as a result of exposure to COVID-19 or if they are subject to additional governmental COVID-19 curfews or "stay at home" health orders or similar restrictions; the impact of the COVID-19 pandemic on the financial health and operations of our business partners and future governmental actions, all of which are highly uncertain and cannot be predicted. At this time, we are also not able to predict whether the COVID-19 pandemic will result in permanent changes to our customers' behavior, with such changes including but not limited to a permanent reduction in business travel as a result of increased usage of "virtual" and "teleconferencing" products and more broadly a general reluctance to travel by consumers, each of which could have a material impact on our business.

We are also depending upon successful COVID-19 vaccines, including an efficient distribution and sufficient supply, and significant uptake by the general public in order to normalize economic conditions and the airline industry and to realize our financial and growth plans and business strategy. The failure of a vaccine, including to the extent it is not effective against any COVID-19 variants, significant unplanned adverse reactions to the vaccine, politicization of the vaccine or general public distrust of the vaccine could have an adverse effect on our business, financial condition and results of operations.

In addition, an outbreak of another disease or similar public health threat, or fear of such an event, that affects travel demand, travel behavior or travel restrictions could adversely impact our business, financial condition and operating results. Outbreaks of other diseases could also result in increased government restrictions and regulation, such as those actions described above or otherwise, which could adversely affect our operations.

***Downturns in economic conditions could adversely affect our business.***

Due to the discretionary nature of business and leisure travel spending and the highly competitive nature of the airline industry, our revenues are heavily influenced by the condition of the U.S. economy and economies in other regions of the world. Unfavorable conditions in these broader economies have resulted, and may result in the future, in decreased passenger demand for air travel, changes in booking practices and related reactions by our competitors, all of which in turn have had, and may have in the future, a strong negative effect on our business. In particular, the ongoing COVID-19 pandemic and associated decline in economic activity and increase in unemployment levels are expected to have a severe and prolonged effect on the global economy generally and, in turn, may depress demand for air travel into the foreseeable future. Due to the uncertainty surrounding the duration and severity of this pandemic, we can provide no assurance as to when and at what pace demand for air travel will return to pre-COVID-19 pandemic levels, if at all. Accordingly, we cannot predict the ultimate impact of the COVID-19 pandemic on our business, financial condition and results of operations. See also *"The outbreak and global spread of COVID-19 has resulted in a severe decline in demand for air travel which has adversely impacted our business, operating results, financial condition and liquidity. The duration and severity of the COVID-19 pandemic, and similar public health threats that we may face in the future, could result in*



*additional adverse effects on our business, operating results, financial condition and liquidity” and “The airline industry is intensely competitive and dynamic.”*

***We will need to obtain sufficient financing or other capital to operate successfully.***

Our business plan contemplates continued significant investments related to our fleet, improving the experience of our customers and updating our facilities. Significant capital resources will be required to execute this plan. We estimate that, based on our commitments as of June 30, 2021, our planned aggregate expenditures for aircraft purchase commitments and certain engines on a consolidated basis for calendar years 2021-2025 would be approximately \$9.6 billion. We may also require financing to refinance maturing obligations and to provide liquidity to fund other corporate requirements. If needed to meet our liquidity needs, it may be difficult for us to raise additional capital on acceptable terms, or at all, due to, among other factors: our substantial level of existing indebtedness, particularly following the additional liquidity transactions completed and contemplated in response to the impact of the COVID-19 pandemic; our non-investment grade credit rating; market conditions; the availability of assets to use as collateral for loans or other indebtedness, which has been reduced significantly as a result of certain financing transactions we have undertaken since the beginning of 2020 and may be further reduced; and the effect the COVID-19 pandemic has had on the global economy generally and the air transportation industry in particular. Accordingly, we will need substantial liquidity, financing or other capital resources to finance such aircraft and engines and meet such other liquidity needs. If we are unable to arrange any such required financing at customary advance rates and on terms and conditions acceptable to us, we may need to use cash from operations or cash on hand to purchase such aircraft and engines or may seek to negotiate deferrals for such aircraft and engines with the applicable aircraft and engine manufacturers or otherwise defer corporate obligations. Depending on numerous factors applicable at the time we seek capital, many of which are out of our control, such as the state of the domestic and global economies, the capital and credit markets' view of our prospects and the airline industry in general, and the general availability of debt and equity capital, the financing or other capital resources that we will need may not be available to us, or may be available only on onerous terms and conditions. There can be no assurance that we will be successful in obtaining financing or other needed sources of capital to operate successfully. An inability to obtain necessary financing on acceptable terms would have a material adverse impact on our business, results of operations and financial condition.

***Our high level of debt and other obligations may limit our ability to fund general corporate requirements and obtain additional financing, may limit our flexibility in responding to competitive developments and cause our business to be vulnerable to adverse economic and industry conditions.***

We have significant amounts of indebtedness and other obligations, including pension obligations, obligations to make future payments on flight equipment and property leases related to airport and other facilities, and substantial non-cancelable obligations under aircraft and related spare engine purchase agreements. Moreover, currently a very significant portion of our assets are pledged to secure our indebtedness. Our substantial indebtedness and other obligations, which are generally greater than the indebtedness and other obligations of our competitors, could have important consequences. For example, they may:

- make it more difficult for us to satisfy our obligations under our indebtedness;
- limit our ability to obtain additional funding for working capital, capital expenditures, acquisitions, investments, integration costs and general corporate purposes, and adversely affect the terms on which such funding can be obtained;
- require us to dedicate a substantial portion of our liquidity or cash flow from operations to payments on our indebtedness and other obligations, thereby reducing the funds available for other purposes;
- make us more vulnerable to economic downturns, industry conditions and catastrophic external events, particularly relative to competitors with lower relative levels of financial leverage;
- significantly constrain our ability to respond, or respond quickly, to unexpected disruptions in our own operations, the U.S. or global economies, or the businesses in which we operate, or to take advantage of opportunities that would improve our business, operations, or competitive position versus other airlines;
- limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions;

- contain covenants requiring us to maintain an aggregate of at least \$2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities; and
- contain restrictive covenants that could, among other things:
  - limit our ability to merge, consolidate, sell assets, incur additional indebtedness, issue preferred stock, make investments and pay dividends; and
  - if breached, result in an event of default under our indebtedness.

In addition, in response to the travel restrictions, decreased demand and other effects the COVID-19 pandemic has had and is expected to have on our business, we have obtained and currently anticipate that it may be necessary to continue to obtain a significant amount of additional financing from a variety of sources. Such financing may include the issuance of additional unsecured or secured debt securities, equity securities and equity-linked securities as well as additional bilateral and syndicated secured and/or unsecured credit facilities, among other items. There can be no assurance as to the timing of any such financing transactions, which may be in the near term, or that we will be able to obtain such additional financing on favorable terms, or at all. Any such actions could be conducted in the near term, may be material in nature, could result in the incurrence and issuance of significant additional indebtedness or equity and could impose significant covenants and restrictions to which we are not currently subject. In particular, in connection with the financial assistance we have received through PSP1, PSP2 and PSP3, we are required to comply with the relevant provisions of the CARES Act, the PSP Extension Law and the ARP, including the requirement that funds provided pursuant to PSP1, PSP2 and PSP3 be used exclusively for the continuation of payment of eligible employee wages, salaries and benefits; the requirement against involuntary furloughs and reductions in employee pay rates and benefits through at least September 30, 2021; provisions prohibiting the repurchase of AAG common stock and the payment of common stock dividends through September 30, 2022; and restrictions on the payment of certain executive compensation until April 1, 2023. Additionally, under PSP1, PSP2 and PSP3, we and certain of our subsidiaries are subject to substantial and continuing reporting obligations. Moreover, as a result of the recent financing activities we have undertaken in response to the COVID-19 pandemic, the number of financings with respect to which such covenants and provisions apply has increased, thereby subjecting us to more substantial risk of cross-default and cross-acceleration in the event of breach, and additional covenants and provisions could become binding on us as we continue to seek additional liquidity.

The obligations discussed above, including those imposed as a result of the CARES Act, the PSP Extension Law, the ARP and any additional financings we may be required to undertake as a result of the impact of the COVID-19 pandemic, could also impact our ability to obtain additional financing, if needed, and our flexibility in the conduct of our business, and could materially adversely affect our liquidity, results of operations and financial condition.

Further, a substantial portion of our long-term indebtedness bears interest at fluctuating interest rates, primarily based on the London interbank offered rate (LIBOR) for deposits of U.S. dollars. LIBOR tends to fluctuate based on general short-term interest rates, rates set by the U.S. Federal Reserve and other central banks, the supply of and demand for credit in the London interbank market and general economic conditions. We have not hedged our interest rate exposure with respect to our floating rate debt. Accordingly, our interest expense for any particular period will fluctuate based on LIBOR and other variable interest rates. To the extent the interest rates applicable to our floating rate debt increase, our interest expense will increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected.

On July 27, 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The discontinuation date for submission and publication of rates for certain tenors of USD LIBOR (1-month, 3-month, 6-month, and 12-month) was subsequently extended by the ICE Benchmark Administration (the administrator of LIBOR) until June 30, 2023. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2023. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become acceptable alternatives to LIBOR, or what effect these changes in views or alternatives may have on financial markets for LIBOR-linked financial instruments. While the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, has chosen the Secured Overnight Financing Rate (SOFR) as the recommended risk-free reference rate for the U.S. (calculated based on repurchase agreements backed by treasury securities), we cannot currently predict the extent to which this index will gain widespread acceptance as a replacement for LIBOR. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom, the United States or elsewhere. See also the discussion of interest rate risk in Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk – “*Interest.*”



We may in the future pursue amendments to our LIBOR-based debt transactions to provide for a transaction mechanism or other reference rate in anticipation of LIBOR's discontinuation, but we may not be able to reach agreement with our lenders on any such amendments. As of June 30, 2021, we had \$12.2 billion of borrowings based on LIBOR. The replacement of LIBOR with a comparable or successor rate could cause the amount of interest payable on our long-term debt to be different or higher than expected.

***We have significant pension and other postretirement benefit funding obligations, which may adversely affect our liquidity, results of operations and financial condition.***

Our pension funding obligations are significant. The amount of these obligations will depend on the performance of investments held in trust by the pension plans, interest rates for determining liabilities and actuarial experience. The minimum funding obligation applicable to our pension plans was subject to favorable temporary funding rules that expired at the end of 2017 and, as a result, our minimum pension funding obligations increased materially beginning in 2019. In January 2021, we made \$241 million in contributions to our pension plans, including a contribution of \$130 million for the 2020 calendar year that was permitted to be deferred to January 4, 2021 as provided under the CARES Act. On March 11, 2021, the ARP was enacted, which included funding relief provisions benefiting single employer qualified retirement benefit pension plans such as those sponsored by American. Based on our current understanding of the ARP provisions applicable to our pension plans, we will have no additional funding requirements for 2021. In addition, we have significant obligations for retiree medical and other postretirement benefits. Additionally, we participate in the IAM National Pension Fund (the IAM Pension Fund). The funding status of the IAM Pension Fund is subject to the risk that other employers may not meet their obligations, which under certain circumstances could cause our obligations to increase. Furthermore, if we were to withdraw from the IAM Pension Fund, if the IAM Pension fund were to terminate, or if the IAM Pension Fund were to undergo a mass withdrawal, we could be subject to liability as imposed by law.

***If our financial condition worsens, provisions in our credit card processing and other commercial agreements may adversely affect our liquidity.***

We have agreements with companies that process customer credit card transactions for the sale of air travel and other services. These agreements allow these credit card processing companies, under certain conditions (including, with respect to certain agreements, our failure to maintain certain levels of liquidity), to hold an amount of our cash (referred to as a holdback) equal to some or all of the advance ticket sales that have been processed by that credit card processor, but for which we have not yet provided the air transportation. Additionally, such credit card processing companies may require cash or other collateral reserves to be established. These credit card processing companies are not currently entitled to maintain any holdbacks pursuant to these requirements. These holdback requirements can be modified at the discretion of the credit card processing companies upon the occurrence of specific events, including material adverse changes in our financial condition or the triggering of a liquidity covenant. In light of the effect the COVID-19 pandemic is having on demand for air travel and, in turn, capacity, we have seen an increase in demand from consumers for refunds on their tickets, and we anticipate this will continue to be the case for the near future. Requests for refunds and the ongoing impact of the COVID-19 pandemic on our longer-term financial performance may reduce our liquidity and cause us to be forced to post cash or other collateral with the credit card processing companies in respect of advance ticket sales. The imposition of holdback requirements, up to and including 100% of relevant advanced ticket sales, would materially reduce our liquidity. Likewise, other of our commercial agreements contain provisions that allow other entities to impose less-favorable terms, including the acceleration of amounts due, in the event of material adverse changes in our financial condition. For example, we maintain certain letters of credit, insurance- and surety-related agreements under which counterparties may require collateral, including cash collateral.

***The loss of key personnel upon whom we depend to operate our business or the inability to attract and develop additional qualified personnel could adversely affect our business.***

We believe that our future success will depend in large part on our ability to attract, develop and retain highly qualified management, technical and other personnel. We may not be successful in attracting, developing or retaining key personnel or other highly qualified personnel. Among other things, the CARES Act, the PSP Extension Law and the ARP impose significant restrictions on executive compensation, which will remain in place until April 1, 2023. Such restrictions, over time, will likely result in lower executive compensation in the airline industry than is prevailing in other industries, creating increasing retention challenges in the case of executives presented with alternative, non-airline opportunities. Any inability to attract, develop and retain significant numbers of qualified management and other personnel would have a material adverse effect on our business, results of operations and financial condition.

***Our business has been and will continue to be affected by many changing economic and other conditions beyond our control, including global events that affect travel behavior, and our results of operations could be volatile and fluctuate due to seasonality.***

Our business, results of operations and financial condition have been and will continue to be affected by many changing economic and other conditions beyond our control, including, among others:

- the effects of the ongoing COVID-19 pandemic;
- actual or potential changes in international, national, regional and local economic, business and financial conditions, including recession, inflation, higher interest rates, wars, terrorist attacks and political instability;
- changes in consumer preferences, perceptions, spending patterns and demographic trends;
- changes in the competitive environment due to industry consolidation, changes in airline alliance affiliations, and other factors;
- actual or potential disruptions to the U.S. National Airspace System (the ATC system);
- increases in costs of safety, security, and environmental measures;
- outbreaks of diseases that affect travel behavior; and
- weather and natural disasters, including increases in frequency, severity or duration of such disasters, and related costs caused by more severe weather due to climate change.

In addition to the effects of the ongoing COVID-19 pandemic, an outbreak of a contagious disease such as the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, Zika virus or any other similar illness, if it were to become associated with air travel or persist for an extended period, could materially affect the airline industry and us by reducing revenues and adversely impacting our operations and passengers' travel behavior. See also *"The outbreak and global spread of COVID-19 has resulted in a severe decline in demand for air travel which has adversely impacted our business, operating results, financial condition and liquidity. The duration and severity of the COVID-19 pandemic, and similar public health threats that we may face in the future, could result in additional adverse effects on our business, operating results, financial condition and liquidity."* As a result of these or other conditions beyond our control, our results of operations could be volatile and subject to rapid and unexpected change. In addition, due to generally weaker demand for air travel during the winter, our revenues in the first and fourth quarters of the year could be weaker than revenues in the second and third quarters of the year.

***Union disputes, employee strikes and other labor-related disruptions, or our inability to otherwise maintain labor costs at competitive levels may adversely affect our operations and financial performance.***

Relations between air carriers and labor unions in the U.S. are governed by the Railway Labor Act (RLA). Under the RLA, collective bargaining agreements (CBAs) generally contain "amendable dates" rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the National Mediation Board (NMB). For the dates that the CBAs with our major work groups become amendable under the RLA, see Part I, Item 1. Business – *"Employees and Labor Relations"* in our 2020 Form 10-K.

In the case of a CBA that is amendable under the RLA, if no agreement is reached during direct negotiations between the parties, either party may request that the NMB appoint a federal mediator. The RLA prescribes no timetable for the direct negotiation and mediation processes, and it is not unusual for those processes to last for many months or even several years. If no agreement is reached in mediation, the NMB in its discretion may declare that an impasse exists and proffer binding arbitration to the parties. Either party may decline to submit to arbitration, and if arbitration is rejected by either party, a 30-day "cooling off" period commences. During or after that period, a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by another 30-day "cooling off" period. At the end of this "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may exercise "self-help," such as a strike, which could materially adversely affect our business, results of operations and financial condition.

None of the unions representing our employees presently may lawfully engage in concerted slowdowns or refusals to work, such as strikes, sick-outs or other similar activity, against us. Nonetheless, there is a risk that employees, either with or without union involvement, could engage in one or more concerted refusals to work that could individually or collectively harm the operation of our airline and impair our financial performance. Additionally, some of our unions have brought and may continue to bring grievances to binding arbitration, including those related to wages. If successful, there is a risk these arbitral avenues could result in material additional costs that we did not anticipate. See also Part I, Item 1. Business – “*Employees and Labor Relations*” in our 2020 Form 10-K.

As of December 31, 2020, approximately 84% of our employees were represented for collective bargaining purposes by labor unions. Currently, we believe our labor costs are generally competitive relative to the other large network carriers. However, we cannot provide assurance that labor costs going forward will remain competitive because we are in negotiations for several important new labor agreements now and other agreements are scheduled to become amendable, competitors may significantly reduce their labor costs or we may agree to higher-cost provisions unilaterally or in connection with our current or future labor negotiations.

***If we encounter problems with any of our third-party regional operators or third-party service providers, our operations could be adversely affected by a resulting decline in revenue or negative public perception about our services.***

A significant portion of our regional operations are conducted by third-party operators on our behalf, substantially all of which are provided for under capacity purchase agreements. Due to our reliance on third parties to provide these essential services, we are subject to the risk of disruptions to their operations, which has in the past and may in the future result from many of the same risk factors disclosed in this report, such as the impact of adverse economic conditions, the inability of third parties to hire or retain skilled personnel, including pilots and mechanics, and other risk factors, such as an out-of-court or bankruptcy restructuring of any of our regional operators. Several of these third-party regional operators provide significant regional capacity that we would be unable to replace in a short period of time should that operator fail to perform its obligations to us. Disruptions to capital markets, shortages of skilled personnel and adverse economic conditions in general have subjected certain of these third-party regional operators to significant financial pressures, which have in the past and may in the future lead to bankruptcies among these operators. In particular, the severe decline in demand for air travel resulting from the COVID-19 pandemic and related governmental restrictions on travel have materially impacted demand for services provided by our regional carriers and, as a result, we have significantly reduced our regional capacity and expect to maintain these reduced levels of capacity for the foreseeable future. We expect the disruption to services resulting from the COVID-19 pandemic to continue to adversely affect our regional operators, some of whom may experience significant financial stress, declare bankruptcy or otherwise cease to operate. We may also experience disruption to our regional operations or incur financial damages if we terminate the capacity purchase agreement with one or more of our current operators or transition the services to another provider. Any significant disruption to our regional operations would have a material adverse effect on our business, results of operations and financial condition.

In addition, our reliance upon others to provide essential services on behalf of our operations may result in our relative inability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including distribution and sale of airline seat inventory, reservations, provision of information technology and services, regional operations, aircraft maintenance, ground services and facilities and baggage handling. Similar agreements may be entered into in any new markets we decide to serve. These agreements are generally subject to termination after notice by the third-party service provider. We are also at risk should one of these service providers cease operations, and there is no guarantee that we could replace these providers on a timely basis with comparably priced providers, or at all. Any material problems with the efficiency and timeliness of contract services, resulting from financial hardships or otherwise, could have a material adverse effect on our business, results of operations and financial condition.

***Any damage to our reputation or brand image could adversely affect our business or financial results.***

Maintaining a good reputation globally is critical to our business. Our reputation or brand image could be adversely impacted by, among other things, any failure to maintain high ethical, social and environmental sustainability practices for all of our operations and activities, our impact on the environment, public pressure from investors or policy groups to change our policies, such as movements to institute a “living wage,” customer perceptions of our advertising campaigns, sponsorship arrangements or marketing programs, customer perceptions of our use of social media, or customer perceptions of statements made by us, our employees and executives, agents or other third parties. In addition, we operate in a highly visible industry that has significant exposure to social media. Negative publicity, including as a result of

misconduct by our customers, vendors or employees, can spread rapidly through social media. Should we not respond in a timely and appropriate manner to address negative publicity, our brand and reputation may be significantly harmed. Damage to our reputation or brand image or loss of customer confidence in our services could adversely affect our business and financial results, as well as require additional resources to rebuild our reputation.

Moreover, the outbreak and spread of COVID-19 have adversely impacted consumer perceptions of the health and safety of travel, and in particular airline travel, and these negative perceptions could continue even after the pandemic subsides. Actual or perceived risk of infection on our flights has had, and may continue to have, a material adverse effect on the public's perception of us, which has harmed, and may continue to harm, our reputation and business. We have taken various measures to reassure our team members and the traveling public of the safety of air travel, including requirements that passengers wear face coverings, the provision of protective equipment for team members and enhanced cleaning procedures onboard aircraft and in airports. We expect that we will continue to incur COVID-19 related costs as we sanitize aircraft, implement additional hygiene-related protocols and take other actions to limit the threat of infection among our employees and passengers. However, we cannot assure that these or any other actions we might take in response to the COVID-19 pandemic will be sufficient to restore the confidence of consumers in the safety of air travel.

***We are at risk of losses and adverse publicity stemming from any public incident involving our company, our people or our brand, including any accident or other public incident involving our personnel or aircraft, or the personnel or aircraft of our regional, codeshare or joint business operators.***

In a modern world where news can be captured and travel rapidly, we are at risk of adverse publicity stemming from any public incident involving our company, our people or our brand. Such an incident could involve the actual or alleged behavior of any of our employees. Further, if our personnel, one of our aircraft, a type of aircraft in our fleet, or personnel of, or an aircraft that is operated under our brand by, one of our regional operators or an airline with which we have a marketing alliance, joint business or codeshare relationship, were to be involved in a public incident, accident, catastrophe or regulatory enforcement action, we could be exposed to significant reputational harm and potential legal liability. The insurance we carry may be inapplicable or inadequate to cover any such incident, accident, catastrophe or action. In the event that our insurance is inapplicable or inadequate, we may be forced to bear substantial losses from an incident or accident. In addition, any such incident, accident, catastrophe or action involving our personnel, one of our aircraft (or personnel and aircraft of our regional operators and our codeshare partners), or a type of aircraft fleet could create an adverse public perception, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft or those of our regional operators or codeshare partners, and adversely impact our business, results of operations and financial condition.

***We face challenges in integrating our computer, communications and other technology systems.***

While we have to date successfully integrated many of our computer, communication and other technology systems in connection with the merger of US Airways and American, including our customer reservations system and our pilot, flight attendant and fleet scheduling system, we still have to complete several additional important system integration or replacement projects. In a number of prior airline mergers, the integration of these systems or deployment of replacement systems has taken longer, been more disruptive and cost more than originally forecasted. The implementation process to integrate or replace these various systems will involve a number of risks that could adversely impact our business, results of operations and financial condition. New systems will replace multiple legacy systems and the related implementations will be a complex and time-consuming project involving substantial expenditures for implementation consultants, system hardware, software and implementation activities, as well as the transformation of business and financial processes.

We cannot assure that our security measures, change control procedures or disaster recovery plans will be adequate to prevent disruptions or delays in connection with systems integration or replacement. Disruptions in or changes to these systems could result in a disruption to our business and the loss of important data. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

***Changes to our business model that are designed to increase revenues may not be successful and may cause operational difficulties or decreased demand.***

We have in the past instituted, and intend to institute in the future, changes to our business model designed to increase revenues and offset costs. These measures include further segmentation of the classes of services we offer, such as Premium Economy service and Basic Economy service, enhancements to our AAdvantage loyalty program, charging separately for services that had previously been included within the price of a ticket, changing (whether it be increasing,

decreasing or eliminating) other pre-existing fees, reconfiguration of our aircraft cabins, and efforts to optimize our network including by focusing growth on a limited number of large hubs and entering into agreements with other airlines. For example, in 2020, we eliminated change fees for most domestic and international tickets, which has reduced our change fee revenue, a trend which is expected to continue as demand for air travel recovers, assuming this change remains in place. We may introduce additional initiatives in the future; however, as time goes on, we expect that it will be more difficult to identify and implement additional initiatives. We cannot assure that these measures or any future initiatives will be successful in increasing our revenues. Additionally, the implementation of these initiatives may create logistical challenges that could harm the operational performance of our airline or result in decreased demand. Also, our implementation of any new or increased fees might reduce the demand for air travel on our airline or across the industry in general, particularly if weakened economic conditions make our customers more sensitive to increased travel costs or provide a significant competitive advantage to other carriers that determine not to institute similar charges.

***Our intellectual property rights, particularly our branding rights, are valuable, and any inability to protect them may adversely affect our business and financial results.***

We consider our intellectual property rights, particularly our branding rights such as our trademarks applicable to our airline and AAdvantage loyalty program, to be a significant and valuable aspect of our business. We protect our intellectual property rights through a combination of trademark, copyright and other forms of legal protection, contractual agreements and policing of third-party misuses of our intellectual property. Our failure to obtain or adequately protect our intellectual property or any change in law that lessens or removes the current legal protections of our intellectual property may diminish our competitiveness and adversely affect our business and financial results. Any litigation or disputes regarding intellectual property may be costly and time-consuming and may divert the attention of our management and key personnel from our business operations, either of which may adversely affect our business and financial results.

In addition, we have used certain of our branding and AAdvantage loyalty program intellectual property as collateral for various financings (including the AAdvantage Financing), which contain covenants that impose restrictions on the use of such intellectual property and, in the case of the AAdvantage Financing, on certain amendments or changes to our AAdvantage loyalty program. These covenants may have an adverse effect on our ability to use such intellectual property.

***We may be a party to litigation in the normal course of business or otherwise, which could affect our financial position and liquidity.***

From time to time, we are a party to or otherwise involved in legal proceedings, claims and government inspections or investigations and other legal matters, both inside and outside the United States, arising in the ordinary course of our business or otherwise. We are currently involved in various legal proceedings and claims that have not yet been fully resolved, and additional claims may arise in the future. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Litigation is subject to significant uncertainty and may be expensive, time-consuming, and disruptive to our operations. Although we will vigorously defend ourselves in such legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain. For these and other reasons, we may choose to settle legal proceedings and claims, regardless of their actual merit. If a legal proceeding is resolved against us, it could result in significant compensatory damages, and in certain circumstances punitive or trebled damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief imposed on us. If our existing insurance does not cover the amount or types of damages awarded, or if other resolution or actions taken as a result of the legal proceeding were to restrain our ability to operate or market our services, our consolidated financial position, results of operations or cash flows could be materially adversely affected. In addition, legal proceedings, and any adverse resolution thereof, can result in adverse publicity and damage to our reputation, which could adversely impact our business. Additional information regarding certain legal matters in which we are involved can be found in Note 11 to each of AAG and American's Condensed Consolidated Financial Statements in Part I, Item 1A and Part I, Item 1B, respectively.

***Our ability to utilize our NOL Carryforwards may be limited.***

Under the Internal Revenue Code of 1986, as amended (the Code), a corporation is generally allowed a deduction for net operating losses (NOLs) carried over from prior taxable years (NOL Carryforwards). As of December 31, 2020, we had approximately \$16.5 billion of federal NOLs available to reduce future federal taxable income, of which \$8.5 billion will expire beginning in 2023 if unused and \$8.0 billion can be carried forward indefinitely. We also had approximately \$5.0 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2020, which will expire in taxable years 2020 through 2040 if unused. Our NOL Carryforwards are subject to adjustment on audit by the Internal Revenue



Service and the respective state taxing authorities. Additionally, due to the COVID-19 pandemic and other economic factors, the NOL Carryforwards may expire before we can generate sufficient taxable income to use them.

Our ability to use our NOL Carryforwards will depend on the amount of taxable income generated in future periods. We presently have a \$34 million valuation allowance on certain net deferred tax assets related to state NOL Carryforwards. If our financial results continue to be adversely impacted by the COVID-19 pandemic, there can be no assurance that an additional valuation allowance on our net deferred tax assets will not be required. Such valuation allowance could be material.

A corporation's ability to deduct its federal NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Code (Section 382) if it undergoes an "ownership change" as defined in Section 382 (generally where cumulative stock ownership changes among material stockholders exceed 50% during a rolling three-year period). In 2013, we experienced an ownership change in connection with our emergence from bankruptcy and US Airways Group experienced an ownership change in connection with the Merger. The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. We elected to be covered by certain special rules for federal income tax purposes that permitted approximately \$9.0 billion (with \$7.0 billion of unlimited NOLs still remaining at December 31, 2020) of our federal NOL Carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382. If the special rules are determined not to apply, our ability to utilize such federal NOL Carryforwards may be subject to limitation. In addition, under the loan program of the CARES Act, the warrants (and common stock issuable upon exercise thereof) we issued to Treasury did not and will not result in an ownership change for purposes of Section 382. This exception does not apply for companies issuing warrants, stock options, common or preferred stock or other equity pursuant to PSP1, PSP2 and PSP3 and accordingly will not apply to the warrants issued by us under PSP1, PSP2 and PSP3. Substantially all of our remaining federal NOL Carryforwards attributable to US Airways Group and its subsidiaries are subject to limitation under Section 382 as a result of the Merger; however, our ability to utilize such NOL Carryforwards is not anticipated to be effectively constrained as a result of such limitation. Similar limitations may apply for state income tax purposes.

Notwithstanding the foregoing, an ownership change subsequent to our emergence from bankruptcy may severely limit or effectively eliminate our ability to utilize our NOL Carryforwards and other tax attributes. To reduce the risk of a potential adverse effect on our ability to utilize our NOL Carryforwards, our Certificate of Incorporation contains transfer restrictions applicable to certain substantial stockholders, which are scheduled to expire on December 31, 2021. These restrictions may adversely affect the ability of certain holders of AAG common stock to dispose of or acquire shares of AAG common stock. Although the purpose of these transfer restrictions is to prevent an ownership change from occurring, no assurance can be given that an ownership change will not occur even with these restrictions in place. See also "*Certain provisions of AAG's Certificate of Incorporation and Bylaws make it difficult for stockholders to change the composition of our Board of Directors and may discourage takeover attempts that some of our stockholders might consider beneficial.*"

***We have a significant amount of goodwill, which is assessed for impairment at least annually. In addition, we may never realize the full value of our intangible assets or long-lived assets, causing us to record material impairment charges.***

Goodwill and indefinite-lived intangible assets are not amortized, but are assessed for impairment at least annually, or more frequently if conditions indicate that an impairment may have occurred. In accordance with applicable accounting standards, we first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. In addition, we are required to assess certain of our other long-lived assets for impairment if conditions indicate that an impairment may have occurred.

Future impairment of goodwill or other long-lived assets could be recorded in results of operations as a result of changes in assumptions, estimates, or circumstances, some of which are beyond our control. There can be no assurance that a material impairment charge of goodwill or tangible or intangible assets will be avoided. The value of our aircraft could be impacted in future periods by changes in supply and demand for these aircraft. Such changes in supply and demand for certain aircraft types could result from grounding of aircraft by us or other airlines, including as a result of significant or prolonged declines in demand for air travel and corresponding reductions to capacity. In 2020, we recorded a \$1.5 billion impairment charge associated with our decision to retire certain mainline aircraft, principally Airbus A330-200, Boeing 757, Boeing 767, Airbus A330-300 and Embraer 190 aircraft as well as regional aircraft, including certain Embraer 140 and Bombardier CRJ200 aircraft, earlier than previously planned as a result of the severe decline in demand for air travel due to the COVID-19 pandemic. We can provide no assurance that a material impairment loss of tangible or intangible assets will not occur in a future period, and the risk of future material impairments has been significantly

heightened as result of the effects of the COVID-19 pandemic on our flight schedules and business. Such impairment charges could have a material adverse effect on our business, results of operations and financial condition.

### **Risks Related to the Airline Industry**

#### ***The airline industry is intensely competitive and dynamic.***

Our competitors include other major domestic airlines and foreign, regional and new entrant airlines, as well as joint ventures formed by some of these airlines, many of which have more financial or other resources and/or lower cost structures than ours, as well as other forms of transportation, including rail and private automobiles. In many of our markets, we compete with at least one low-cost carrier (including so-called ultra-low-cost carriers). Our revenues are sensitive to the actions of other carriers in many areas, including pricing, scheduling, capacity, fees (including cancellation, change and baggage fees), amenities, loyalty benefits and promotions, which can have a substantial adverse impact not only on our revenues, but on overall industry revenues. These factors may become even more significant in periods when the industry experiences large losses (such as the current one caused by the COVID-19 pandemic), as airlines under financial stress, or in bankruptcy, may institute pricing or fee structures intended to attract more customers to achieve near term survival at the expense of long-term viability.

Low-cost carriers (including so-called ultra-low-cost carriers) have a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares in order to shift demand from larger, more established airlines, and represent significant competitors, particularly for customers who fly infrequently, are price sensitive and therefore tend not to be loyal to any one particular carrier. A number of these low-cost carriers have recently commenced operations. Many of these new and existing carriers have announced growth strategies including commitments to acquire significant numbers of new aircraft for delivery in the next few years. These low-cost carriers are attempting to continue to increase their market share through growth and several new entrants have announced their intention to start up new ultra-low-cost carriers and, potentially, consolidation, and are expected to continue to have an impact on our revenues and overall performance. We and several other large network carriers have implemented "Basic Economy" fares designed to more effectively compete against low-cost carriers, but we cannot predict whether these initiatives will be successful. While historically these carriers have provided competition in domestic markets, we have recently experienced new competition from low-cost carriers on international routes, including low-cost airlines executing international long-haul expansion strategies, a trend likely to continue with the delivery of planned, long-range narrowbody aircraft. The actions of existing or future low-cost carriers, including those described above, could have a material adverse effect on our operations and financial performance.

We provide air travel internationally, directly as well as through joint businesses, alliances, codeshare and similar arrangements to which we are a party. While our network is comprehensive, compared to some of our key global competitors, we generally have somewhat greater relative exposure to certain regions (for example, Latin America) and somewhat lower relative exposure to others (for example, China). Our financial performance relative to our key competitors will therefore be influenced significantly by macro-economic conditions in particular regions around the world and the relative exposure of our network to the markets in those regions, including the duration of declines in demand for travel to specific regions as a result of the continuing outbreak of COVID-19 and the speed with which demand for travel to these regions returns.

Our international service exposes us to foreign economies and the potential for reduced demand when any foreign country we serve suffers adverse local economic conditions or if governments restrict commercial air service to or from any of these markets. For example, the COVID-19 pandemic has resulted in a precipitous decline in demand for air travel, in particular international travel, in part as a result of the imposition by the U.S. and foreign governments of restrictions on travel from certain regions. In addition, open skies agreements, which are now in place with a substantial number of countries around the world, provide international airlines with open access to U.S. markets, potentially subjecting us to increased competition on our international routes. See also *"Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages."*

Certain airline alliances, joint ventures and joint businesses have been, or may in the future be, granted immunity from antitrust regulations by governmental authorities for specific areas of cooperation, such as joint pricing decisions. To the extent alliances formed by our competitors can undertake activities that are not available to us, our ability to effectively compete may be hindered. Our ability to attract and retain customers is dependent upon, among other things, our ability to offer our customers convenient access to desired markets. Our business could be adversely affected if we are unable to maintain or obtain alliance and marketing relationships with other air carriers in desired markets.

American has established a transatlantic joint business with British Airways, Aer Lingus, Iberia and Finnair, a transpacific joint business with Japan Airlines and a joint business relating to Australia and New Zealand with Qantas, each of which has been granted antitrust immunity. The transatlantic joint business benefits from a grant of antitrust immunity from the Department of Transportation (DOT) and was reviewed by the European Commission (EC) in July 2010. In connection with this review, we provided certain commitments to the EC regarding, among other things, the availability of take-off and landing slots at London Heathrow (LHR) or London Gatwick (LGW) airports. The commitments accepted by the EC were binding for 10 years. In October 2018, in anticipation of the exit of the United Kingdom from the European Union (EU), commonly referred to as Brexit, and the expiry of the EC commitments in July 2020, the United Kingdom Competition and Markets Authority (CMA) opened an investigation into the transatlantic joint business. We continue to fully cooperate with the CMA and, in September 2020, the CMA adopted interim measures that effectively extend the EC commitments for an additional three years until March 2024 in light of the uncertainty created by the COVID-19 pandemic. The CMA plans to complete its investigation before the interim measures expire. The foregoing arrangements are important aspects of our international network and we are dependent on the performance and continued cooperation of the other airlines party to those arrangements.

In 2020, we entered into an expanded marketing relationship with Alaska Airlines. This arrangement expands our existing codeshare relationship, including codeshare on certain of our international routes from SEA and LAX, and provides for reciprocal loyalty program benefits and shared lounge access. Pursuant to federal law, American and Alaska Airlines submitted this proposed arrangement to the DOT for review. After the DOT allowed the review period to expire with no further actions, American and Alaska Airlines commenced implementation of this arrangement.

Also, in 2020, we announced our intention to enter into a marketing relationship with JetBlue. This arrangement includes an alliance agreement with reciprocal codesharing on domestic and certain international routes from New York (JFK, LGA, and EWR) and BOS, and provides for reciprocal loyalty program benefits. The arrangement does not include JetBlue's future transatlantic flying. Pursuant to federal law, American and JetBlue submitted this proposed alliance arrangement to the DOT for review. After American, JetBlue and the DOT agreed to a series of commitments, the DOT terminated its review of the proposed alliance. The commitments include growth commitments to ensure capacity expansion, slot divestitures at JFK and at DCA near Washington, D.C. and antitrust compliance measures. Beyond this agreement with the DOT, American and JetBlue will also be refraining from certain kinds of coordination on certain city pair markets. In addition to the DOT review, the U.S. Department of Justice and the New York Attorney General, the Massachusetts Attorney General, and the Attorneys General of certain other state and local jurisdictions are investigating this proposed alliance, which investigations remain ongoing. American and JetBlue intend to cooperate with those investigations, but are proceeding with plans to implement this alliance.

Notwithstanding the DOT's termination of its reviews of the Alaska Airlines and JetBlue alliances, the DOT maintains authority to conduct investigations under the scope of its existing statutes and regulations, including conduct related to these alliances.

No assurances can be given as to any benefits that we may derive from any of the foregoing arrangements or any other arrangements that may ultimately be implemented, or whether or not regulators will, or if granted continue to, approve or impose material conditions on our business activities.

Additional mergers and other forms of industry consolidation, including antitrust immunity grants, may take place and may not involve us as a participant. Depending on which carriers combine and which assets, if any, are sold or otherwise transferred to other carriers in connection with any such combinations, our competitive position relative to the post-combination carriers or other carriers that acquire such assets could be harmed. In addition, as carriers combine through traditional mergers or antitrust immunity grants, their route networks will grow, and that growth will result in greater overlap with our network, which in turn could decrease our overall market share and revenues. Such consolidation is not limited to the U.S., but could include further consolidation among international carriers in Europe and elsewhere.

Additionally, our AAdvantage loyalty program, which is an important element of our sales and marketing programs, faces significant and increasing competition from the loyalty programs offered by other travel companies, as well as from similar loyalty benefits offered by banks and other financial services companies. Competition among loyalty programs is intense regarding the rewards, fees, required usage, and other terms and conditions of these programs. In addition, we have used certain assets from our AAdvantage loyalty program as collateral for the AAdvantage Financing, which contains covenants that impose restrictions on certain amendments or changes to certain of our AAdvantage Agreements and other aspects of the AAdvantage loyalty program. These competitive factors and covenants (to the extent applicable) may affect our ability to attract and retain customers, increase usage of our loyalty program and maximize the revenue generated by our loyalty program.



***The commercial relationships that we have with other airlines, including any related equity investment, may not produce the returns or results we expect.***

An important part of our strategy to expand our network has been to expand our commercial relationships with other airlines, such as by entering into global alliance, joint business and codeshare relationships, and, in one instance involving China Southern Airlines, by making a significant equity investment in another airline in connection with initiating such a commercial relationship. We may explore additional investments in, and joint ventures and strategic alliances with, other carriers as part of our global business strategy. We face competition in forming and maintaining these commercial relationships since there are a limited number of potential arrangements and other airlines are looking to enter into similar relationships, and our inability to form or maintain these relationships or inability to form as many of these relationships as our competitors may have an adverse effect on our business. Any such existing or future investment could involve significant challenges and risks, including that we may not realize a satisfactory return on our investment or that they may not generate the expected revenue synergies. In addition, as a result of the global spread of COVID-19, the industry has experienced a precipitous decline in demand for air travel both internationally and domestically, which is expected to continue into the foreseeable future and could materially disrupt our partners' abilities to provide air service, the timely execution of our strategic operating plans, including the finalization, approval and implementation of new strategic relationships or the maintenance or expansion of existing relationships. These events could have a material adverse effect on our business, results of operations and financial condition.

***Our business is very dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices or significant disruptions in the supply of aircraft fuel could have a significant negative impact on consumer demand, our operating results and liquidity.***

Our operating results are materially impacted by changes in the availability, price volatility and cost of aircraft fuel, which represents one of the largest single cost items in our business and thus is a significant factor in the price of airline tickets. Market prices for aircraft fuel have fluctuated substantially over the past several years and prices continue to be highly volatile.

Because of the amount of fuel needed to operate our business, even a relatively small increase or decrease in the price of fuel can have a material effect on our operating results and liquidity. Due to the competitive nature of the airline industry and unpredictability of the market for air travel, we can offer no assurance that we may be able to increase our fares, impose fuel surcharges or otherwise increase revenues or decrease other operating costs sufficiently to offset fuel price increases. Similarly, we cannot predict actions that may be taken by our competitors in response to changes in fuel prices.

Although we are currently able to obtain adequate supplies of aircraft fuel, we cannot predict the future availability, price volatility or cost of aircraft fuel. Natural disasters (including hurricanes or similar events in the U.S. Southeast and on the Gulf Coast where a significant portion of domestic refining capacity is located), political disruptions or wars involving oil-producing countries, economic sanctions imposed against oil-producing countries or specific industry participants, changes in fuel-related governmental policy, the strength of the U.S. dollar against foreign currencies, changes in the cost to transport or store petroleum products, changes in access to petroleum product pipelines and terminals, speculation in the energy futures markets, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages, distribution challenges, additional fuel price volatility and cost increases in the future. For instance, effective January 1, 2020, rules adopted by the International Maritime Organization restrict the sulfur content allowable in marine fuels from 3.5% to 0.5%, which is expected to cause increased demand by maritime shipping companies for low-sulfur fuel and potentially lead to increased costs of aircraft fuel. Any of these factors or events could cause a disruption in or increased demands on oil production, refinery operations, pipeline capacity or terminal access and possibly result in significant increases in the price of aircraft fuel and diminished availability of aircraft fuel supply.

Our aviation fuel purchase contracts generally do not provide meaningful price protection against increases in fuel costs. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review this policy from time to time based on market conditions and other factors. We do not currently view the market opportunities to hedge fuel prices as attractive because, among other things, our future fuel needs remain unclear due to uncertainties regarding air travel demand and any hedging would potentially require significant capital or collateral to be placed at risk. Accordingly, as of June 30, 2021, we did not have any fuel hedging contracts outstanding to hedge our fuel consumption. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. See also the discussion in Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk – “Aircraft Fuel.”

***Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages.***

Airlines are subject to extensive domestic and international regulatory requirements. In the last several years, Congress and state and local governments have passed laws and regulatory initiatives, and the DOT, the FAA, the Transportation Security Administration, the Department of Homeland Security and several of their respective international counterparts have issued regulations and a number of other directives, that affect the airline industry. These requirements impose substantial costs on us and restrict the ways we may conduct our business.

For example, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures or operational restrictions. These requirements can be issued with little or no notice, or can otherwise impact our ability to efficiently or fully utilize our aircraft, and in some instances have resulted in the temporary and prolonged grounding of aircraft types altogether (including, for example, the March 2019 grounding of all Boeing 737 MAX Family aircraft, which remained in place for over a year and was not lifted in the United States until November 2020), or otherwise caused substantial disruption and resulted in material costs to us and lost revenues. The FAA also exercises comprehensive regulatory authority over nearly all technical aspects of our operations. Our failure to comply with such requirements has in the past and may in the future result in fines and other enforcement actions by the FAA or other regulators. In the future, any new regulatory requirements, particularly requirements that limit our ability to operate or price our products, could have a material adverse effect on us and the industry. In 2021, the FAA is expected to issue a number of rules that will impact us, including regulations mandating certain rest requirements for flight attendants.

DOT consumer rules, and rules promulgated by certain analogous agencies in other countries we serve, dictate procedures for customer handling during long onboard delays, further regulate airline interactions with passengers, including passengers with disabilities, through the ticketing process, at the airport, and onboard the aircraft, and require disclosures concerning airline fares and ancillary fees such as baggage fees. Other DOT rules apply to post-ticket purchase price increases and an expansion of tarmac delay regulations to international airlines. In 2021, the DOT is expected to implement a number of new regulations that will impact us, including disability rules for accessible lavatories and wheelchair assistance, and refunds for checked bag fees in the event of certain delays in delivery.

The Aviation and Transportation Security Act mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per-ticket tax on passengers and a tax on airlines. Present and potential future security requirements can have the effect of imposing costs and inconvenience on travelers, potentially reducing the demand for air travel.

Similarly, there are a number of legislative and regulatory initiatives and reforms at the state and local levels. These initiatives include increasingly stringent laws to protect the environment, wage/hour requirements, mandatory paid sick or family leave, and health care mandates. These laws could affect our relationship with our workforce and the vendors that serve our airlines and cause our expenses to increase without an ability to pass through these costs. In recent years, the airline industry has experienced an increase in litigation over the application of state and local employment laws, particularly in California. Application of these laws may result in operational disruption, increased litigation risk and impact our negotiated labor agreements.

The results of our operations, demand for air travel, and the manner in which we conduct business each may be affected by changes in law and future actions taken by governmental agencies, including:

- changes in law that affect the services that can be offered by airlines in particular markets and at particular airports, or the types of fares offered or fees that can be charged to passengers;
- the granting and timing of certain governmental approvals (including antitrust or foreign government approvals) needed for codesharing alliances, joint businesses and other arrangements with other airlines, and the imposition of regulatory investigations related to any of the foregoing (including our arrangements with JetBlue);
- restrictions on competitive practices (for example, court orders, or agency regulations or orders, that would curtail an airline's ability to respond to a competitor);
- the adoption of new passenger security standards or regulations that impact customer service standards;

- restrictions on airport operations, such as restrictions on the use of slots at airports or the auction or reallocation of slot rights currently held by us;
- the adoption of more restrictive locally-imposed noise restrictions; and
- restrictions on travel or special guidelines regarding aircraft occupancy or hygiene related to COVID-19, including the imposition of preflight testing regimes or vaccination confirmation requirements which have to date and may in the future have the effect of reducing demand for air travel in the markets where such requirements are imposed.

Each additional regulation or other form of regulatory oversight increases costs and adds greater complexity to airline operations and, in some cases, may reduce the demand for air travel. There can be no assurance that the increased costs or greater complexity associated with our compliance with new rules, anticipated rules or other forms of regulatory oversight will not have a material adverse effect on us.

Any significant reduction in air traffic capacity at and in the airspace serving key airports in the U.S. or overseas could have a material adverse effect on our business, results of operations and financial condition. In addition, the ATC system is not successfully modernizing to meet the growing demand for U.S. air travel. Air traffic controllers rely on outdated procedures and technologies that routinely compel airlines, including ourselves, to fly inefficient routes or take significant delays on the ground. The ATC system's inability to manage existing travel demand has led government agencies to implement short-term capacity constraints during peak travel periods or adverse weather conditions in certain markets, resulting in delays and disruptions of air traffic. The outdated technologies also cause the ATC system to be less resilient in the event of a failure. For example, an automation failure and an evacuation, in 2015 and 2017, respectively, at the Washington Air Route Control Center resulted in cancellations and delays of hundreds of flights traversing the greater Washington, D.C. airspace.

In the early 2000s, the FAA embarked on a path to modernize the national airspace system, including migration from the current radar-based ATC system to a GPS-based system. This modernization of the ATC system, generally referred to as "NextGen," has been plagued by delays and cost overruns, and it remains uncertain when the full array of benefits expected from this modernization will be available to the public and the airlines, including ourselves. Failure to update the ATC system and the substantial costs that may be imposed on airlines, including ourselves, to fund a modernized ATC system may have a material adverse effect on our business.

Further, our business has been adversely impacted when government agencies have ceased to operate as expected including due to partial shut-downs, sequestrations or similar events and the COVID-19 pandemic. These events have resulted in, among other things, reduced demand for air travel, an actual or perceived reduction in air traffic control and security screening resources and related travel delays, as well as disruption in the ability of the FAA to grant required regulatory approvals, such as those that are involved when a new aircraft is first placed into service.

Our operating authority in international markets is subject to aviation agreements between the U.S. and the respective countries or governmental authorities, such as the EU, and in some cases, fares and schedules require the approval of the DOT and/or the relevant foreign governments. Moreover, alliances with international carriers may be subject to the jurisdiction and regulations of various foreign agencies. The U.S. government has negotiated "open skies" agreements with 130 trading partners, which agreements allow unrestricted route authority access between the U.S. and the foreign markets. While the U.S. has worked to increase the number of countries with which open skies agreements are in effect, a number of markets important to us, including China, do not have open skies agreements. For example, the open skies air services agreement between the U.S. and the EU, which took effect in March 2008, provides airlines from the U.S. and EU member states open access to each other's markets, with freedom of pricing and unlimited rights to fly from the U.S. to any airport in the EU. As a result of the agreement and a subsequent open skies agreement involving the U.S. and the United Kingdom, which was agreed in anticipation of Brexit, we face increased competition in these markets, including LHR. Bilateral and multilateral agreements among the U.S. and various foreign governments of countries we serve but which are not covered by an open skies treaty are subject to periodic renegotiation. We currently operate a number of international routes under government arrangements that limit the number of airlines permitted to operate on the route, the capacity of the airlines providing services on the route, or the number of airlines allowed access to particular airports. If an open skies policy were to be adopted for any of these markets, it could have a material adverse impact on us and could result in the impairment of material amounts of our related tangible and intangible assets. In addition, competition from foreign airlines, revenue-sharing joint ventures, joint business agreements, and other alliance arrangements by and among other airlines could impair the value of our business and assets on the open skies routes.

Brexit occurred on January 31, 2020 under the terms of the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the EU and the European Atomic Energy Community (the Withdrawal Agreement). The Withdrawal Agreement provided for a transition period that ended on December 31, 2020. Prior to the end of the transition period, on December 24, 2020, EU and United Kingdom negotiators agreed to a new trade and cooperation agreement, which was signed on December 30, 2020 (the EU-UK Trade and Cooperation Agreement). The EU-UK Trade and Cooperation Agreement was provisionally applied as of January 1, 2021 and entered into force on May 1, 2021. We face risks associated with Brexit, notably given the extent of our passenger and cargo traffic and that of our joint business partners that flows through LHR in the United Kingdom. The EU-UK Trade and Cooperation Agreement includes provisions in relation to commercial air service that we expect to be sufficient to sustain our current services under the transatlantic joint business. However, the scope of traffic rights under the EU-UK Trade and Cooperation Agreement is less extensive than before Brexit and therefore the full impact of the EU-UK Trade and Cooperation Agreement is uncertain. As a result, the continuation of our current services, and those of our partners could be disrupted. This could materially adversely affect our business, results of operations and financial condition. More generally, changes in U.S. or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of route authorities, slots or other assets located abroad, or otherwise adversely affect our international operations.

***We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control.***

We operate a global business with significant operations outside of the U.S. Our current international activities and prospects have been and in the future could be adversely affected by government policies, reversals or delays in the opening of foreign markets, increased competition in international markets, the performance of our alliance, joint business and codeshare partners in a given market, exchange controls or other restrictions on repatriation of funds, currency and political risks (including changes in exchange rates and currency devaluations), environmental regulation, increases in taxes and fees and changes in international government regulation of our operations, including the inability to obtain or retain needed route authorities and/or slots. In particular, the outbreak and global spread of COVID-19 have severely impacted the demand for international travel and have resulted in the imposition of significant governmental restrictions on commercial air service to or from certain regions. We have responded by suspending a significant portion of our long-haul international flights through the summer of 2021 and delaying the introduction of certain new long-haul international routes. We can provide no assurance as to when such restrictions will be eased or lifted, when demand for international travel will return to pre-COVID-19 pandemic levels, if at all, or whether certain international destinations we previously served will be economical in the future.

More generally, our industry may be affected by any deterioration in global trade relations, including shifts in the trade policies of individual nations. For example, much of the demand for international air travel is the result of business travel in support of global trade. Should protectionist governmental policies, such as increased tariff or other trade barriers, travel limitations and other regulatory actions, have the effect of reducing global commercial activity, the result could be a material decrease in the demand for international air travel. Additionally, certain of the products and services that we purchase, including certain of our aircraft and related parts, are sourced from suppliers located in foreign countries, and the imposition of new tariffs, or any increase in existing tariffs, by the U.S. government in respect of the importation of such products could materially increase the amounts we pay for them. In particular, on October 2, 2019, the Office of the U.S. Trade Representative (USTR), as part of an ongoing dispute with the EU before the World Trade Organization (WTO) concerning, among other things, aircraft subsidies, was authorized by an arbitration tribunal of the WTO to impose up to \$7.5 billion per year in import tariffs on certain goods originating from the EU. In October 2019, the USTR imposed tariffs on certain imports from the EU, including on certain Airbus aircraft that we previously contracted to purchase; these aircraft were initially subject to an ad valorem duty of 10% that was subsequently increased to 15% in March 2020. In January 2021, the USTR expanded the scope of the 15% tariff to apply to certain imported aircraft parts in addition to imported aircraft. In June 2021, the United States and the EU announced an agreement to suspend the imposition of these tariffs. Nonetheless, if and to the extent any of these tariffs are in fact imposed on us without any available means for us to mitigate or pass on the burden of these tariffs to Airbus, the effective cost of new Airbus aircraft required to implement our fleet plan would increase.

Brexit occurred on January 31, 2020 under the terms of the Withdrawal Agreement. The Withdrawal Agreement provided for a transition period that ended on December 31, 2020. Prior to the end of the transition period, on December 24, 2020, EU and United Kingdom negotiators agreed to the EU-UK Trade and Cooperation Agreement, which was signed on December 30, 2020. The EU-UK Trade and Cooperation Agreement was provisionally applied as of January 1, 2021 and entered into force on May 1, 2021. We face risks associated with Brexit, notably given the extent of our passenger

and cargo traffic and that of our joint business partners that flows through LHR in the United Kingdom. The EU-UK Trade and Cooperation Agreement includes provisions in relation to commercial air service that we expect to be sufficient to sustain our current services under the transatlantic joint business. However, the scope of traffic rights under the EU-UK Trade and Cooperation Agreement is less extensive than before Brexit and therefore the full impact of the EU-UK Trade and Cooperation Agreement is uncertain. As a result, the continuation of our current services, and those of our partners could be disrupted. This could materially adversely affect our business, results of operations and financial condition.

Moreover, Brexit could adversely affect European or worldwide economic or market conditions and could contribute to further instability in global financial markets. In addition, Brexit has created uncertainty as to the future trade relationship between the EU and the United Kingdom, including air traffic services. LHR is presently a very important element of our international network, however it may become less desirable as a destination or as a hub location after Brexit when compared to other airports in Europe. Brexit could also lead to legal and regulatory uncertainty such as the identity of the relevant regulators, new regulatory action and/or potentially divergent treaties, laws and regulations as the United Kingdom determines which EU treaties, laws and regulations to replace or replicate, including those governing aviation, labor, environmental, data protection/privacy, competition and other matters applicable to the provision of air transportation services by us or our alliance, joint business or codeshare partners. For example, in October 2018, in anticipation of Brexit and the expiry of the EC commitments in July 2020, the CMA opened an investigation into the transatlantic joint business. We continue to fully cooperate with the CMA and, in September 2020, the CMA adopted interim measures that effectively extend the EC commitments for an additional three years until March 2024 in light of the uncertainty created by the COVID-19 pandemic. The CMA plans to complete its investigation before the interim measures expire. The impact on our business of any treaties, laws and regulations that replace the existing EU counterparts, or other governmental or regulatory actions taken by the United Kingdom or the EU in connection with or subsequent to Brexit, cannot be predicted, including whether or not regulators will continue to approve or impose material conditions on our business activities. Any of these effects, and others we cannot anticipate, could materially adversely affect our business, results of operations and financial condition.

Additionally, fluctuations in foreign currencies, including devaluations, exchange controls and other restrictions on the repatriation of funds, have significantly affected and may continue to significantly affect our operating performance, liquidity and the value of any cash held outside the U.S. in local currency. Such fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition.

***We may be adversely affected by conflicts overseas or terrorist attacks; the travel industry continues to face ongoing security concerns.***

Acts of terrorism or fear of such attacks, including elevated national threat warnings, wars or other military conflicts, may depress air travel, particularly on international routes, and cause declines in revenues and increases in costs. The attacks of September 11, 2001 and continuing terrorist threats, attacks and attempted attacks materially impacted and continue to impact air travel. Increased security procedures introduced at airports since the attacks of September 11, 2001 and any other such measures that may be introduced in the future generate higher operating costs for airlines. The Aviation and Transportation Security Act mandated improved flight deck security, deployment of federal air marshals on board flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, additional provision of passenger data to the U.S. Customs and Border Protection Agency and enhanced background checks. A concurrent increase in airport security charges and procedures, such as restrictions on carry-on baggage, has also had and may continue to have a disproportionate impact on short-haul travel, which constitutes a significant portion of our flying and revenue. Implementation of and compliance with increasingly-complex security and customs requirements will continue to result in increased costs for us and our passengers, and have caused and likely will continue to cause periodic service disruptions and delays. We have at times found it necessary or desirable to make significant expenditures to comply with security-related requirements while seeking to reduce their impact on our customers, such as expenditures for automated security screening lines at airports. As a result of competitive pressure, and the need to improve security screening throughput to support the pace of our operations, it is unlikely that we will be able to capture all security-related costs through increased fares. In addition, we cannot forecast what new security requirements may be imposed in the future, or their impact on our business.



***We are subject to risks associated with climate change, including increased regulation of our CO<sub>2</sub> emissions, changing consumer preferences and the potential increased impacts of severe weather events on our operations and infrastructure.***

Efforts to transition to a low-carbon future have increased the focus by global, regional and national regulators on climate change and greenhouse gas (GHG) emissions, including carbon dioxide (CO<sub>2</sub>) emissions. In particular, the International Civil Aviation Organization has adopted rules, including those pertaining to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which will require American to address the growth in CO<sub>2</sub> emissions of a significant majority of our international flights. For more information on CORSIA, see “*Aircraft Emissions and Climate Change Requirements*” under Part I, Item 1. Business – Domestic and Global Regulatory Landscape – Environmental Matters in our 2020 Form 10-K.

At this time, the costs of complying with our future obligations under CORSIA are uncertain, primarily because it is difficult to estimate the return of demand for international air travel during and in the recovery from the COVID-19 pandemic. There is also significant uncertainty with respect to the future supply and price of carbon offset credits and sustainable or lower carbon aircraft fuels that could allow us to reduce our emissions of CO<sub>2</sub>. In addition, we will not directly control our CORSIA compliance costs through 2029 because those obligations are based on the growth in emissions of the global aviation sector and begin to incorporate a factor for individual airline operator emissions growth beginning in 2030. Due to the competitive nature of the airline industry and unpredictability of the market for air travel, we can offer no assurance that we may be able to increase our fares, impose surcharges or otherwise increase revenues or decrease other operating costs sufficiently to offset our costs of meeting obligations under CORSIA.

In the event that CORSIA does not come into force as expected, American and other airlines could become subject to an unpredictable and inconsistent array of national or regional emissions restrictions, creating a patchwork of complex regulatory requirements that could affect global competitors differently without offering meaningful aviation environmental improvements. Concerns over climate change are likely to result in continued attempts by municipal, state, regional, and federal agencies to adopt requirements or change business environments related to aviation that, if successful, may result in increased costs to the airline industry and us. In addition, several countries and U.S. states have adopted or are considering adopting programs, including new taxes, to regulate domestic GHG emissions. Finally, certain airports have adopted, and others could in the future adopt, GHG emission or climate-related goals that could impact our operations or require us to make changes or investments in our infrastructure.

In January 2021, the U.S. Environmental Protection Agency (EPA) adopted GHG emission standards for new aircraft engines designed to implement the ICAO standard, which are aligned with the 2017 ICAO airplane engine GHG emission standards. Like the ICAO standards, the final EPA standards would not apply to engines on in-service aircraft. The final standards have been challenged by several states and environmental groups, and the Biden administration has issued an executive order requiring a review of these final standards along with others issued by the prior administration. On February 17, 2021, the United States Court of Appeals for the District of Columbia Circuit ordered to hold the challenge by the states and environmental groups in abeyance pending EPA's review. The outcome of the legal challenge and administrative review cannot be predicted at this time.

All such climate change-related regulatory activity and developments may adversely affect our business and financial results by requiring us to reduce our emissions, make capital investments to purchase specific types of equipment or technologies, purchase carbon offset credits, or otherwise incur additional costs related to our emissions. Such activity may also impact us indirectly by increasing our operating costs, including fuel costs.

Growing recognition among consumers of the dangers of climate change may mean some customers choose to fly less frequently or fly on an airline they perceive as operating in a manner that is more sustainable to the climate. Business customers may choose to use alternatives to travel, such as virtual meetings and workspaces. Greater development of high-speed rail in markets now served by short-haul flights could provide passengers with lower-carbon alternatives to flying with us. Our collateral to secure loans, in the form of aircraft, spare parts and airport slots, could lose value as customer demand shifts and economies move to low-carbon alternatives, which may increase our financing cost.

Finally, the potential acute and chronic physical effects of climate change, such as increased frequency and severity of storms, floods, fires, sea-level rise, excessive heat, longer-term changes in weather patterns and other climate-related events, could affect our operations, infrastructure and financial results. Operational impacts, such as the canceling of flights, could result in loss of revenue. We could incur significant costs to improve the climate resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We are not able to predict accurately the materiality of any potential losses or costs associated with the physical effects of climate change.

***We are subject to many forms of environmental and noise regulation and may incur substantial costs as a result.***

We are subject to a number of increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of human health and the environment and noise reduction, including those relating to emissions to the air, discharges to land and surface and subsurface waters, safe drinking water, and the management of hazardous substances, oils and waste materials. This universe of substances is evolving to encompass many substances not previously regulated. Compliance with environmental laws and regulations can require significant expenditures, and violations can lead to significant fines and penalties, and well as civil liability.

We are also subject to other environmental laws and regulations, including those that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under federal law, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be retroactive, strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of when it occurred, fault or the amount of waste directly attributable to us. We have liability for investigation and remediation costs at various sites, although such costs currently are not expected to have a material adverse effect on our business.

We have various leases and agreements with respect to real property, tanks and pipelines with airports and other operators. Under these leases and agreements, we have agreed to indemnify the lessor or operator against environmental liabilities associated with the real property or operations described under the agreement, even in certain cases where we are not the party responsible for the initial event that caused the environmental damage. We also participate in leases with other airlines in fuel consortiums and fuel committees at airports, and such indemnities are generally joint and several among the participating airlines.

Governmental authorities in several U.S. and foreign cities are also considering, or have already implemented, aircraft noise reduction programs, including the imposition of nighttime curfews and limitations on daytime take offs and landings. We have been able to accommodate local noise restrictions imposed to date, but our operations could be adversely affected if locally-imposed regulations become more restrictive or widespread. The FAA is also currently evaluating possible changes to how aircraft noise is measured, and the resulting standards that are based on them. Ultimately, these changes could have an impact on, or limit, our operations, or make it more difficult for the FAA to modernize and increase the efficiency of airspace and airports we utilize.

***We depend on a limited number of suppliers for aircraft, aircraft engines and parts.***

We depend on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. For example, as of the end of 2020 all of our mainline aircraft were manufactured by either Airbus or Boeing and all of our regional aircraft were manufactured by either Bombardier or Embraer. Further, our supplier base continues to consolidate as evidenced by the recent acquisition of Rockwell Collins by United Technologies, the recent transactions involving Airbus and Bombardier and Bombardier and Mitsubishi. Due to the limited number of these suppliers, we are vulnerable to any problems associated with the performance of their obligation to supply key aircraft, parts and engines, including design defects, mechanical problems, contractual performance by suppliers, adverse perception by the public that would result in customer avoidance of any of our aircraft or any action by the FAA or any other regulatory authority resulting in an inability to operate our aircraft, even temporarily. For instance, in March 2019, the FAA ordered the grounding of all Boeing 737 MAX Family aircraft, which remained in place for over a year and was not lifted in the United States until November 2020, and more recently in April 2021, we removed from operations, pending ongoing inspection and investigation, a subset of our Boeing 737 MAX Family aircraft after receipt of notice from Boeing of a potential electrical power system issue relating to those aircraft. The limited number of these suppliers may also result in reduced competition and potentially higher prices than if the supplier base was less concentrated.

***Delays in scheduled aircraft deliveries or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected, may adversely impact our business, results of operations and financial condition.***

The success of our business depends on, among other things, effectively managing the number and types of aircraft we operate. If, for any reason, we are unable to accept or secure deliveries of new aircraft on contractually scheduled delivery dates, this could have negative impacts on our business, results of operations and financial condition. Our failure to integrate newly purchased aircraft into our fleet as planned might require us to seek extensions of the terms for some leased aircraft or otherwise delay the exit of certain aircraft from our fleet. Such unanticipated extensions or delays may require us to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs, or reductions to our schedule, thereby reducing revenues. If new aircraft orders are not

filled on a timely basis, we could face higher financing and operating costs than planned. In addition, if the aircraft we receive do not meet expected performance or quality standards, including with respect to fuel efficiency, safety and reliability, we could face higher financing and operating costs than planned and our business, results of operations and financial condition could be adversely impacted. For instance, in March 2019, the FAA grounded all Boeing 737 MAX Family aircraft, including the 24 aircraft in our fleet at the time of the grounding, and which caused us to be unable to take delivery of the Boeing 737 MAX Family aircraft we had on order from Boeing.

***We rely heavily on technology and automated systems to operate our business, and any failure of these technologies or systems could harm our business, results of operations and financial condition.***

We are highly dependent on existing and emerging technology and automated systems to operate our business. These technologies and systems include our computerized airline reservation system, flight operations systems, financial planning, management and accounting systems, telecommunications systems, website, maintenance systems and check-in kiosks. In order for our operations to work efficiently, our website and reservation system must be able to accommodate a high volume of traffic, maintain secure information and deliver flight information, as well as issue electronic tickets and process critical financial information in a timely manner. Substantially all of our tickets are issued to passengers as electronic tickets. We depend on our reservation system, which is hosted and maintained under a long-term contract by a third-party service provider, to be able to issue, track and accept these electronic tickets. If our technologies or automated systems are not functioning or if our third-party service providers were to fail to adequately provide technical support, system maintenance or timely software upgrades for any one of our key existing systems, we could experience service disruptions or delays, which could harm our business and result in the loss of important data, increase our expenses and decrease our revenues. In the event that one or more of our primary technology or systems vendors goes into bankruptcy, ceases operations or fails to perform as promised, replacement services may not be readily available on a timely basis, at competitive rates or at all, and any transition time to a new system may be significant.

Our technologies and automated systems cannot be completely protected against events that are beyond our control, including natural disasters, power failures, terrorist attacks, cyber-attacks, data theft, equipment and software failures, computer viruses or telecommunications failures. Substantial or sustained system failures could cause service delays or failures and result in our customers purchasing tickets from other airlines. We cannot assure that our security measures, change control procedures or disaster recovery plans are adequate to prevent disruptions or delays. Disruption in or changes to these technologies or systems could result in a disruption to our business and the loss of important data. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

***Evolving data security and privacy requirements could increase our costs, and any significant data security incident could disrupt our operations, harm our reputation, expose us to legal risks and otherwise materially adversely affect our business, results of operations and financial condition.***

Our business requires the secure processing and storage of sensitive information relating to our customers, employees, business partners and others. However, like any global enterprise operating in today's digital business environment, we are subject to threats to the security of our networks and data, including threats potentially involving criminal hackers, hacktivists, state-sponsored actors, corporate espionage, employee malfeasance, and human or technological error. These threats continue to increase as the frequency, intensity and sophistication of attempted attacks and intrusions increase around the world. We and our business partners have been the target of cybersecurity attacks and data breaches in the past and expect that we will continue to be in the future.

Furthermore, in response to these threats there has been heightened legislative and regulatory focus on data privacy and cybersecurity in the U.S., the EU and elsewhere, particularly with respect to critical infrastructure providers, including those in the transportation sector. As a result, we must comply with a proliferating and fast-evolving set of legal requirements in this area, including substantive cybersecurity standards as well as requirements for notifying regulators and affected individuals in the event of a data security incident. This regulatory environment is increasingly challenging and may present material obligations and risks to our business, including significantly expanded compliance burdens, costs and enforcement risks. For example, in May 2018, the EU's new General Data Protection Regulation, commonly referred to as GDPR, came into effect, which imposes a host of new data privacy and security requirements, imposing significant costs on us and carrying substantial penalties for non-compliance.



In addition, many of our commercial partners, including credit card companies, have imposed data security standards that we must meet. In particular, we are required by the Payment Card Industry Security Standards Council, founded by the credit card companies, to comply with their highest level of data security standards. While we continue our efforts to meet these standards, new and revised standards may be imposed that may be difficult for us to meet and could increase our costs.

A significant cybersecurity incident involving us or one of our AAdvantage partners or other business partners have in the past and may in the future result in a range of potentially material negative consequences for us, including unauthorized access to, disclosure, modification, misuse, loss or destruction of company systems or data; theft of sensitive, regulated or confidential data, such as personal identifying information or our intellectual property; the loss of functionality of critical systems through ransomware, denial of service or other attacks; a deterioration in our relationships with business partners and other third parties; and business delays, service or system disruptions, damage to equipment and injury to persons or property. For example, in March 2021, a sub-set of AAdvantage members as well as members of several other major airline loyalty programs received a notification about a security incident involving a limited amount of loyalty data held by a service provider. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. The constantly changing nature of the threats means that we may not be able to prevent all data security breaches or misuse of data. Similarly, we depend on the ability of our key commercial partners, including AAdvantage partners, other business partners, our regional carriers, distribution partners and technology vendors, to conduct their businesses in a manner that complies with applicable security standards and assures their ability to perform on a timely basis. A security failure, including a failure to meet relevant payment security standards, breach or other significant cybersecurity incident affecting one of our partners could result in potentially material negative consequences for us.

In addition, the costs and operational consequences of defending against, preparing for, responding to and remediating an incident of cybersecurity breach may be substantial. As cybersecurity threats become more frequent, intense and sophisticated, costs of proactive defense measures are increasing. Further, we could be exposed to litigation, regulatory enforcement or other legal action as a result of an incident, carrying the potential for damages, fines, sanctions or other penalties, as well as injunctive relief and enforcement actions requiring costly compliance measures. A significant number of recent privacy and data security incidents, including those involving other large airlines, have resulted in very substantial adverse financial consequences to those companies. A cybersecurity incident could also impact our brand, including that of the AAdvantage Program, harm our reputation and adversely impact our relationship with our customers, employees and stockholders. Accordingly, failure to appropriately address these issues could result in material financial and other liabilities and cause significant reputational harm to our company.

***We rely on third-party distribution channels and must manage effectively the costs, rights and functionality of these channels.***

We rely on third-party distribution channels, including those provided by or through global distribution systems (GDSs) (e.g., Amadeus, Sabre and Travelport), conventional travel agents, travel management companies and online travel agents (OTAs) (e.g., Expedia, including its booking sites Orbitz and Travelocity, and Booking Holdings, including its booking sites Kayak and Priceline), to distribute a significant portion of our airline tickets, and we expect in the future to continue to rely on these channels. We are also dependent upon the ability and willingness of these distribution channels to expand their ability to distribute and collect revenues for ancillary products (e.g., fees for selective seating). These distribution channels are more expensive and at present have less functionality in respect of ancillary product offerings than those we operate ourselves, such as our website at [www.aa.com](http://www.aa.com). Certain of these distribution channels also effectively restrict the manner in which we distribute our products generally. To remain competitive, we will need to manage successfully our distribution costs and rights, increase our distribution flexibility and improve the functionality of our distribution channels, while maintaining an industry-competitive cost structure. Further, as distribution technology changes we will need to continue to update our technology by acquiring new technology from third parties, building the functionality ourselves, or a combination, which in any event will likely entail significant technological and commercial risk and involve potentially material investments. These imperatives may affect our relationships with conventional travel agents, travel management companies, GDSs and OTAs, including if consolidation of conventional travel agents, travel management companies, GDSs or OTAs continues, or should any of these parties seek to acquire other technology providers thereby potentially limiting our technology alternatives. Any inability to manage our third-party distribution costs, rights and functionality at a competitive level or any material diminishment or disruption in the distribution of our tickets could have a material adverse effect on our business, results of operations and financial condition.

***If we are unable to obtain and maintain adequate facilities and infrastructure throughout our system and, at some airports, adequate slots, we may be unable to operate our existing flight schedule and to expand or change our route network in the future, which may have a material adverse impact on our operations.***

In order to operate our existing and proposed flight schedule and, where desirable, add service along new or existing routes, we must be able to maintain and/or obtain adequate gates, check-in counters, operations areas, operations control facilities and administrative support space. As airports around the world become more congested, it may not be possible for us to ensure that our plans for new service can be implemented in a commercially viable manner, given operating constraints at airports throughout our network, including those imposed by inadequate facilities at desirable airports.

In light of constraints on existing facilities, there is presently a significant amount of capital spending underway at major airports in the United States, including large projects underway at a number of airports where we have significant operations, such as Chicago O'Hare International Airport (ORD), Los Angeles International Airport (LAX), LaGuardia Airport (LGA) and Ronald Reagan Washington National Airport (DCA). This spending is expected to result in increased costs to airlines and the traveling public that use those facilities as the airports seek to recover their investments through increased rental, landing and other facility costs. In some circumstances, such costs could be imposed by the relevant airport authority without our approval. Accordingly, our operating costs are expected to increase significantly at many airports at which we operate, including a number of our hubs and gateways, as a result of capital spending projects currently underway and additional projects that we expect to commence over the next several years.

In addition, operations at three major domestic airports, certain smaller domestic airports and many foreign airports we serve are regulated by governmental entities through allocations of slots or similar regulatory mechanisms that limit the rights of carriers to conduct operations at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period and may have other operational restrictions as well. In the U.S., the DOT and the FAA currently regulate the allocation of slots or slot exemptions at DCA and two New York City airports: John F. Kennedy International Airport and LGA. Our operations at these airports generally require the allocation of slots or similar regulatory authority. In addition to slot restrictions, operations at DCA and LGA are also limited based on a so-called "perimeter rule" which generally limits the stage length of the flights that can be operated from those airports to 1,250 and 1,500 miles, respectively. Similarly, our operations at LHR, international airports in Beijing, Frankfurt, Paris, Tokyo and other airports outside the U.S. are regulated by local slot authorities pursuant to the International Airline Trade Association Worldwide Scheduling Guidelines and/or applicable local law. Termination of slot controls at some or all of the foregoing airports could affect our operational performance and competitive position. We currently have sufficient slots or analogous authorizations to operate our existing flights and we have generally, but not always, been able to obtain the rights to expand our operations and to change our schedules. However, there is no assurance that we will be able to obtain sufficient slots or analogous authorizations in the future or as to the cost of acquiring such rights because, among other reasons, such allocations are often sought after by other airlines and are subject to changes in governmental policies. Due to the dramatic reduction in air travel resulting from the COVID-19 pandemic, we are in many instances relying on exemptions granted by applicable authorities from the requirement that we continuously use certain slots, gates and routes or risk having such operating rights revoked, and we cannot predict whether such exemptions will continue to be granted or whether we ultimately could be at risk of losing valuable operating rights. We cannot provide any assurance that regulatory changes resulting in changes in the application of slot controls or the allocation of or any reallocation of existing slots, the continued enforcement or termination of a perimeter rule or similar regulatory regime will not have a material adverse impact on our operations.

Our ability to provide service can also be impaired at airports, such as LAX and ORD where the airport gates and other facilities are currently inadequate to accommodate all of the service that we would like to provide, or airports such as Dallas Love Field Airport where we have no access to gates at all.

Any limitation on our ability to acquire or maintain adequate gates, ticketing facilities, operations areas, operations control facilities, slots (where applicable), or office space could have a material adverse effect on our business, results of operations and financial condition.

***Interruptions or disruptions in service at one of our key facilities could have a material adverse impact on our operations.***

We operate principally through our hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix and Washington, D.C. and partner gateways including in London Heathrow (among others). Substantially all of our flights either originate at or fly into one of these locations. A significant interruption or disruption in service at one of our hubs, gateways or other airports where we have a significant presence, resulting from air traffic control delays, weather conditions, natural disasters, growth constraints, performance by third-party service providers

(such as electric utility or telecommunications providers), failure of computer systems, disruptions at airport facilities or other key facilities used by us to manage our operations (such as occurred in the United Kingdom at LGW on December 20, 2018 and LHR on January 8, 2019 due to unauthorized drone activity), labor relations, power supplies, fuel supplies, terrorist activities, or otherwise could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe impact on our business, results of operations and financial condition. We have limited control, particularly in the short term, over the operation, quality or maintenance of many of the services on which our operations depend and over whether vendors of such services will improve or continue to provide services that are essential to our business.

***A higher than normal number of pilot retirements, more stringent duty time regulations, increased flight hour requirement for commercial airline pilots, reductions in the number of military pilots entering the commercial workforce, increased training requirements and other factors have caused a shortage of pilots that could materially adversely affect our business.***

We currently have a higher than normal number of pilots eligible for retirement. Large numbers of pilots in the industry are approaching the FAA's mandatory retirement age of 65. Our pilots and other employees are subject to rigorous certification standards, and our pilots and other crew members must adhere to flight time and rest requirements. Commencing in 2013, the minimum flight hour requirement to achieve a commercial pilot's license in the United States increased from 250 to 1,500 hours, thereby significantly increasing the time and cost commitment required to become licensed to fly commercial aircraft. Additionally, the number of military pilots being trained by the U.S. armed forces and available as commercial pilots upon their retirement from military service has been decreasing. These and other factors have contributed to a shortage of qualified, entry-level pilots and increased compensation costs, particularly for our regional subsidiaries and our other regional partners who are being required by market conditions to pay significantly increased wages and large signing bonuses to their pilots in an attempt to achieve desired staffing levels. The foregoing factors have also led to increased competition from large, mainline carriers attempting to meet their hiring needs. We believe that this industry-wide pilot shortage is becoming an increasing problem for airlines in the United States. Our regional partners have recently been unable to hire adequate numbers of pilots to meet their needs, resulting in a reduction in the number of flights offered, disruptions, increased costs of operations, financial difficulties and other adverse effects, and these circumstances may become more severe in the future and thereby cause a material adverse effect on our business.

***Increases in insurance costs or reductions in insurance coverage may adversely impact our operations and financial results.***

The terrorist attacks of September 11, 2001 led to a significant increase in insurance premiums and a decrease in the insurance coverage available to commercial air carriers. Accordingly, our insurance costs increased significantly, and our ability to continue to obtain insurance even at current prices remains uncertain. If we are unable to maintain adequate insurance coverage, our business could be materially and adversely affected. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the claims paying ability of some insurers. Future downgrades in the ratings of enough insurers could adversely impact both the availability of appropriate insurance coverage and its cost. Because of competitive pressures in our industry, our ability to pass along additional insurance costs to passengers is limited. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results.

***The airline industry is heavily taxed.***

The airline industry is subject to extensive government fees and taxation that negatively impact our revenue and profitability. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. For example, as permitted by federal legislation, most major U.S. airports impose a per-passenger facility charge on us. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Moreover, we are obligated to collect a federal excise tax, commonly referred to as the "ticket tax," on domestic and international air transportation. We collect the excise tax, along with certain other U.S. and foreign taxes and user fees on air transportation (such as passenger security fees), and pass along the collected amounts to the appropriate governmental agencies. Although these taxes and fees are not our operating expenses, they represent an additional cost to our customers. There are continuing efforts in Congress and in other countries to raise different portions of the various taxes, fees, and charges imposed on airlines and their passengers, including the passenger facility charge, and we may not be

able to recover all of these charges from our customers. Increases in such taxes, fees and charges could negatively impact our business, results of operations and financial condition.

Under DOT regulations, all governmental taxes and fees must be included in the prices we quote or advertise to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the customer. Further increases in fees and taxes may reduce demand for air travel, and thus our revenues.

### **Risks Related to Ownership of AAG Common Stock and Convertible Notes**

#### ***The price of AAG common stock has been and may in the future be volatile.***

The market price of AAG common stock has fluctuated substantially in the past, and may fluctuate substantially in the future, due to a variety of factors, many of which are beyond our control, including:

- the effects of the COVID-19 pandemic on our business or the U.S. and global economies;
- macro-economic conditions, including the price of fuel;
- changes in market values of airline companies as well as general market conditions;
- our operating and financial results failing to meet the expectations of securities analysts or investors;
- changes in financial estimates or recommendations by securities analysts;
- changes in our level of outstanding indebtedness and other obligations;
- changes in our credit ratings;
- material announcements by us or our competitors;
- expectations regarding our capital deployment program, including any existing or potential future share repurchase programs and any future dividend payments that may be declared by our Board of Directors, or any determination to cease repurchasing stock or paying dividends (which we have suspended for an indefinite period in accordance with the applicable requirements under the CARES Act, the PSP Extension Law and the ARP);
- new regulatory pronouncements and changes in regulatory guidelines;
- general and industry-specific economic conditions;
- changes in our key personnel;
- public or private sales of a substantial number of shares of AAG common stock or issuances of AAG common stock upon the exercise or conversion of restricted stock unit awards, stock appreciation rights, or other securities that may be issued from time to time, including warrants we have or will issue in connection with our receipt of funds under the CARES Act, the PSP Extension Law and the ARP;
- increases or decreases in reported holdings by insiders or other significant stockholders;
- fluctuations in trading volume; and
- technical factors in the public trading market for our stock that may produce price movements that may or may not comport with macro, industry or company-specific fundamentals, including, without limitation, the sentiment of retail investors (including as may be expressed on financial trading and other social media sites), the amount and status of short interest in our securities, access to margin debt, trading in options and other derivatives on our common stock and any related hedging and other technical trading factors.

The closing price of our common stock on Nasdaq varied from \$9.04 to \$30.47 during 2020 and \$15.00 to \$25.82 during 2021 year-to-date through July 16, 2021. At times during this period, fluctuations in our stock price have been rapid, imposing risks on investors due to the possibility of significant, short-term price volatility. While we believe that this wide range of trading prices is broadly indicative of the changing prospects for a large airline facing the challenges imposed by the COVID-19 pandemic, we also believe, based in part on the commentary of market analysts, that the trading price of our common stock has at times been influenced by the technical trading factors discussed in the last bullet above. On some occasions, market analysts have explained fluctuations in our stock price by reference to purported “short squeeze” activity. A “short squeeze” is a technical market condition that occurs when the price of a stock increases substantially, forcing market participants who had taken a position that its price would fall (i.e., who had sold the stock “short”), to buy it, which in turn may create significant, short-term demand for the stock not for fundamental reasons, but rather due to the need for such market participants to acquire the stock in order to forestall the risk of even greater losses. A “short squeeze” condition in the market for a stock can lead to short-term conditions involving very high volatility and trading that may or may not track fundamental valuation models.

***We have ceased making repurchases of our common stock and paying dividends on our common stock as required by the CARES Act, the PSP Extension Law and the ARP. Following the end of those restrictions, if we do decide to make repurchases of or pay dividends on our common stock, we cannot guarantee that we will continue to do so or that our capital deployment program will enhance long-term stockholder value.***

In connection with the financial assistance provided under PSP1, PSP2 and PSP3, we agreed not to repurchase shares of AAG common stock through September 30, 2022. If we determine to make any share repurchases in the future, such repurchases under our repurchase programs may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. These share repurchase programs do not obligate us to acquire any specific number of shares or to repurchase any specific number of shares for any fixed period, and may be suspended again at any time at our discretion and without prior notice. The timing and amount of repurchases, if any, will be subject to market and economic conditions, applicable legal requirements, such as the requirements of the CARES Act, the PSP Extension Law, the ARP and other relevant factors. Our repurchase of AAG common stock may be limited, suspended or discontinued at any time at our discretion and without prior notice.

In connection with the financial assistance provided under PSP1, PSP2 and PSP3, we agreed not to pay dividends on AAG common stock through September 30, 2022. If we determine to make any dividends in the future, such dividends that may be declared and paid from time to time will be subject to market and economic conditions, applicable legal requirements and other relevant factors. We are not obligated to continue a dividend for any fixed period, and the payment of dividends may be suspended or discontinued again at any time at our discretion and without prior notice. We will continue to retain future earnings to develop our business, as opportunities arise, and evaluate on a quarterly basis the amount and timing of future dividends based on our operating results, financial condition, capital requirements and general business conditions. The amount and timing of any future dividends may vary, and the payment of any dividend does not assure that we will pay dividends in the future.

In addition, any future repurchases of AAG common stock or payment of dividends, or any determination to cease repurchasing stock or paying dividends, could affect our stock price and increase its volatility. The existence of a share repurchase program and any future dividends could cause our stock price to be higher than it would otherwise be and could potentially reduce the market liquidity for our stock. Additionally, any future repurchases of AAG common stock or payment of dividends will diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Further, our repurchase of AAG common stock may fluctuate such that our cash flow may be insufficient to fully cover our share repurchases. Although our share repurchase programs are intended to enhance long-term stockholder value, there is no assurance that they will do so.

***AAG's Certificate of Incorporation and Bylaws include provisions that limit voting and acquisition and disposition of our equity interests.***

Our Certificate of Incorporation and Bylaws include significant provisions that limit voting and ownership and disposition of our equity interests as described in Part II, Item 5. Market for American Airlines Group's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities - "Ownership Restrictions" and AAG's Description of the Registrants' Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, which is filed as Exhibit 4.1 in our 2020 10-K. These restrictions may adversely affect the ability of certain holders of AAG common stock and our other equity interests to vote such interests and adversely affect the ability of persons to acquire shares of AAG common stock and our other equity interests.

***Certain provisions of AAG's Certificate of Incorporation and Bylaws make it difficult for stockholders to change the composition of our Board of Directors and may discourage takeover attempts that some of our stockholders might consider beneficial.***

Certain provisions of our Certificate of Incorporation and Bylaws, as currently in effect, may have the effect of delaying or preventing changes in control if our Board of Directors determines that such changes in control are not in our best interest and the best interest of our stockholders. These provisions include, among other things, the following:

- advance notice procedures for stockholder proposals to be considered at stockholders' meetings;
- the ability of our Board of Directors to fill vacancies on the board;
- a prohibition against stockholders taking action by written consent;
- stockholders are restricted from calling a special meeting unless they hold at least 20% of our outstanding shares and follow the procedures provided for in the amended Bylaws;
- a requirement that holders of at least 80% of the voting power of the shares entitled to vote in the election of directors approve any amendment of our Bylaws submitted to stockholders for approval; and
- super-majority voting requirements to modify or amend specified provisions of our Certificate of Incorporation.

These provisions are not intended to prevent a takeover, but are intended to protect and maximize the value of the interests of our stockholders. While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our Board of Directors, they could enable our Board of Directors to prevent a transaction that some, or a majority, of our stockholders might believe to be in their best interest and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which prohibits business combinations with interested stockholders. Interested stockholders do not include stockholders whose acquisition of our securities is approved by the Board of Directors prior to the investment under Section 203.

***The issuance or sale of shares of our common stock, rights to acquire shares of our common stock, or warrants issued to Treasury under the CARES Act, the PSP Extension Law, the ARP, PSP1, PSP2 and PSP3, could depress the trading price of our common stock and the Convertible Notes.***

We may conduct future offerings of material amounts of our common stock, preferred stock or other securities that are convertible into or exercisable for our common stock to finance our operations, to fund acquisitions, or for any other purposes at any time and from time to time (including as compensation to the U.S. Government for the proceeds received pursuant to PSP1, PSP2 or PSP3). If these additional shares or securities are issued or sold, or if it is perceived that they will be sold, into the public market or otherwise, the price of our common stock and Convertible Notes could decline substantially. If we issue additional shares of our common stock or rights to acquire shares of our common stock, if any of our existing stockholders sells a substantial amount of our common stock, or if the market perceives that such issuances or sales may occur, then the trading price of our common stock and Convertible Notes could decline substantially.

**ITEM 5. OTHER INFORMATION**

We are party to that certain Credit and Guaranty Agreement, dated as of April 29, 2016, among American as the Borrower, AAG as Parent and a Guarantor, certain other subsidiaries of AAG as Guarantors, the lenders party thereto, Barclays Bank PLC, as Administrative Agent and Collateral Agent, and certain other parties thereto (as amended, the April 2016 Credit Agreement). The April 2016 Credit Agreement has been filed as Exhibits 10.25 through 10.30 to our 2020 Form 10-K. Pursuant to the April 2016 Credit Agreement, as of June 30, 2021, we had (a) outstanding term loans in the aggregate principal amount of \$950 million which bore interest at a variable rate of interest then equal to 2.10% per annum and with a final maturity of 2023, and (b) revolving credit loans available to us in the aggregate principal amount of \$450 million, none of which was drawn or outstanding. On July 22, 2021, we repaid in full at par and terminated the term loan. The revolving credit facility component of the April 2016 Credit Agreement, which has a final maturity of October 2024, remains in place.



**ITEM 6. EXHIBITS**

Exhibits required to be filed by Item 601 of Regulation S-K: Where the amount of securities authorized to be issued under any of our long-term debt agreements does not exceed 10% of our assets, pursuant to paragraph (b)(4) of Item 601 of Regulation S-K, in lieu of filing such as an exhibit, we hereby agree to furnish to the Commission upon request a copy of any agreement with respect to such long-term debt.

<b>Exhibit Number</b>	<b>Description</b>
4.1	<a href="#">Warrant Agreement, dated as of April 23, 2021, between American Airlines Group Inc. and the United States Department of the Treasury.</a>
4.2	<a href="#">Form of PSP3 Warrant (incorporated by reference to Annex B to Exhibit 4.1 filed herein).</a>
10.1	<a href="#">Payroll Support Program 3 Agreement, dated as of April 23, 2021, between American Airlines, Inc. and the United States Department of the Treasury.</a>
10.2	<a href="#">Promissory Note, dated as of April 23, 2021, issued by American Airlines Group Inc. in the name of the United States Department of the Treasury and guaranteed by American Airlines, Inc., Envoy Air Inc., Piedmont Airlines, Inc. and PSA Airlines, Inc.</a>
10.3	<a href="#">Amendment 2, dated as of June 28, 2021, to the Letter Agreement No. AAL-LA-2100511, dated as of March 9, 2021, to Purchase Agreement No. 3219 by and between American Airlines, Inc. and The Boeing Company.*</a>
10.4	<a href="#">Supplemental Agreement No. 16, dated as of May 21, 2021, to Purchase Agreement No. 3219 dated as of October 15, 2008, by and between American Airlines, Inc. and The Boeing Company.*</a>
10.5	<a href="#">Supplemental Agreement No. 19, dated as of April 8, 2021, to Purchase Agreement No. 03735 dated as of February 1, 2013, by and between American Airlines, Inc. and The Boeing Company.*</a>
31.1	<a href="#">Certification of AAG Chief Executive Officer pursuant to Rule 13a-14(a).</a>
31.2	<a href="#">Certification of AAG Chief Financial Officer pursuant to Rule 13a-14(a).</a>
31.3	<a href="#">Certification of American Chief Executive Officer pursuant to Rule 13a-14(a).</a>
31.4	<a href="#">Certification of American Chief Financial Officer pursuant to Rule 13a-14(a).</a>
32.1	<a href="#">AAG Certification pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).</a>
32.2	<a href="#">American Certification pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).</a>
101.1	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL (eXtensible Business Reporting Language).
104.1	Cover page interactive data file (formatted in Inline XBRL and contained in Exhibit 101.1).

\* Certain confidential information contained in this agreement has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.





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**WARRANT AGREEMENT**

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## LIST OF ANNEXES

ANNEX A: FORM OF OPINION

ANNEX B: FORM OF WARRANT

SCHEDULE 1: WARRANT SHARES FORMULA

SCHEDULE 2: CAPITALIZATION

SCHEDULE 3: REQUIRED STOCKHOLDER APPROVALS

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WARRANT AGREEMENT dated as of April 23, 2021 (this “Agreement”), between American Airlines Group Inc., a corporation organized under the laws of Delaware (the “Company”) and the UNITED STATES DEPARTMENT OF THE TREASURY (“Treasury”).

WHEREAS, the Company has requested that Treasury provide financial assistance to the Recipient (as defined in the PSP3 Agreement) that shall exclusively be used for the continuation of payment of employee wages, salaries, and benefits as is permissible under Section 301(b)(1) of Subtitle C of Title VII of the American Rescue Plan Act of 2021 (March 11, 2021), as the same may be amended from time to time, and Treasury is willing to do so on the terms and conditions set forth in that certain Payroll Support Program 3 Agreement dated as of April 23, 2021, between American Airlines, Inc. and Treasury (the “PSP3 Agreement”); and

WHEREAS, as appropriate compensation to the Federal Government of the United States of America for the provision of financial assistance under the PSP3 Agreement, the Company has agreed to issue a note to be repaid to Treasury on the terms and conditions set forth in the promissory note dated as of April 23, 2021, issued by the Company, in the name of Treasury as the holder (the “Promissory Note”) and agreed to issue in a private placement warrants to purchase the number of shares of its Common Stock determined in accordance with Schedule 1 to this Agreement (the “Warrants”) to Treasury;

**NOW, THEREFORE**, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

## Article I Closing

### 1.1 Issuance.

(a) On the terms and subject to the conditions set forth in this Agreement, the Company agrees to issue to Treasury, on each Warrant Closing Date, Warrants for a number of shares of Common Stock determined by the formula set forth in Schedule 1.

### 1.2 Initial Closing; Warrant Closing Date.

(a) On the terms and subject to the conditions set forth in this Agreement, the closing of the initial issuance of the Warrants (the “Initial Closing”) will take place on the Closing Date (as defined in the Promissory Note) or, if on the Closing Date the principal amount of the Promissory Note is \$0, the first date on which such principal amount is increased. After the Initial Closing, the closing of any subsequent issuance will take place on the date of each increase, if any, of the principal amount of the Promissory Note (each subsequent closing, together with the Initial Closing, a “Closing” and each such date a “Warrant Closing Date”).

(b) On each Warrant Closing Date, the Company will issue to Treasury a duly executed Warrant or Warrants for a number of shares of Common Stock determined by the formula set forth in Schedule 1, as evidenced by one or more certificates dated the Warrant Closing Date and bearing appropriate legends as hereinafter provided for and in substantially the form attached hereto as Annex B.

(c) On each Warrant Closing Date, the Company shall deliver to Treasury (i) a written opinion from counsel to the Company (which may be internal counsel) addressed to Treasury and dated as of such Warrant Closing Date, in substantially the form attached hereto as Annex A and (ii) a certificate executed by the chief executive officer, president, executive vice president, chief financial officer, principal accounting officer, treasurer or controller confirming that the representations and warranties of the Company in this Agreement are true and correct with the same force and effect as though expressly made at and as of such Warrant Closing Date and the Company has complied with all agreements on its part to be performed or satisfied hereunder at or prior to such Closing.

(d) On the initial Warrant Closing Date, the Company shall deliver to Treasury (i) such customary certificates of resolutions or other action, incumbency certificates and/or other certificates of the chief executive officer, president, executive vice president, chief financial officer, principal accounting officer, treasurer or controller as Treasury may require evidencing the identity, authority and capacity of each such officer thereof authorized to act as such officer in connection with this Agreement and (ii) customary resolutions or evidence of corporate authorization, secretary's certificates and such other documents and certificates (including Organizational Documents and good standing certificates) as Treasury may reasonably request relating to the organization, existence and good standing of the Company and any other legal matters relating to the Company, this Agreement, the Warrants or the transactions contemplated hereby or thereby.

### 1.3 Interpretation.

(a) When a reference is made in this Agreement to "Recitals," "Articles," "Sections," or "Annexes" such reference shall be to a Recital, Article or Section of, or Annex to, this Warrant Agreement, unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to "herein", "hereof", "hereunder" and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation." No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. All references to "\$" or "dollars" mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section.

(b) Capitalized terms not defined herein have the meanings ascribed thereto in Annex B.



Article II  
**Representations and Warranties**

2.1 Representations and Warranties of the Company. The Company represents and warrants to Treasury that as of the date hereof and each Warrant Closing Date (or such other date specified herein):

(a) Existence, Qualification and Power. The Company is duly organized or formed, validly existing and, if applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, and the Company and each Subsidiary (a) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the this Agreement and the Warrants, and (b) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, except, in each case referred to in clause (a)(i) or (b), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Capitalization. The authorized capital stock of the Company, and the outstanding capital stock of the Company (including securities convertible into, or exercisable or exchangeable for, capital stock of the Company) as of the most recent fiscal month-end preceding the date hereof (the "Capitalization Date") is set forth in Schedule 2. The outstanding shares of capital stock of the Company have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights). Except as provided in the Warrants, as of the date hereof, the Company does not have outstanding any securities or other obligations providing the holder the right to acquire Common Stock that is not reserved for issuance as specified on Schedule 2, and the Company has not made any other commitment to authorize, issue or sell any Common Stock. Since the Capitalization Date, the Company has not issued any shares of Common Stock, other than (i) shares issued upon the exercise of stock options or delivered under other equity-based awards or other convertible securities or warrants which were issued and outstanding on the Capitalization Date and disclosed on Schedule 2 and (ii) shares disclosed on Schedule 2 as it may be updated by written notice from the Company to Treasury in connection with each Warrant Closing Date.

(c) Listing. The Common Stock has been registered pursuant to Section 12(b) of the Exchange Act and the shares of the Common Stock outstanding on the date hereof are listed on a national securities exchange. The Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or the listing of the Common Stock on such national securities exchange, nor has the Company received any notification that the Securities and Exchange Commission (the "SEC") or such exchange is contemplating terminating such registration or listing. The Company is in compliance with applicable continued listing requirements of such exchange in all material respects.

(d) Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance

by, or enforcement against, the Company of this Agreement, except for such approvals, consents, exemptions, authorizations, actions or notices that have been duly obtained, taken or made and are in full force and effect.

(e) Execution and Delivery; Binding Effect. This Agreement has been duly authorized, executed and delivered by the Company. This Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other Laws affecting creditors' rights generally and by general principles of equity.

(f) The Warrants and Warrant Shares. Each Warrant has been duly authorized and, when executed and delivered as contemplated hereby, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other Laws affecting creditors' rights generally and by general principles of equity. The Warrant Shares have been duly authorized and reserved for issuance upon exercise of the Warrants and when so issued in accordance with the terms of the Warrants will be validly issued, fully paid and non-assessable, subject, if applicable, to the approvals of its stockholders set forth on Schedule 3.

(g) Authorization, Enforceability.

(i) The Company has the corporate power and authority to execute and deliver this Agreement and the Warrants and, subject, if applicable, to the approvals of its stockholders set forth on Schedule 3, to carry out its obligations hereunder and thereunder (which includes the issuance of the Warrants and Warrant Shares). The execution, delivery and performance by the Company of this Agreement and the Warrants and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or other organizational action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company, subject, in each case, if applicable, to the approvals of its stockholders set forth on Schedule 3.

(ii) The execution, delivery and performance by the Company of this Agreement do not and will not (a) contravene the terms of its Organizational Documents, (b) conflict with or result in any breach or contravention of, or the creation of any Lien (as defined in the Promissory Note) under, or require any payment to be made under (i) any material Contractual Obligation to which the Company is a party or affecting the Company or the properties of the Company or any Subsidiary or (ii) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which the Company or any Subsidiary or its property is subject or (c) violate any Law, except to the extent that such violation could not reasonably be expected to have a Material Adverse Effect.

(iii) Other than any current report on Form 8-K required to be filed with the SEC (which shall be made on or before the date on which it is required to be filed), such

filings and approvals as are required to be made or obtained under any state “blue sky” laws, the filing of any proxy statement contemplated by Section 3.1 and such filings and approvals as have been made or obtained, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Authority is required to be made or obtained by the Company in connection with the execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the issuance of the Warrants except for any such notices, filings, exemptions, reviews, authorizations, consents and approvals the failure of which to make or obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(h) Anti-takeover Provisions and Rights Plan. The Board of Directors of the Company (the “Board of Directors”) has taken all necessary action, and will in the future take any necessary action, to ensure that the transactions contemplated by this Agreement and the Warrants and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrants in accordance with their terms, will be exempt from any anti-takeover or similar provisions of the Company’s Organizational Documents, and any other provisions of any applicable “moratorium”, “control share”, “fair price”, “interested stockholder” or other anti-takeover laws and regulations of any jurisdiction, whether existing on the date hereof or implemented after the date hereof. The Company has taken all actions necessary, and will in the future take any necessary action, to render any stockholders’ rights plan of the Company inapplicable to this Agreement and the Warrants and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrants by Treasury in accordance with its terms.

(i) Reports.

(i) Since December 31, 2017, the Company and each Subsidiary has timely filed all reports, registrations, documents, filings, statements and submissions, together with any amendments thereto, that it was required to file with any Governmental Authority (the foregoing, collectively, the “Company Reports”) and has paid all fees and assessments due and payable in connection therewith, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As of their respective dates of filing, the Company Reports complied in all material respects with all statutes and applicable rules and regulations of the applicable Governmental Authority. In the case of each such Company Report filed with or furnished to the SEC, such Company Report (A) did not, as of its date or if amended prior to the date hereof, as of the date of such amendment, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (B) complied as to form in all material respects with the applicable requirements of the Securities Act and the Exchange Act. With respect to all other Company Reports, the Company Reports were complete and accurate in all material respects as of their respective dates. No executive officer of the Company or any Subsidiary has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act of 2002.

(ii) The Company (A) has implemented and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to ensure that material information relating to the Company, including its Subsidiaries, is made known to the chief executive officer and the chief financial officer of the Company by others within those entities, and (B) has disclosed, based on its most recent evaluation prior to the date hereof, to the Company's outside auditors and the audit committee of the Board of Directors (x) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(j) Offering of Securities. Neither the Company nor any person acting on its behalf has taken any action (including any offering of any securities of the Company under circumstances which would require the integration of such offering with the offering of any of the Warrants under the Securities Act, and the rules and regulations of the Securities and Exchange Commission (the "SEC") promulgated thereunder), which might subject the offering, issuance or sale of any of the Warrants to Treasury pursuant to this Agreement to the registration requirements of the Securities Act.

(k) Brokers and Finders. No broker, finder or investment banker is entitled to any financial advisory, brokerage, finder's or other fee or commission in connection with this Agreement or the Warrants or the transactions contemplated hereby or thereby based upon arrangements made by or on behalf of the Company or any Subsidiary for which Treasury could have any liability.

### Article III Covenants

#### 3.1 Commercially Reasonable Efforts.

(a) Subject to the terms and conditions of this Agreement, each of the parties will use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, to enable consummation of the transactions contemplated hereby and shall use commercially reasonable efforts to cooperate with the other party to that end.

(b) If the Company is required to obtain any stockholder approvals set forth on Schedule 3, then the Company shall comply with this Section 3.1(b) and Section 3.1(c). The Company shall call a special meeting of its stockholders, as promptly as practicable following the Initial Closing, to vote on proposals (collectively, the "Stockholder Proposals") to (i) approve the exercise of the Warrants for Common Stock for purposes of the rules of the national securities exchange on which the Common Stock is listed and/or (ii) amend the Company's Organizational Documents to increase the number of authorized shares of Common Stock to at least such number as shall be sufficient to permit the full exercise of the Warrants for Common Stock and comply with the other provisions of this Section 3.1(b) and Section 3.1(c). The Board

of Directors shall recommend to the Company's stockholders that such stockholders vote in favor of the Stockholder Proposals. In connection with such meeting, the Company shall prepare (and Treasury will reasonably cooperate with the Company to prepare) and file with the SEC as promptly as practicable (but in no event more than ten Business Days after the Initial Closing) a preliminary proxy statement, shall use its reasonable best efforts to respond to any comments of the SEC or its staff thereon and to cause a definitive proxy statement related to such stockholders' meeting to be mailed to the Company's stockholders not more than five Business Days after clearance thereof by the SEC, and shall use its reasonable best efforts to solicit proxies for such stockholder approval of the Stockholder Proposals. The Company shall notify Treasury promptly of the receipt of any comments from the SEC or its staff with respect to the proxy statement and of any request by the SEC or its staff for amendments or supplements to such proxy statement or for additional information and will supply Treasury with copies of all correspondence between the Company or any of its representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to such proxy statement. If at any time prior to such stockholders' meeting there shall occur any event that is required to be set forth in an amendment or supplement to the proxy statement, the Company shall as promptly as practicable prepare and mail to its stockholders such an amendment or supplement. Each of Treasury and the Company agrees promptly to correct any information provided by it or on its behalf for use in the proxy statement if and to the extent that such information shall have become false or misleading in any material respect, and the Company shall as promptly as practicable prepare and mail to its stockholders an amendment or supplement to correct such information to the extent required by applicable laws and regulations. The Company shall consult with Treasury prior to filing any proxy statement, or any amendment or supplement thereto, and provide Treasury with a reasonable opportunity to comment thereon. In the event that the approval of any of the Stockholder Proposals is not obtained at such special stockholders meeting, the Company shall include a proposal to approve (and the Board of Directors shall recommend approval of) each such proposal at a meeting of its stockholders no less than once in each subsequent six-month period beginning on June 30, 2021 until all such approvals are obtained or made.

(c) None of the information supplied by the Company or any of the Company Subsidiaries for inclusion in any proxy statement in connection with any such stockholders meeting of the Company will, at the date it is filed with the SEC, when first mailed to the Company's stockholders and at the time of any stockholders meeting, and at the time of any amendment or supplement thereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

3.2 Expenses. The Company shall pay (i) all reasonable out-of-pocket expenses incurred by Treasury (including the reasonable fees, charges and disbursements of any counsel for Treasury) in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the Warrants, any other agreements or documents executed in connection herewith or therewith, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by Treasury (including the fees, charges and disbursements of any counsel for Treasury), in connection with the enforcement or protection of its rights in connection with this Agreement and the Warrants, any other agreements or documents executed in connected herewith or therewith, or any

amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including all such out-of-pocket expenses incurred during any workout, restructuring, negotiations or enforcement in respect of such Warrant Agreement, Warrant and other agreements or documents executed in connection herewith or therewith.

### 3.3 Sufficiency of Authorized Common Stock; Exchange Listing.

During the period from each Warrant Closing Date (or, if the approval of the Stockholder Proposals is required, the date of such approval) until the date on which no Warrants remain outstanding, the Company shall at all times have reserved for issuance, free of preemptive or similar rights, a sufficient number of authorized and unissued Warrant Shares to effectuate such exercise. Nothing in this Section 3.3 shall preclude the Company from satisfying its obligations in respect of the exercise of the Warrants by delivery of shares of Common Stock which are held in the treasury of the Company. As soon as reasonably practicable following each Warrant Closing Date, the Company shall, at its expense, cause the Warrant Shares to be listed on the same national securities exchange on which the Common Stock is listed, subject to official notice of issuance, and shall maintain such listing for so long as any Common Stock is listed on such exchange. The Company will use commercially reasonable efforts to maintain the listing of Common Stock on such national securities exchange so long as any Warrants or Warrant Shares remain outstanding. Neither the Company nor any of its Subsidiaries shall take any action which would be reasonably expected to result in the delisting or suspension of the Common Stock on such exchange. The foregoing shall not preclude the Company from undertaking any transaction set forth in Section 4.3 subject to compliance with that provision.

## Article IV Additional Agreements

4.1 Investment Purposes. Treasury acknowledges that the Warrants and the Warrant Shares have not been registered under the Securities Act or under any state securities laws. Treasury (a) is acquiring the Warrants pursuant to an exemption from registration under the Securities Act solely for investment without a view to sell and with no present intention to distribute them to any person in violation of the Securities Act or any applicable U.S. state securities laws; (b) will not sell or otherwise dispose of any of the Warrants or the Warrant Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable U.S. state securities laws; and (c) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of the Warrants and the Warrant Shares and of making an informed investment decision.

### 4.2 Legends.

(a) Treasury agrees that all certificates or other instruments representing the Warrants and the Warrant Shares will bear a legend substantially to the following effect:

“THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE

SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS.”

(b) In the event that any Warrants or Warrant Shares (i) become registered under the Securities Act or (ii) are eligible to be transferred without restriction in accordance with Rule 144 or another exemption from registration under the Securities Act (other than Rule 144A), the Company shall issue new certificates or other instruments representing such Warrants or Warrant Shares, which shall not contain the legend in Section 4.2(a) above; *provided* that Treasury surrenders to the Company the previously issued certificates or other instruments.

4.3 Certain Transactions. The Company will not merge or consolidate with, or sell, transfer or lease all or substantially all of its property or assets to, any other party unless the successor, transferee or lessee party (or its ultimate parent entity), as the case may be (if not the Company), expressly assumes the due and punctual performance and observance of each and every covenant, agreement and condition of this Agreement and the Warrants to be performed and observed by the Company.

4.4 Transfer of Warrants and Warrant Shares. Subject to compliance with applicable securities laws, Treasury shall be permitted to transfer, sell, assign or otherwise dispose of (“Transfer”) all or a portion of the Warrants or Warrant Shares at any time, and the Company shall take all steps as may be reasonably requested by Treasury to facilitate the Transfer of the Warrants and the Warrant Shares.

4.5 Registration Rights.

(a) Registration.

(i) Subject to the terms and conditions of this Agreement, the Company covenants and agrees that on or before the earlier of (A) 30 days after the date on which all Warrants that may be issued pursuant to this Agreement have been issued and (B) June 30, 2021 (the end of such period, the “Registration Commencement Date”), the Company shall prepare and file with the SEC a Shelf Registration Statement covering the maximum number of Registrable Securities (or otherwise designate an existing Shelf Registration Statement filed with the SEC to cover the Registrable Securities) that may be issued pursuant to this Agreement and any Warrants outstanding at that time, and, to the extent the Shelf Registration Statement has not theretofore been declared effective or is not automatically effective upon such filing, the Company shall use reasonable best efforts to cause such Shelf Registration Statement to be declared or become effective and to keep such Shelf Registration Statement continuously effective and in compliance with the Securities Act and usable for resale of such Registrable Securities for a period from the date of its initial effectiveness until such time as there are no Registrable Securities remaining (including by refiling such Shelf Registration Statement (or a new Shelf Registration Statement) if the initial Shelf Registration Statement expires). So long as the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities



Act) at the time of filing of the Shelf Registration Statement with the SEC, such Shelf Registration Statement shall be designated by the Company as an automatic Shelf Registration Statement. Notwithstanding the foregoing, if on the date hereof the Company is not eligible to file a registration statement on Form S-3, then the Company shall not be obligated to file a Shelf Registration Statement unless and until it is so eligible and is requested to do so in writing by Treasury.

(ii) Any registration pursuant to Section 4.5(a)(i) shall be effected by means of a shelf registration on an appropriate form under Rule 415 under the Securities Act (a "Shelf Registration Statement"). If Treasury or any other Holder intends to distribute any Registrable Securities by means of an underwritten offering it shall promptly so advise the Company and the Company shall take all reasonable steps to facilitate such distribution, including the actions required pursuant to Section 4.5(c); *provided* that the Company shall not be required to facilitate an underwritten offering of Registrable Securities unless the total number of Warrant Shares and Warrants expected to be sold in such offering exceeds, or are exercisable for, at least 20% of the total number of Warrant Shares for which Warrants issued under this Agreement could be exercised (giving effect to the anti-dilution adjustments in Warrants); and *provided, further* that the Company shall not be required to facilitate more than two completed underwritten offerings within any 12-month period. The lead underwriters in any such distribution shall be selected by the Holders of a majority of the Registrable Securities to be distributed.

(iii) The Company shall not be required to effect a registration (including a resale of Registrable Securities from an effective Shelf Registration Statement) or an underwritten offering pursuant to Section 4.5(a): (A) prior to the Registration Commencement Date; (B) with respect to securities that are not Registrable Securities; or (C) if the Company has notified Treasury and all other Holders that in the good faith judgment of the Board of Directors, it would be materially detrimental to the Company or its securityholders for such registration or underwritten offering to be effected at such time, in which event the Company shall have the right to defer such registration or offering for a period of not more than 45 days after receipt of the request of Treasury or any other Holder; *provided* that such right to delay a registration or underwritten offering shall be exercised by the Company (1) only if the Company has generally exercised (or is concurrently exercising) similar black-out rights against holders of similar securities that have registration rights and (2) not more than three times in any 12-month period and not more than 90 days in the aggregate in any 12-month period. The Company shall notify the Holders of the date of any anticipated termination of any such deferral period prior to such date.

(iv) If during any period when an effective Shelf Registration Statement is not available, the Company proposes to register any of its equity securities, other than a registration pursuant to Section 4.5(a)(i) or a Special Registration, and the registration form to be filed may be used for the registration or qualification for distribution of Registrable Securities, the Company will give prompt written notice to Treasury and all other Holders of its intention to effect such a registration (but in no event less than ten days prior to the anticipated filing date) and will include in such registration all Registrable Securities with respect to which the Company has received written requests

for inclusion therein within ten Business Days after the date of the Company's notice (a "Piggyback Registration"). Any such person that has made such a written request may withdraw its Registrable Securities from such Piggyback Registration by giving written notice to the Company and the managing underwriter, if any, on or before the fifth Business Day prior to the planned effective date of such Piggyback Registration. The Company may terminate or withdraw any registration under this Section 4.5(a)(iv) prior to the effectiveness of such registration, whether or not Treasury or any other Holders have elected to include Registrable Securities in such registration.

(v) If the registration referred to in Section 4.5(a)(iv) is proposed to be underwritten, the Company will so advise Treasury and all other Holders as a part of the written notice given pursuant to Section 4.5(a)(iv). In such event, the right of Treasury and all other Holders to registration pursuant to Section 4.5(a) will be conditioned upon such persons' participation in such underwriting and the inclusion of such person's Registrable Securities in the underwriting if such securities are of the same class of securities as the securities to be offered in the underwritten offering, and each such person will (together with the Company and the other persons distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company; *provided* that Treasury (as opposed to other Holders) shall not be required to indemnify any person in connection with any registration. If any participating person disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the managing underwriters and Treasury (if Treasury is participating in the underwriting).

(vi) If either (x) the Company grants "piggyback" registration rights to one or more third parties to include their securities in an underwritten offering under the Shelf Registration Statement pursuant to Section 4.5(a)(ii) or (y) a Piggyback Registration under Section 4.5(a)(iv) relates to an underwritten offering on behalf of the Company, and in either case the managing underwriters advise the Company that in their reasonable opinion the number of securities requested to be included in such offering exceeds the number which can be sold without adversely affecting the marketability of such offering (including an adverse effect on the per share offering price), the Company will include in such offering only such number of securities that in the reasonable opinion of such managing underwriters can be sold without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), which securities will be so included in the following order of priority: (A) first, in the case of a Piggyback Registration under Section 4.5(a)(iv), the securities the Company proposes to sell, (B) then the Registrable Securities of Treasury and all other Holders who have requested inclusion of Registrable Securities pursuant to Section 4.5(a)(ii) or Section 4.5(a)(iv), as applicable, *pro rata* on the basis of the aggregate number of such securities or shares owned by each such person and (C) lastly, any other securities of the Company that have been requested to be so included, subject to the terms of this Agreement; *provided, however*, that if the Company has, prior to the date hereof, entered into an agreement with respect to its securities that is inconsistent with the order of priority contemplated hereby then it shall apply the order of priority in such conflicting agreement to the extent that this Agreement would otherwise result in a breach under such agreement.

(b) Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance hereunder shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered *pro rata* on the basis of the aggregate offering or sale price of the securities so registered.

(c) Obligations of the Company. The Company shall use its reasonable best efforts, for so long as there are Registrable Securities outstanding, to take such actions as are under its control to not become an ineligible issuer (as defined in Rule 405 under the Securities Act) and to remain a well-known seasoned issuer (as defined in Rule 405 under the Securities Act) if it has such status on the date hereof or becomes eligible for such status in the future. In addition, whenever required to effect the registration of any Registrable Securities or facilitate the distribution of Registrable Securities pursuant to an effective Shelf Registration Statement, the Company shall, as expeditiously as reasonably practicable:

(i) Prepare and file with the SEC a prospectus supplement with respect to a proposed offering of Registrable Securities pursuant to an effective registration statement, subject to Section 4.5(d), keep such registration statement effective and keep such prospectus supplement current until the securities described therein are no longer Registrable Securities. The plan of distribution included in such registration statement, or, as applicable, prospectus supplement thereto, shall include, among other things, an underwritten offering, ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers, block trades, privately negotiated transactions, the writing or settlement of options or other derivative transactions and any other method permitted pursuant to applicable law, and any combination of any such methods of sale.

(ii) Prepare and file with the SEC such amendments and supplements to the applicable registration statement and the prospectus or prospectus supplement used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(iii) Furnish to the Holders and any underwriters such number of copies of the applicable registration statement and each such amendment and supplement thereto (including in each case all exhibits) and of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned or to be distributed by them.

(iv) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders or any managing underwriter(s), to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action which may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such Holder; *provided* that the Company shall not

be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Notify each Holder of Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the applicable prospectus, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

(vi) Give written notice to the Holders:

(A) when any registration statement filed pursuant to Section 4.5(a) or any amendment thereto has been filed with the SEC (except for any amendment effected by the filing of a document with the SEC pursuant to the Exchange Act) and when such registration statement or any post-effective amendment thereto has become effective;

(B) of any request by the SEC for amendments or supplements to any registration statement or the prospectus included therein or for additional information;

(C) of the issuance by the SEC of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose;

(D) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Common Stock for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(E) of the happening of any event that requires the Company to make changes in any effective registration statement or the prospectus related to the registration statement in order to make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made); and

(F) if at any time the representations and warranties of the Company contained in any underwriting agreement contemplated by Section 4.5(c)(x) cease to be true and correct.

(vii) Use its reasonable best efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any registration statement referred to in Section 4.5(c)(vi)(C) at the earliest practicable time.

(viii) Upon the occurrence of any event contemplated by Section 4.5(c)(v), 4.5(c)(vi)(E) or 4.5(d), promptly prepare a post-effective amendment to such registration statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to the Holders and any underwriters, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements

therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with Section 4.5(c)(vi)(E) to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Holders and any underwriters shall suspend use of such prospectus and use their reasonable best efforts to return to the Company all copies of such prospectus (at the Company's expense) other than permanent file copies then in such Holders' or underwriters' possession. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days. The Company shall notify the Holders of the date of any anticipated termination of any such suspension period prior to such date.

(ix) Use reasonable best efforts to procure the cooperation of the Company's transfer agent in settling any offering or sale of Registrable Securities, including with respect to the transfer of physical stock certificates into book-entry form in accordance with any procedures reasonably requested by the Holders or any managing underwriter(s).

(x) If an underwritten offering is requested pursuant to Section 4.5(a)(ii), enter into an underwriting agreement in customary form, scope and substance and take all such other actions reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith or by the managing underwriter(s), if any, to expedite or facilitate the underwritten disposition of such Registrable Securities, and in connection therewith in any underwritten offering (including making members of management and executives of the Company available to participate in "road shows", similar sales events and other marketing activities), (A) make such representations and warranties to the Holders that are selling stockholders and the managing underwriter(s), if any, with respect to the business of the Company and its subsidiaries, and the Shelf Registration Statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in customary form, substance and scope, and, if true, confirm the same if and when requested, (B) use its reasonable best efforts to furnish the underwriters with opinions and "10b-5" letters of counsel to the Company, addressed to the managing underwriter(s), if any, covering the matters customarily covered in such opinions and letters requested in underwritten offerings, (C) use its reasonable best efforts to obtain "cold comfort" letters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any business acquired by the Company for which financial statements and financial data are included in the Shelf Registration Statement) who have certified the financial statements included in such Shelf Registration Statement, addressed to each of the managing underwriter(s), if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters, (D) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures customary in underwritten offerings (provided that Treasury shall not be obligated to provide any indemnity), and (E) deliver such documents and certificates as may be reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith, their counsel and the managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to

clause (A) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

(xi) Make available for inspection by a representative of Holders that are selling stockholders, the managing underwriter(s), if any, and any attorneys or accountants retained by such Holders or managing underwriter(s), at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Company, and cause the officers, directors and employees of the Company to supply all information in each case reasonably requested (and of the type customarily provided in connection with due diligence conducted in connection with a registered public offering of securities) by any such representative, managing underwriter(s), attorney or accountant in connection with such Shelf Registration Statement.

(xii) Use reasonable best efforts to cause all such Registrable Securities to be listed on each national securities exchange on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then listed on any national securities exchange, use its reasonable best efforts to cause all such Registrable Securities to be listed on such securities exchange as Treasury may designate.

(xiii) If requested by Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith, or the managing underwriter(s), if any, promptly include in a prospectus supplement or amendment such information as the Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith or managing underwriter(s), if any, may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or such amendment as soon as practicable after the Company has received such request.

(xiv) Timely provide to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(d) Suspension of Sales. Upon receipt of written notice from the Company that a registration statement, prospectus or prospectus supplement contains or may contain an untrue statement of a material fact or omits or may omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that circumstances exist that make inadvisable use of such registration statement, prospectus or prospectus supplement, Treasury and each Holder of Registrable Securities shall forthwith discontinue disposition of Registrable Securities until Treasury and/or Holder has received copies of a supplemented or amended prospectus or prospectus supplement, or until Treasury and/or such Holder is advised in writing by the Company that the use of the prospectus and, if applicable, prospectus supplement may be resumed, and, if so directed by the Company, Treasury and/or such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in Treasury and/or such Holder's possession, of the prospectus and, if applicable, prospectus supplement covering such Registrable Securities current at the time of receipt of such notice. The total number of days that any such suspension may be in effect in any 12-month period shall not

exceed 90 days. The Company shall notify Treasury prior to the anticipated termination of any such suspension period of the date of such anticipated termination

(e) Termination of Registration Rights. A Holder's registration rights as to any securities held by such Holder shall not be available unless such securities are Registrable Securities.

(f) Furnishing Information.

(i) Neither Treasury nor any Holder shall use any free writing prospectus (as defined in Rule 405) in connection with the sale of Registrable Securities without the prior written consent of the Company.

(ii) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 4.5(c) that Treasury and/or the selling Holders and the underwriters, if any, shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registered offering of their Registrable Securities.

(g) Indemnification.

(i) The Company agrees to indemnify each Holder and, if a Holder is a person other than an individual, such Holder's officers, directors, employees, agents, representatives and Affiliates, and each Person, if any, that controls a Holder within the meaning of the Securities Act (each, an "Indemnitee"), against any and all losses, claims, damages, actions, liabilities, costs and expenses (including reasonable fees, expenses and disbursements of attorneys and other professionals incurred in connection with investigating, defending, settling, compromising or paying any such losses, claims, damages, actions, liabilities, costs and expenses), joint or several, arising out of or based upon any untrue statement or alleged untrue statement of material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto or any documents incorporated therein by reference or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto); or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, that the Company shall not be liable to such Indemnitee in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon (A) an untrue statement or omission made in such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto), in reliance upon and in conformity with information regarding such Indemnitee or its plan

of distribution or ownership interests which was furnished in writing to the Company by such Indemnitee for use in connection with such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto, or (B) offers or sales effected by or on behalf of such Indemnitee “by means of” (as defined in Rule 159A) a “free writing prospectus” (as defined in Rule 405) that was not authorized in writing by the Company.

(ii) If the indemnification provided for in Section 4.5(g)(i) is unavailable to an Indemnitee with respect to any losses, claims, damages, actions, liabilities, costs or expenses referred to therein or is insufficient to hold the Indemnitee harmless as contemplated therein, then the Company, in lieu of indemnifying such Indemnitee, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages, actions, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the Indemnitee, on the one hand, and the Company, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, actions, liabilities, costs or expenses as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnitee, on the other hand, shall be determined by reference to, among other factors, whether the untrue statement of a material fact or omission to state a material fact relates to information supplied by the Company or by the Indemnitee and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; the Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 4.5(g)(ii) were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 4.5(g)(i). No Indemnitee guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from the Company if the Company was not guilty of such fraudulent misrepresentation.

(h) Assignment of Registration Rights. The rights of Treasury to registration of Registrable Securities pursuant to Section 4.5(a) may be assigned by Treasury to a transferee or assignee of Registrable Securities in connection with a transfer of a total number of Warrant Shares and/or Warrants exercisable for at least 20% of the total number of Warrant Shares for which Warrants issued and to be issued under this Agreement could be exercised (giving effect to the anti-dilution adjustments in Warrants); *provided, however*, the transferor shall, within ten days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the number and type of Registrable Securities that are being assigned.

(i) Clear Market. With respect to any underwritten offering of Registrable Securities by Treasury or other Holders pursuant to this Section 4.5, the Company agrees not to effect (other than pursuant to such registration or pursuant to a Special Registration) any public sale or distribution, or to file any Shelf Registration Statement (other than such registration or a Special Registration) covering, in the case of an underwritten offering of Common Stock or Warrants, any of its equity securities, or, in each case, any securities convertible into or exchangeable or exercisable for such securities, during the period not to exceed 30 days following the effective date of such offering. The Company also agrees to cause such of its directors and senior



executive officers to execute and deliver customary lock-up agreements in such form and for such time period up to 30 days as may be requested by the managing underwriter. “Special Registration” means the registration of (A) equity securities and/or options or other rights in respect thereof solely registered on Form S-4 or Form S-8 (or successor form) or (B) shares of equity securities and/or options or other rights in respect thereof to be offered to directors, members of management, employees, consultants, customers, lenders or vendors of the Company or Company Subsidiaries or in connection with dividend reinvestment plans.

(j) Rule 144; Rule 144A. With a view to making available to Treasury and Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(i) make and keep adequate public information available, as those terms are understood and defined in Rule 144(c)(1) or any similar or analogous rule promulgated under the Securities Act, at all times after the date hereof;

(ii) (A) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act, and (B) if at any time the Company is not required to file such reports, make available, upon the request of any Holder, such information necessary to permit sales pursuant to Rule 144A (including the information required by Rule 144A(d)(4) under the Securities Act);

(iii) so long as Treasury or a Holder owns any Registrable Securities, furnish to Treasury or such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act, and of the Exchange Act; a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as Treasury or Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities to the public without registration; *provided, however*, that the availability of the foregoing reports on the EDGAR filing system of the SEC will be deemed to satisfy the foregoing delivery requirements; and

(iv) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act.

(k) As used in this Section 4.5, the following terms shall have the following respective meanings:

(i) “Holder” means Treasury and any other holder of Registrable Securities to whom the registration rights conferred by this Agreement have been transferred in compliance with Section 4.5(h) hereof.

(ii) “Register,” “registered,” and “registration” shall refer to a registration effected by preparing and (A) filing a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of effectiveness of such registration statement or (B) filing a prospectus and/or

prospectus supplement in respect of an appropriate effective registration statement on Form S-3.

(iii) “Registrable Securities” means (A) the Warrants (subject to Section 4.5(p)) and (B) any equity securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clause (A) by way of conversion, exercise or exchange thereof, including the Warrant Shares, or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other reorganization, *provided* that, once issued, such securities will not be Registrable Securities when (1) they are sold pursuant to an effective registration statement under the Securities Act, (2) except as provided below in Section 4.5(o), they may be sold pursuant to Rule 144 without limitation thereunder on volume or manner of sale, (3) they shall have ceased to be outstanding or (4) they have been sold in a private transaction in which the transferor’s rights under this Agreement are not assigned to the transferee of the securities. No Registrable Securities may be registered under more than one registration statement at any one time.

(iv) “Registration Expenses” mean all expenses incurred by the Company in effecting any registration pursuant to this Agreement (whether or not any registration or prospectus becomes effective or final) or otherwise complying with its obligations under this Section 4.5, including all registration, filing and listing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, expenses incurred in connection with any “road show”, the reasonable fees and disbursements of Treasury’s counsel (if Treasury is participating in the registered offering), and expenses of the Company’s independent accountants in connection with any regular or special reviews or audits incident to or required by any such registration, but shall not include Selling Expenses.

(v) “Rule 144”, “Rule 144A”, “Rule 159A”, “Rule 405” and “Rule 415” mean, in each case, such rule promulgated under the Securities Act (or any successor provision), as the same shall be amended from time to time.

(vi) “Selling Expenses” mean all discounts, selling commissions and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for any Holder (other than the fees and disbursements of Treasury’s counsel included in Registration Expenses).

(l) At any time, any holder of Securities (including any Holder) may elect to forfeit its rights set forth in this Section 4.5 from that date forward; *provided*, that a Holder forfeiting such rights shall nonetheless be entitled to participate under Section 4.5(a)(iv) – (vi) in any Pending Underwritten Offering to the same extent that such Holder would have been entitled to if the holder had not withdrawn; and *provided, further*, that no such forfeiture shall terminate a Holder’s rights or obligations under Section 4.5(f) with respect to any prior registration or Pending Underwritten Offering. “*Pending Underwritten Offering*” means, with respect to any Holder forfeiting its rights pursuant to this Section 4.5(l), any underwritten offering of Registrable Securities in which such Holder has advised the Company of its intent to register its

Registrable Securities either pursuant to Section 4.5(a)(ii) or 4.5(a)(iv) prior to the date of such Holder's forfeiture.

(m) Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if the Company fails to perform any of its obligations under this Section 4.5 and that Treasury and the Holders from time to time may be irreparably harmed by any such failure, and accordingly agree that Treasury and such Holders, in addition to any other remedy to which they may be entitled at law or in equity, to the fullest extent permitted and enforceable under applicable law shall be entitled to compel specific performance of the obligations of the Company under this Section 4.5 in accordance with the terms and conditions of this Section 4.5.

(n) No Inconsistent Agreements. The Company shall not, on or after the date hereof, enter into any agreement with respect to its securities that may impair the rights granted to Treasury and the Holders under this Section 4.5 or that otherwise conflicts with the provisions hereof in any manner that may impair the rights granted to Treasury and the Holders under this Section 4.5. In the event the Company has, prior to the date hereof, entered into any agreement with respect to its securities that is inconsistent with the rights granted to Treasury and the Holders under this Section 4.5 (including agreements that are inconsistent with the order of priority contemplated by Section 4.5(a)(vi)) or that may otherwise conflict with the provisions hereof, the Company shall use its reasonable best efforts to amend such agreements to ensure they are consistent with the provisions of this Section 4.5. Any transaction entered into by the Company that would reasonably be expected to require the inclusion in a Shelf Registration Statement or any Company Report filed with the SEC of any separate financial statements pursuant to Rule 3-05 of Regulation S-X or pro forma financial statements pursuant to Article 11 of Regulation S-X shall include provisions requiring the Company's counterparty to provide any information necessary to allow the Company to comply with its obligation hereunder.

(o) Certain Offerings by Treasury. In the case of any securities held by Treasury that cease to be Registrable Securities solely by reason of clause (2) in the definition of "Registrable Securities," the provisions of Sections 4.5(a)(ii), clauses (iv), (ix) and (x)-(xii) of Section 4.5(c), Section 4.5(g) and Section 4.5(i) shall continue to apply until such securities otherwise cease to be Registrable Securities. In any such case, an "underwritten" offering or other disposition shall include any distribution of such securities on behalf of Treasury by one or more broker-dealers, an "underwriting agreement" shall include any purchase agreement entered into by such broker-dealers, and any "registration statement" or "prospectus" shall include any offering document approved by the Company and used in connection with such distribution.

(p) Registered Sales of the Warrants. The Holders agree to sell the Warrants or any portion thereof under the Shelf Registration Statement only beginning 30 days after notifying the Company of any such sale, during which 30-day period Treasury and all Holders of the Warrants shall take reasonable steps to agree to revisions to the Warrants, at the expense of the Company, to permit a public distribution of the Warrants, including entering into a revised warrant agreement, appointing a warrant agent, and making the securities eligible for book entry clearing and settlement at the Depository Trust Company.

4.6 Voting of Warrant Shares. Notwithstanding anything in this Agreement to the contrary, Treasury shall not exercise any voting rights with respect to the Warrant Shares.

Article V  
**Miscellaneous**

5.1 Survival of Representations and Warranties. The representations and warranties of the Company made herein or in any certificates delivered in connection with the Initial Closing or any subsequent Closing shall survive such Closing without limitation.

5.2 Amendment. No amendment of any provision of this Agreement will be effective unless made in writing and signed by an officer or a duly authorized representative of each party; *provided* that Treasury may unilaterally amend any provision of this Agreement to the extent required to comply with any changes after the date hereof in applicable federal statutes. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative of any rights or remedies provided by law.

5.3 Waiver of Conditions. No waiver will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

5.4 **Governing Law: Submission to Jurisdiction, Etc.** This Agreement will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all civil actions, suits or proceedings arising out of or relating to this Agreement or the Warrants or the transactions contemplated hereby or thereby, and (b) that notice may be served upon (i) the Company at the address and in the manner set forth for notices to the Company in Section 5.5 and (ii) Treasury in accordance with federal law. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to this Agreement or the Warrants or the transactions contemplated hereby or thereby.

5.5 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second Business Day following the date of dispatch if delivered by a recognized next day courier service. All notices to the Company shall be delivered as set forth below, or pursuant to such other instruction as may be designated in writing by the Company to Treasury. All notices to Treasury shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by Treasury to the Company.

If to the Company:

American Airlines Group Inc.  
1 Skyview Drive  
Fort Worth, Texas 76155  
Facsimile: ###  
Attention: Meghan B. Montana, Treasurer  
Email: ###  
Telephone: ###

*With copies to (which shall not constitute notice):*  
Latham & Watkins LLP  
140 Scott Drive  
Menlo Park, CA 94025  
Attention: Tony Richmond  
Facsimile: ###  
Email: ###

If to Treasury:

United States Department of the Treasury  
1500 Pennsylvania Avenue, NW, Room 2312  
Washington, D.C. 20220  
Attention: Assistant General Counsel (Banking and Finance)

#### 5.6 Definitions.

- (a) The term “Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).
- (b) The term “Laws” has the meaning ascribed thereto in the Promissory Note.
- (c) The term “Lien” has the meaning ascribed thereto in the Promissory Note.
- (d) The term “Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect on, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Company and its Subsidiaries taken as a whole; or (b) a material adverse effect on (i) the ability of the Company to perform its obligations under this Agreement or any Warrant or (ii) the legality, validity, binding effect or enforceability against the Company of this Agreement or any Warrant to which it is a party.
- (e) The term “Organizational Documents” has the meaning ascribed thereto in the Promissory Note.
- (f) The term “Subsidiary” has the meaning ascribed thereto in the Promissory Note.

5.7 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except (a) an assignment, in the case of a Business Combination where such party is not the surviving entity, or a sale of substantially all of its assets, to the entity which is the survivor of such Business Combination or the purchaser in such sale and (b) as provided in Section 4.5.

5.8 Severability. If any provision of this Agreement or the Warrants, or the application thereof to any person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

5.9 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity other than the Company and Treasury any benefit, right or remedies, except that the provisions of Section 4.5 shall inure to the benefit of the persons referred to in that Section.

\* \* \*

*[Signature page follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE UNITED STATES DEPARTMENT OF THE  
TREASURY

By: /s/ David A. Lebryk  
Name: David A. Lebryk  
Title: Fiscal Assistant Secretary

AMERICAN AIRLINES GROUP INC.

By: /s/ Meghan B. Montana  
Name: Meghan B. Montana  
Title: Vice President and Treasurer

## FORM OF OPINION

- (a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of its incorporation.
- (b) Each of the Warrants has been duly authorized and, when executed and delivered as contemplated by the Agreement, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity.
- (c) The shares of Common Stock issuable upon exercise of the Warrants have been duly authorized and reserved for issuance upon exercise of the Warrants and when so issued in accordance with the terms of the Warrants will be validly issued, fully paid and non-assessable.
- (d) The Company has the corporate power and authority to execute and deliver the Agreement and the Warrants and to carry out its obligations thereunder (which includes the issuance of the Warrants and Warrant Shares).
- (e) The execution, delivery and performance by the Company of the Agreement and the Warrants and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company.
- (f) The Agreement is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity; *provided, however*, such counsel need express no opinion with respect to Section 4.5(g) or the severability provisions of the Agreement insofar as Section 4.5(g) is concerned.
- (g) No registration of the Warrant and the Common Stock issuable upon exercise of the Warrant under the U.S. Securities Act of 1933, as amended, is required for the offer and sale of the Warrant or the Common Stock issuable upon exercise of the Warrant by the Company to the Holder pursuant to and in the manner contemplated by this Agreement.
- (h) The Company is not required to be registered as an investment company under the Investment Company Act of 1940, as amended.



**FORM OF WARRANT**

[SEE ATTACHED]

## FORM OF WARRANT TO PURCHASE COMMON STOCK

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS.

### WARRANT to purchase

[ • ]

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Shares of Common Stock

of American Airlines Group Inc.

Issue Date: [ • ], 2021

1. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

“*Affiliate*” means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”) when used with respect to any person, means the possession, directly or indirectly, of the power to cause the direction of management and/or policies of such person, whether through the ownership of voting securities by contract or otherwise.

“*Aggregate Net Cash Settlement Amount*” has the meaning ascribed thereto in Section 2(i).

“*Aggregate Net Share Settlement Amount*” has the meaning ascribed thereto in Section 2(ii).

“*Appraisal Procedure*” means a procedure whereby two independent appraisers, one chosen by the Company and one by the Original Warrantholder, shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within 10 days after the Appraisal Procedure is invoked. If within 30 days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent appraiser shall be chosen within 10 days thereafter by the mutual consent of such first two appraisers. The decision of the third appraiser so appointed and chosen shall be given within 30 days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two

determinations shall be averaged and such average shall be binding and conclusive upon the Company and the Original Warrantholder; otherwise, the average of all three determinations shall be binding upon the Company and the Original Warrantholder. The costs of conducting any Appraisal Procedure shall be borne by the Company.

“*Average Market Price*” means, with respect to any security, the arithmetic average of the Market Price of such security for the 15 consecutive trading day period ending on and including the trading day immediately preceding the determination date.

“*Board of Directors*” means the board of directors of the Company, including any duly authorized committee thereof.

“*Business Combination*” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Company’s stockholders.

“*Business Day*” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close; *provided* that banks shall be deemed to be generally open for business in the event of a “shelter in place” or similar closure of physical branch locations at the direction of any governmental entity if such banks’ electronic funds transfer system (including wire transfers) are open for use by customers on such day.

“*Capital Stock*” means (A) with respect to any Person that is a corporation or company, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (B) with respect to any Person that is not a corporation or company, any and all partnership or other equity interests of such Person.

“*Charter*” means, with respect to any Person, its certificate or articles of incorporation, articles of association, or similar organizational document.

“*Common Stock*” means common stock of the Company, par value \$0.01 subject to adjustment as provided in Section 13(E).

“*Company*” means the Person whose name, corporate or other organizational form and jurisdiction of organization is set forth in Item 1 of Schedule A hereto.

“*conversion*” has the meaning set forth in Section 13(B).

“*convertible securities*” has the meaning set forth in Section 13(B).

“*Depositary*” means The Depositary Trust Company, its nominees and their respective successors.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“*Exercise Date*” means each date a Notice of Exercise substantially in the form annexed hereto is delivered to the Company in accordance with Section 2 hereof.

“*Exercise Price*” means the amount set forth in Item 2 of Schedule A hereto, subject to adjustment as contemplated herein.

“*Fair Market Value*” means, with respect to any security or other property, the fair market value of such security or other property as determined by the Board of Directors, acting in good faith in reliance on an opinion of a nationally recognized independent investment banking firm retained by the Company for this purpose. For so long as the Original Warrantholder holds this Warrant or any portion thereof, it may object in writing to the Board of Director’s calculation of fair market value within 10 days of receipt of written notice thereof. If the Original Warrantholder and the Company are unable to agree on fair market value during the 10-day period following the delivery of the Original Warrantholder’s objection, the Appraisal Procedure may be invoked by either party to determine Fair Market Value by delivering written notification thereof not later than the 30<sup>th</sup> day after delivery of the Original Warrantholder’s objection.

“*Initial Number*” has the meaning set forth in Section 13(B).

“*Issue Date*” means the date set forth in Item 3 of Schedule A hereto.

“*Market Price*” means, with respect to a particular security, on any given day, the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and ask prices regular way, in either case on the principal national securities exchange on which the applicable securities are listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, the average of the closing bid and ask prices as furnished by two members of the Financial Industry Regulatory Authority, Inc. selected from time to time by the Company for that purpose. “*Market Price*” shall be determined without reference to after hours or extended hours trading. If such security is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price of such security shall be deemed to be (i) in the event that any portion of the Warrant is held by the Original Warrantholder, the fair market value per share of such security as determined in good faith by the Original Warrantholder or (ii) in all other circumstances, the fair market value per share of such security as determined in good faith by the Board of Directors in reliance on an opinion of a nationally recognized independent investment banking corporation retained by the Company for this purpose and certified in a resolution to the Warrantholder.

“*Original Warrantholder*” means the United States Department of the Treasury. Any actions specified to be taken by the Original Warrantholder hereunder may only be taken by such Person and not by any other Warrantholder.

“*Permitted Transactions*” has the meaning set forth in Section 13(B).

“*Per Share Net Cash Settlement Amount*” means the Average Market Price of a share of Common Stock determined as of the relevant Exercise Date less the then applicable Exercise Price.

“*Per Share Net Share Settlement Amount*” means the quotient of (i) the Average Market Price of a share of Common Stock determined as of the relevant Exercise Date less the then

applicable Exercise Price *divided by* (ii) the Average Market Price of a share of Common Stock determined as of the relevant Exercise Date.

“*Person*” has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

“*Per Share Fair Market Value*” has the meaning set forth in Section 13(C).

“*Pro Rata Repurchases*” means any purchase of shares of Common Stock by the Company or any Affiliate thereof pursuant to (A) any tender offer or exchange offer subject to Section 13(e) or 14(e) of the Exchange Act or Regulation 14E promulgated thereunder or (B) any other offer available to substantially all holders of Common Stock, in the case of both (A) or (B), whether for cash, shares of Capital Stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other Person or any other property (including, without limitation, shares of Capital Stock, other securities or evidences of indebtedness of a subsidiary), or any combination thereof, effected while this Warrant is outstanding. The “*Effective Date*” of a Pro Rata Repurchase shall mean the date of acceptance of shares for purchase or exchange by the Company under any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rata Repurchase that is not a tender or exchange offer.

“*Regulatory Approvals*” with respect to the Warrantholder, means, to the extent applicable and required to permit the Warrantholder to exercise this Warrant for shares of Common Stock and to own such Common Stock without the Warrantholder being in violation of applicable law, rule or regulation, the receipt of any necessary approvals and authorizations of, filings and registrations with, notifications to, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“*trading day*” means (A) if the shares of Common Stock are not traded on any national or regional securities exchange or association or over-the-counter market, a Business Day or (B) if the shares of Common Stock are traded on any national or regional securities exchange or association or over-the-counter market, a Business Day on which such relevant exchange or quotation system is scheduled to be open for business and on which the shares of Common Stock (i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market for any period or periods aggregating one half hour or longer; and (ii) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the shares of Common Stock.

“*U.S. GAAP*” means United States generally accepted accounting principles.

“*Warrant*” means this Warrant, issued pursuant to the Warrant Agreement.

“*Warrant Agreement*” means the Warrant Agreement, dated as of the date set forth in Item 4 of Schedule A hereto, as amended from time to time, between the Company and the United States Department of the Treasury.

“*Warrantholder*” has the meaning set forth in Section 2.

“*Warrant Shares*” has the meaning set forth in Section 2.

2. Number of Warrant Shares; Net Exercise. This certifies that, for value received, the United States Department of the Treasury or its permitted assigns (the “*Warrantholder*”) is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the Company, in whole or in part, after the receipt of all applicable Regulatory Approvals, if any, up to an aggregate of the number of fully paid and nonassessable shares of Common Stock set forth in Item 5 of Schedule A hereto. The number of shares of Common Stock (the “*Warrant Shares*”) issuable upon exercise of this Warrant and the Exercise Price are subject to adjustment as provided herein, and all references to “Common Stock,” “Warrant Shares” and “Exercise Price” herein shall be deemed to include any such adjustment or series of adjustments.

Upon exercise of the Warrant in accordance with Section 3 hereof, the Company shall elect to pay or deliver, as the case may be, to the exercising Warrantholder (a) cash (“*Net Cash Settlement*”) or (b) Warrant Shares together with cash, if applicable, in lieu of delivering any fractional shares in accordance with Section 5 of this Warrant (“*Net Share Settlement*”). The Company will notify the exercising Warrantholder of its election of a settlement method within one Business Day after the relevant Exercise Date and if it fails to deliver a timely notice shall be deemed to have elected Net Share Settlement.

(i) *Net Cash Settlement.* If the Company elects Net Cash Settlement, it shall pay to the Warrantholder cash equal to the Per Share Net Cash Settlement Amount multiplied by the number of Warrant Shares as to which the Warrant has been exercised as indicated in the Notice of Exercise (the “*Aggregate Net Cash Settlement Amount*”).

(ii) *Net Share Settlement.* If the Company elects Net Share Settlement, it shall deliver to the Warrantholder a number of shares of Common Stock equal to the Per Share Net Share Settlement Amount multiplied by the number of Warrant Shares as to which the Warrant has been exercised as indicated in the Notice of Exercise (the “*Aggregate Net Share Settlement Amount*”).

3. Term; Method of Exercise. Subject to Section 2, to the extent permitted by applicable laws and regulations, this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time after the execution and delivery of this Warrant by the Company on the date hereof, but in no event later than 5:00 p.m., New York City time on the fifth anniversary of the Issue Date of this Warrant, by the surrender of this Warrant and delivery of the Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Company located at the address set forth in Item 6 of Schedule A hereto (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company).

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant, and in any event not exceeding three Business Days after the date thereof, a new warrant in substantially identical form for the purchase of that number of Warrant Shares equal to the difference between the number of Warrant Shares subject to this Warrant and the number of Warrant Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, the Warrantholder hereby acknowledges and agrees that its exercise of this Warrant for Warrant Shares is subject to the condition that the Warrantholder will have first received any applicable Regulatory Approvals.

4. Method of Settlement.

(a) *Net Cash Settlement.* If the Company elects Net Cash Settlement, the Company shall, within a reasonable time, not to exceed five Business Days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant, pay to the exercising Warrantholder the Aggregate Net Cash Settlement Amount.

(b) *Net Share Settlement.* If the Company elects Net Share Settlement, shares of Common Stock equal to the Aggregate Net Share Settlement Amount shall be (x) issued in such name or names as the exercising Warrantholder may designate and (y) delivered by the Company or the Company's transfer agent to such Warrantholder or its nominee or nominees (i) if the shares are then able to be so delivered, via book-entry transfer crediting the account of such Warrantholder (or the relevant agent member for the benefit of such Warrantholder) through the Depository's DWAC system (if the Company's transfer agent participates in such system), or (ii) otherwise in certificated form by physical delivery to the address specified by the Warrantholder in the Notice of Exercise, within a reasonable time, not to exceed three Business Days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Warrant Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder, income and franchise taxes incurred in connection with the exercise of the Warrant or taxes in respect of any transfer occurring contemporaneously therewith). The Company agrees that the Warrant Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Warrant Shares may not be actually delivered on such date. The Company will at all times reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Common Stock then issuable upon exercise of this Warrant at any time. The Company will (A) procure, at its sole expense, the listing of the Warrant Shares issuable upon exercise of this Warrant at any time, subject to issuance or notice of issuance, on all principal stock exchanges on which the Common Stock is then listed or traded and (B) maintain such listings of such Warrant Shares at all times after issuance. The Company will use reasonable best efforts to ensure that the Warrant Shares may be issued without violation of any

applicable law or regulation or of any requirement of any securities exchange on which the Warrant Shares are listed or traded.

5. No Fractional Warrant Shares or Scrip. No fractional Warrant Shares or scrip representing fractional Warrant Shares shall be issued upon any exercise of this Warrant. In lieu of any fractional Share to which the Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Average Market Price of the Common Stock determined as of the Exercise Date multiplied by such fraction of a share, less the pro-rated Exercise Price for such fractional share.

6. No Rights as Stockholders; Transfer Books. This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.

7. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; *provided, however*, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate, or any certificates or other securities in a name other than that of the registered holder of the Warrant surrendered upon exercise of the Warrant.

8. Transfer/Assignment.

(A) Subject to compliance with clause (B) of this Section 8, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 3. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 8 shall be paid by the Company.

(B) If and for so long as required by the Warrant Agreement, this Warrant shall contain the legend as set forth in Sections 4.2(a) of the Warrant Agreement.

9. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Warrant Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this



Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Warrant Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

11. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.

12. Information. With a view to making available to Warrantheolders the benefits of certain rules and regulations of the SEC which may permit the sale of the Warrants and Warrant Shares to the public without registration, the Company agrees to use its reasonable best efforts to:

(A) make and keep adequate public information available, as those terms are understood and defined in Rule 144(c) or any similar or analogous rule promulgated under the Securities Act, at all times after the date hereof;

(B) (x) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Securities Act and the Exchange Act, and (y) if at any time the Company is not required to file such reports, make available, upon the request of any Warrantheolder, such information necessary to permit sales pursuant to Rule 144A (including the information required by Rule 144A(d)(4) under the Securities Act);

(C) furnish to any holder of Warrants or Warrant Shares forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of the Exchange Act and Rule 144(c)(1); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as the Warrantheolder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities to the public without registration; and

(D) take such further action as any Warrantheolder may reasonably request, all to the extent required from time to time to enable such Warrantheolder to sell Warrants or Warrant Shares without registration under the Securities Act.

13. Adjustments and Other Rights. The Exercise Price and the number of Warrant Shares issuable upon exercise of the Warrant shall be subject to adjustment from time to time as follows; *provided*, that if more than one subsection of this Section 13 is applicable to a single event, the subsection shall be applied that produces the largest adjustment and no single event shall cause an adjustment under more than one subsection of this Section 13 so as to result in duplication:

(A) Stock Splits, Subdivisions, Reclassifications or Combinations. If the Company shall (i) declare and pay a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a

greater number of shares, or (iii) combine or reclassify the outstanding shares of Common Stock into a smaller number of shares, the number of Warrant Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder after such date shall be entitled to acquire the number of shares of Common Stock which such holder would have owned or been entitled to receive in respect of the shares of Common Stock subject to this Warrant after such date had this Warrant been exercised immediately prior to such date. In such event, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted to the number obtained by dividing (x) the product of (1) the number of Warrant Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the record or effective date, as the case may be, for the dividend, distribution, subdivision, combination or reclassification giving rise to this adjustment by (y) the new number of Warrant Shares issuable upon exercise of the Warrant determined pursuant to the immediately preceding sentence.

(B) Certain Issuances of Common Stock or Convertible Securities. If the Company shall issue shares of Common Stock (or rights or warrants or other securities exercisable or convertible into or exchangeable (collectively, a “conversion”) for shares of Common Stock) (collectively, “convertible securities”) (other than in Permitted Transactions (as defined below) or a transaction to which subsection (A) of this Section 13 is applicable) without consideration or at a consideration per share (or having a conversion price per share) that is less than 90% of the Average Market Price determined as of the date of the agreement on pricing such shares (or such convertible securities) then, in such event:

(A) the number of Warrant Shares issuable upon the exercise of this Warrant immediately prior to the date of the agreement on pricing of such shares (or of such convertible securities) (the “Initial Number”) shall be increased to the number obtained by multiplying the Initial Number by a fraction (A) the numerator of which shall be the sum of (x) the number of shares of Common Stock of the Company outstanding on such date and (y) the number of additional shares of Common Stock issued (or into which convertible securities may be exercised or convert) and (B) the denominator of which shall be the sum of (I) the number of shares of Common Stock outstanding on such date and (II) the number of shares of Common Stock which the aggregate consideration receivable by the Company for the total number of shares of Common Stock so issued (or into which convertible securities may be exercised or convert) would purchase at the Average Market Price determined as of the date of the agreement on pricing such shares (or such convertible securities); and

(B) the Exercise Price payable upon exercise of the Warrant shall be adjusted by multiplying such Exercise Price in effect immediately prior to the date of the agreement on pricing of such shares (or of such convertible securities) by a fraction, the numerator of which shall be the number of shares of Common Stock issuable upon exercise of this Warrant prior to such date and the denominator of which shall be the number of shares of Common Stock issuable upon exercise of this Warrant immediately after the adjustment described in clause (A) above.

For purposes of the foregoing, the aggregate consideration receivable by the Company in connection with the issuance of such shares of Common Stock or convertible securities shall be deemed to be equal to the sum of the net offering price (including the Fair Market Value of any non-cash consideration and after deduction of any related expenses payable to third parties) of all such securities plus the minimum aggregate amount, if any, payable upon exercise or conversion of any such convertible securities into shares of Common Stock; and “*Permitted Transactions*” shall mean issuances (i) as consideration for or to fund the acquisition of businesses and/or related assets, (ii) in connection with employee benefit plans and compensation related arrangements in the ordinary course and consistent with past practice approved by the Board of Directors, (iii) in connection with a public or broadly marketed offering and sale of Common Stock or convertible securities for cash conducted by the Company or its affiliates pursuant to registration under the Securities Act or Rule 144A thereunder on a basis consistent with capital raising transactions by comparable institutions and (iv) in connection with the exercise of preemptive rights on terms existing as of the Issue Date. Any adjustment made pursuant to this Section 13(B) shall become effective immediately upon the date of such issuance.

(C) Other Distributions. In case the Company shall fix a record date for the making of a distribution to all holders of shares of its Common Stock of securities, evidences of indebtedness, assets, cash, rights or warrants (excluding dividends of its Common Stock and other dividends or distributions referred to in Section 13(A)), in each such case, the Exercise Price in effect prior to such record date shall be reduced immediately thereafter to the price determined by multiplying the Exercise Price in effect immediately prior to the reduction by the quotient of (x) the Average Market Price of the Common Stock determined as of the first date on which the Common Stock trades regular way on the principal national securities exchange on which the Common Stock is listed or admitted to trading without the right to receive such distribution, minus the amount of cash and/or the Fair Market Value of the securities, evidences of indebtedness, assets, rights or warrants to be so distributed in respect of one share of Common Stock (such amount and/or Fair Market Value, the “*Per Share Fair Market Value*”) divided by (y) the Average Market Price specified in clause (x); such adjustment shall be made successively whenever such a record date is fixed. In such event, the number of Warrant Shares issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Warrant Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the distribution giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. In the event that such distribution is not so made, the Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant then in effect shall be readjusted, effective as of the date when the Board of Directors determines not to distribute such shares, evidences of indebtedness, assets, rights, cash or warrants, as the case may be, to the Exercise Price that would then be in effect and the number of Warrant Shares that would then be issuable upon exercise of this Warrant if such record date had not been fixed.

(D) Certain Repurchases of Common Stock. In case the Company effects a Pro Rata Repurchase of Common Stock, then the Exercise Price shall be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to the Effective Date of such Pro Rata Repurchase by a fraction of which the numerator shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase and (y) the Average Market Price of a share of Common Stock determined as of the date of the first

public announcement by the Company or any of its Affiliates of the intent to effect such Pro Rata Repurchase, minus (ii) the aggregate purchase price of the Pro Rata Repurchase, and of which the denominator shall be the product of (i) the number of shares of Common Stock outstanding immediately prior to such Pro Rata Repurchase minus the number of shares of Common Stock so repurchased and (ii) the Average Market Price per share of Common Stock determined as of the date of the first public announcement by the Company or any of its Affiliates of the intent to effect such Pro Rata Repurchase. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Warrant Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the Pro Rata Repurchase giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. For the avoidance of doubt, no increase to the Exercise Price or decrease in the number of Warrant Shares issuable upon exercise of this Warrant shall be made pursuant to this Section 13(D).

(E) Business Combinations. In case of any Business Combination or reclassification of Common Stock (other than a reclassification of Common Stock referred to in Section 13(A)), the Warrantholder's right to receive Warrant Shares upon exercise of this Warrant shall be converted into the right to exercise this Warrant to acquire the number of shares of stock or other securities or property (including cash) which the Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled to receive upon consummation of such Business Combination or reclassification; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the Warrantholder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to the Warrantholder's right to exercise this Warrant in exchange for any shares of stock or other securities or property pursuant to this paragraph. In determining the kind and amount of stock, securities or the property receivable upon exercise of this Warrant following the consummation of such Business Combination, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination, then the consideration that the Warrantholder shall be entitled to receive upon exercise shall be deemed to be the types and amounts of consideration received by the majority of all holders of the shares of common stock that affirmatively make an election (or of all such holders if none make an election).

(F) Rounding of Calculations; Minimum Adjustments. All calculations under this Section 13 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 13 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Warrant Shares shall be made if the amount of such adjustment would be less than \$0.01 or one-tenth (1/10th) of a share of Common Stock, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$0.01 or 1/10th of a share of Common Stock, or more.

(G) Timing of Issuance of Additional Common Stock Upon Certain Adjustments. In any case in which the provisions of this Section 13 shall require that an adjustment shall become

effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Warrantholder of this Warrant exercised after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such exercise by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional share of Common Stock; *provided, however*, that the Company upon request shall deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

(H) Other Events. For so long as the Original Warrantholder holds this Warrant or any portion thereof, if any event occurs as to which the provisions of this Section 13 are not strictly applicable or, if strictly applicable, would not, in the good faith judgment of the Board of Directors of the Company, fairly and adequately protect the purchase rights of the Warrants in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board of Directors, to protect such purchase rights as aforesaid. The Exercise Price or the number of Warrant Shares shall not be adjusted in the event of a change in the par value of the Common Stock or a change in the jurisdiction of incorporation of the Company.

(I) Statement Regarding Adjustments. Whenever the Exercise Price or the number of Warrant Shares shall be adjusted as provided in Section 13, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Warrant Shares after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.

(J) Notice of Adjustment Event. In the event that the Company shall propose to take any action of the type described in this Section 13 (but only if the action of the type described in this Section 13 would result in an adjustment in the Exercise Price or the number of Warrant Shares or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Company shall give notice to the Warrantholder, in the manner set forth in Section 13(J), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(K) Proceedings Prior to Any Action Requiring Adjustment. As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 13, the

Company shall take any action which may be necessary, including obtaining regulatory, New York Stock Exchange, NASDAQ Stock Market or other applicable national securities exchange or stockholder approvals or exemptions, as applicable, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 13.

(L) Adjustment Rules. Any adjustments pursuant to this Section 13 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

14. No Impairment. The Company will not, by amendment of its Charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.

15. Governing Law. **This Warrant will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the Company and the Warrantholder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Warrant or the transactions contemplated hereby, and (b) that notice may be served upon the Company at the address in Section 19 below and upon the Warrantholder at the address for the Warrantholder set forth in the registry maintained by the Company pursuant to Section 9 hereof. To the extent permitted by applicable law, each of the Company and the Warrantholder hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to the Warrant or the transactions contemplated hereby or thereby.**

16. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

17. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

18. Prohibited Actions. The Company agrees that it will not take any action which would entitle the Warrantholder to an adjustment of the Exercise Price if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise of all outstanding options, warrants, conversion and other rights, would exceed the total number of shares of Common Stock then authorized by its Charter.

19. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second Business Day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth in Item 7 of Schedule A hereto, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

20. Entire Agreement. This Warrant, the forms attached hereto and Schedule A hereto (the terms of which are incorporated by reference herein), and the Warrant Agreement (including all documents incorporated therein), contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

*[Remainder of page intentionally left blank]*

**[Form of Notice of Exercise]**

Date:\_\_\_

**TO: American Airlines Group Inc.**

**RE: Exercise of Warrant**

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby notifies the Company of its intention to exercise its option with respect to the number of shares of the Common Stock set forth below covered by such Warrant. Pursuant to Section 4 of the Warrant, the undersigned acknowledges that the Company may settle this exercise in net cash or shares. Cash to be paid pursuant to a Net Cash Settlement or payment of fractional shares in connection with a Net Share Settlement should be deposited to the account of the Warranholder set forth below. Common Stock to be delivered pursuant to a Net Share Settlement shall be delivered to the Warranholder as indicated below. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, if any, should be issued in the name set forth below.

Number of Warrant Shares:\_\_\_

Aggregate Exercise Price: \_\_\_

Address for Delivery of Warrant Shares: \_\_\_

Wire Instructions:

Proceeds to be delivered: \$

Name of Bank:

City/ State of Bank:

ABA Number of Bank

SWIFT #

Name of Account:

Account Number at Bank:

Securities to be issued to:

If in book-entry form through the Depository:

Depository Account Number:

\_\_\_\_\_

Name of Agent Member:

\_\_\_\_\_

If in certificated form:

Social Security Number or Other Identifying Number:

\_\_\_\_\_



Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State and Zip Code: \_\_\_\_\_

Any unexercised Warrants evidenced by the exercising Warrantholder's interest in the Warrant:

Social Security Number or Other Identifying Number: \_\_\_\_\_

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State and Zip Code: \_\_\_\_\_

Holder: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.

Dated: [•], 2021

**COMPANY: AMERICAN AIRLINES GROUP INC.**

By: \_\_\_\_\_  
Name: Meghan B. Montana  
Title: Vice President and Treasurer

**Attest:**

By: \_\_\_\_\_  
Name: Derek J. Kerr  
Title: Executive Vice President and Chief Financial Officer

**[Signature Page to Warrant]**

Item 1

Name: American Airlines Group Inc.  
Corporate or other organizational form: Corporation  
Jurisdiction of organization: Delaware

Item 2

Exercise Price: \$21.75

Item 3

Issue Date: [•], 2021

Item 4

Date of Warrant Agreement between the Company and the United States Department of the Treasury: April 23, 2021

Item 5

Number of shares of Common Stock: [•]

Item 6

Company's address:

1 Skyview Drive  
Fort Worth, Texas, 76155

Item 7

Notice information:

1 Skyview Drive  
Fort Worth, Texas 76155  
Facsimile: ###  
Attention: Meghan B. Montana, Treasurer  
Email: ###  
Telephone: ###

*With copies to (which shall not constitute notice):*

Latham & Watkins LLP  
140 Scott Drive  
Menlo Park, CA 94025  
Attention: Tony Richmond  
Facsimile: ###  
Email: ###

**WARRANT SHARES FORMULA**

The number of Warrant Shares for which Warrants issued on each Warrant Closing Date shall be exercisable shall equal:

- (i) On the Closing Date, the quotient of (x) the product of the principal amount of the Promissory Note multiplied *by* 0.1 *divided by* (y) the Exercise Price (as defined in Annex B); and
- (ii) On each subsequent Warrant Closing Date, the quotient of (x) the product of the amount by which the principal amount of the Promissory Note is increased on such Warrant Closing Date multiplied *by* 0.1 *divided by* (y) the Exercise Price.

**CAPITALIZATION**

<b>Common Shares Authorized (\$0.01 par value)</b>	<b>1,750,000,000</b>
Common Shares Outstanding	641,374,475
Restricted Stock Unit Awards Outstanding at Target	8,478,173
Additional Restricted Stock Unit Awards Assuming Max Performance	887,412
PSP Warrants Issued	14,107,509
PSP2 Warrants Issued	5,721,751
Treasury Loan Warrants Issued	4,396,483
Convertible Debt (assuming maximum conversion)	74,074,000
Total	<u>749,039,803</u>
Total Shares Available for Issuance Under 2013 Equity Incentive Plan	22,965,590
<b>Preferred Shares Authorized (\$0.01 par value)</b>	<b>200,000,000</b>
Preferred Shares Outstanding	0

**REQUIRED STOCKHOLDER APPROVALS**

None.

**PAYROLL SUPPORT PROGRAM 3 AGREEMENT**

<b>Recipient:</b> American Airlines, Inc. 1 Skyview Drive Fort Worth, TX 76155	<b>PSP Participant Number:</b> PSA-2004031029 <b>Employer Identification Number:</b> 13-1502798 <b>DUNS Number:</b> 006979801
<b>Additional Recipients:</b> Envoy Air Inc. Piedmont Airlines, Inc. PSA Airlines, Inc.	
<b>Amount of Initial Payroll Support Payment:</b> \$1,655,433,733.27	
The Department of the Treasury (Treasury) hereby provides Payroll Support (as defined herein) under section 7301 of the American Rescue Plan Act of 2021. The Signatory Entity named above, on behalf of itself and its Affiliates (as defined herein), agrees to comply with this Agreement and applicable Federal law as a condition of receiving Payroll Support. The Signatory Entity and its undersigned authorized representatives acknowledge that a materially false, fictitious, or fraudulent statement (or concealment or omission of a material fact) in connection with this Agreement may result in administrative remedies as well as civil and/or criminal penalties.	
<b>The undersigned hereby agree to the attached Payroll Support Program 3 Agreement.</b>	
/s/ <u>David A. Lebryk</u> Department of the Treasury Name: David A. Lebryk Title: Fiscal Assistant Secretary Date: April 23, 2021	/s/ <u>Meghan B. Montana</u> American Airlines, Inc. First Authorized Representative: Meghan B. Montana Title: Vice President and Treasurer Date: April 23, 2021
	/s/ <u>Derek J. Kerr</u> American Airlines, Inc. Second Authorized Representative: Derek J. Kerr Title: Executive Vice President and Chief Financial Officer Date: April 23, 2021

OMB Approval No. 1505-0263

**PAPERWORK REDUCTION ACT NOTICE**

The information collected will be used for the U.S. Government to process requests for support. The estimated burden associated with this collection of information is 2 hours per response. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Office of Privacy, Transparency and Records, Department of the Treasury, 1500 Pennsylvania Ave., N.W., Washington, D.C. 20220. DO NOT send the form to this address. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by OMB.

## **PAYROLL SUPPORT PROGRAM 3 AGREEMENT**

### **INTRODUCTION**

Section 7301 of the American Rescue Plan Act of 2021 (ARP) directs the Department of the Treasury (Treasury) to provide Payroll Support (as defined herein) to passenger air carriers and certain contractors that must be exclusively used for the continuation of payment of Employee Salaries, Wages, and Benefits (as defined herein). The ARP requires certain assurances from the Recipient (as defined herein).

This Payroll Support Program 3 Agreement, including all supporting documents submitted by the Recipient and the Payroll Support Program 3 Certification attached hereto (collectively, Agreement), memorializes the binding terms and conditions applicable to the Recipient.

### **DEFINITIONS**

As used in this Agreement, the following terms shall have the following respective meanings, unless the context clearly requires otherwise. In addition, this Agreement shall be construed in a manner consistent with any public guidance Treasury may from time to time issue regarding the implementation of section 7301 of the ARP.

*Additional Payroll Support Payment* means any disbursement of Payroll Support occurring after the first disbursement of Payroll Support under this Agreement.

*Affiliate* means any Person that directly or indirectly controls, is controlled by, or is under common control with, the Recipient. For purposes of this definition, "control" of a Person shall mean having the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by ownership of voting equity, by contract, or otherwise.

*ARP* means the American Rescue Plan Act of 2021.

*Benefits* means, without duplication of any amounts counted as Salary or Wages, pension expenses in respect of Employees, all expenses for accident, sickness, hospital, and death benefits to Employees, and the cost of insurance to provide such benefits; any Severance Pay or Other Benefits payable to Employees pursuant to a bona fide voluntary early retirement program or voluntary furlough; and any other similar expenses paid by the Recipient for the benefit of Employees, including any other fringe benefit expense described in lines 10 and 11 of Financial Reporting Schedule P-6, Form 41, as published by the Department of Transportation, but excluding any Federal, state, or local payroll taxes paid by the Recipient.

*Corporate Officer* means, with respect to the Recipient, its president; any vice president in charge of a principal business unit, division, or function (such as sales, administration or finance); any other officer who performs a policy-making function; or any other person who performs similar policy making functions for the Recipient. Executive officers of subsidiaries or parents of the Recipient may be deemed Corporate Officers of the Recipient if they perform such policy-making functions for the Recipient.



*Employee* means an individual who is employed by the Recipient and whose principal place of employment is in the United States (including its territories and possessions), including salaried, hourly, full-time, part-time, temporary, and leased employees, but excluding any individual who is a Corporate Officer or independent contractor.

*Involuntary Termination or Furlough* means the Recipient terminating the employment of one or more Employees or requiring one or more Employees to take a temporary suspension or unpaid leave for any reason, including a shut-down or slow-down of business; provided, however, that an Involuntary Termination or Furlough does not include a Permitted Termination or Furlough.

*Maximum Awardable Amount* means the amount determined by the Secretary with respect to the Recipient pursuant to section 7301(b)(2) of the ARP.

*Payroll Support* means funds disbursed by the Secretary to the Recipient under this Agreement, including the first disbursement of Payroll Support and any Additional Payroll Support Payment.

*Permitted Termination or Furlough* means, with respect to an Employee, (1) a voluntary furlough, voluntary leave of absence, voluntary resignation, or voluntary retirement, (2) termination of employment resulting from such Employee's death or disability, or (3) the Recipient terminating the employment of such Employee for cause or placing such Employee on a temporary suspension or unpaid leave of absence for disciplinary reasons, in either case, as reasonably determined by the Recipient acting in good faith.

*Person* means any natural person, corporation, limited liability company, partnership, joint venture, trust, business association, governmental entity, or other entity.

*PSP1* means the Payroll Support Program established under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136).

*PSP2* means the Payroll Support Program Extension established under Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021.

*Recipient* means, collectively, the Signatory Entity; its Affiliates that are listed on the signature page hereto as Additional Recipients; and their respective heirs, executors, administrators, successors, and assigns.

*Salary* means, without duplication of any amounts counted as Benefits, a predetermined regular payment, typically paid on a weekly or less frequent basis but which may be expressed as an hourly, weekly, annual or other rate, as well as cost-of-living differentials, vacation time, paid time off, sick leave, and overtime pay, paid by the Recipient to its Employees, but excluding any Federal, state, or local payroll taxes paid by the Recipient.

*Secretary* means the Secretary of the Treasury.

*Severance Pay or Other Benefits* means any severance payment or other similar benefits, including cash payments, health care benefits, perquisites, the enhancement or acceleration of the payment or vesting of any payment or benefit or any other in-kind benefit payable (whether in lump sum or over time, including after October 1, 2022) by the Recipient to a Corporate Officer

or Employee in connection with any termination of such Corporate Officer's or Employee's employment (including, without limitation, resignation, severance, retirement, or constructive termination), which shall be determined and calculated in respect of any Employee or Corporate Officer of the Recipient in the manner prescribed in 17 CFR 229.402(j) (without regard to its limitation to the five most highly compensated executives and using the actual date of termination of employment rather than the last business day of the Recipient's last completed fiscal year as the trigger event).

*Signatory Entity* means the passenger air carrier or contractor that has entered into this Agreement.

*Taxpayer Protection Instruments* means warrants, options, preferred stock, debt securities, notes, or other financial instruments issued by the Recipient or an Affiliate to Treasury as compensation for the Payroll Support under this Agreement, if applicable.

*Total Compensation* means compensation including salary, wages, bonuses, awards of stock, and any other financial benefits provided by the Recipient or an Affiliate, as applicable, which shall be determined and calculated for the 2019 calendar year or any applicable 12-month period in respect of any Employee or Corporate Officer of the Recipient in the manner prescribed under paragraph e.6 of the award term in 2 CFR part 170, App. A, but excluding any Severance Pay or Other Benefits in connection with a termination of employment.

*Wage* means, without duplication of any amounts counted as Benefits, a payment, typically paid on an hourly, daily, or piecework basis, including cost-of-living differentials, vacation, paid time off, sick leave, and overtime pay, paid by the Recipient to its Employees, but excluding any Federal, state, or local payroll taxes paid by the Recipient.

#### **PAYROLL SUPPORT PAYMENTS**

1. Upon the execution of this Agreement by Treasury and the Recipient, the Secretary shall approve the Recipient to receive Payroll Support.
2. The Recipient may receive Payroll Support in multiple payments up to the Maximum Awardable Amount, and the amounts (individually and in the aggregate) and timing of such payments will be determined by the Secretary in her sole discretion. The Secretary may, in her sole discretion, increase or reduce the Maximum Awardable Amount consistent with section 7301 of the ARP.
3. The Secretary may determine in her sole discretion that any Payroll Support shall be conditioned on, and subject to, compliance by the Recipient with all applicable requirements under (a) PSP2 and (b) PSP1 if the Recipient received financial assistance in PSP1, and such additional terms and conditions (including the receipt of, and any terms regarding, Taxpayer Protection Instruments) to which the parties may agree in writing.

## TERMS AND CONDITIONS

### Retaining and Paying Employees

4. The Recipient shall use the Payroll Support exclusively for the continuation of payment of Wages, Salaries, and Benefits to the Employees of the Recipient.
  - a. *Furloughs and Layoffs*. The Recipient shall not conduct an Involuntary Termination or Furlough of any Employee between the date of this Agreement and September 30, 2021 or the date on which the Recipient has expended all of the Payroll Support, whichever is later.
  - b. *Employee Salary, Wages, and Benefits*
    - i. *Salary and Wages*. Except in the case of a Permitted Termination or Furlough, the Recipient shall not, between the date of this Agreement and September 30, 2021 or the date on which the Recipient has expended all of the Payroll Support, whichever is later, reduce, without the Employee's consent, (A) the pay rate of any Employee earning a Salary, or (B) the pay rate of any Employee earning Wages.
    - ii. *Benefits*. Except in the case of a Permitted Termination or Furlough, the Recipient shall not, between the date of this Agreement and September 30, 2021 or the date on which the Recipient has expended all of the Payroll Support, whichever is later, reduce, without the Employee's consent, the Benefits of any Employee; provided, however, that for purposes of this paragraph, personnel expenses associated with the performance of work duties, including those described in line 10 of Financial Reporting Schedule P-6, Form 41, as published by the Department of Transportation, may be reduced to the extent the associated work duties are not performed.

### Dividends and Buybacks

5. Through September 30, 2022, neither the Recipient nor any Affiliate shall, in any transaction, purchase an equity security of the Recipient or of any direct or indirect parent company of the Recipient that, in either case, is listed on a national securities exchange.
6. Through September 30, 2022, the Recipient shall not pay dividends, or make any other capital distributions, with respect to the common stock (or equivalent equity interest) of the Recipient.

### Limitations on Certain Compensation

7. Beginning April 1, 2021, and ending April 1, 2023, the Recipient and its Affiliates shall not pay any of the Recipient's Corporate Officers or Employees whose Total Compensation exceeded \$425,000 in calendar year 2019 (other than an Employee whose compensation is determined through an existing collective bargaining agreement entered into before March 11, 2021):

- a. Total Compensation which exceeds, during any 12 consecutive months of such two-year period, the Total Compensation the Corporate Officer or Employee received in calendar year 2019; or
  - b. Severance Pay or Other Benefits in connection with a termination of employment with the Recipient which exceed twice the maximum Total Compensation received by such Corporate Officer or Employee in calendar year 2019.
8. Beginning April 1, 2021, and ending April 1, 2023, the Recipient and its Affiliates shall not pay, during any 12 consecutive months of such two-year period, any of the Recipient's Corporate Officers or Employees whose Total Compensation exceeded \$3,000,000 in calendar year 2019 Total Compensation in excess of the sum of:
- a. \$3,000,000; and
  - b. 50 percent of the excess over \$3,000,000 of the Total Compensation received by such Corporate Officer or Employee in calendar year 2019.
9. For purposes of determining applicable amounts under paragraphs 7 and 8 with respect to any Corporate Officer or Employee who was employed by the Recipient or an Affiliate for less than all of calendar year 2019, the amount of Total Compensation in calendar year 2019 shall mean such Corporate Officer's or Employee's Total Compensation on an annualized basis.

Service and Eligibility

- 10.1. If the Recipient is an air carrier, until March 1, 2022, the Recipient shall comply with any applicable requirement issued by the Secretary of Transportation under section 407 of the PSP Extension Law to maintain scheduled air transportation service to any point served by the Recipient before March 1, 2020.
- 10.2. The Recipient represents, warrants, and certifies that as of March 31, 2021, the Recipient:
- a. provided air transportation as an air carrier, as defined under 49 U.S.C. § 40102; or
  - b. (i) performed, under contract with a passenger air carrier conducting operations under 14 CFR part 121, (A) catering functions; or (B) functions on the property of an airport that were directly related to the air transportation of persons, property, or mail, including the loading and unloading of property on aircraft, assistance to passengers under 14 CFR part 382, security, airport ticketing and check-in functions, groundhandling of aircraft, or aircraft cleaning and sanitization functions and waste removal; or (ii) was a subcontractor that performed such functions.
- 10.3. The Recipient represents, warrants, and certifies that between March 31, 2021, and the effective date of this Agreement, it has not:
- a. conducted an Involuntary Termination or Furlough;

- b. reduced, without the Employee's consent, (i) the pay rate of any Employee earning a Salary, or (ii) the pay rate of any Employee earning Wages; or
- c. except in the case of a Permitted Termination or Furlough, reduced, without the Employee's consent, the Benefits of any Employee (provided, however, that for purposes of this subparagraph, personnel expenses associated with the performance of work duties, including those described in line 10 of Financial Reporting Schedule P-6, Form 41, as published by the Department of Transportation, may be reduced to the extent the associated work duties are not performed).

#### Effective Date

11. This Agreement shall be effective as of the date of its execution by both parties.

#### Reporting and Auditing

12. Until the calendar quarter that begins after the later of January 1, 2023, and the date on which no Taxpayer Protection Instrument is outstanding, not later than 45 days after the end of each of the first three calendar quarters of each calendar year and 90 days after the end of each calendar year, the Signatory Entity, on behalf of itself and each other Recipient, shall certify to Treasury that it is in compliance with the terms and conditions of this Agreement and provide a report containing the following:

- a. the amount of Payroll Support funds expended during such quarter;
- b. the Recipient's financial statements (audited by an independent certified public accountant, in the case of annual financial statements);
- c. a copy of the Recipient's IRS Form 941 filed with respect to such quarter; and
- d. a detailed summary describing, with respect to the Recipient, (a) any changes in Employee headcount during such quarter and the reasons therefor, including any Involuntary Termination or Furlough, (b) any changes in the amounts spent by the Recipient on Employee Wages, Salary, and Benefits during such quarter, and (c) any changes in Total Compensation for, and any Severance Pay or Other Benefits in connection with the termination of, Corporate Officers and Employees subject to limitation under this Agreement during such quarter; and the reasons for any such changes.

13. If the Recipient or any Affiliate, or any Corporate Officer of the Recipient or any Affiliate, becomes aware of facts, events, or circumstances that may materially affect the Recipient's compliance with the terms and conditions of this Agreement, the Recipient or Affiliate shall promptly provide Treasury with a written description of the events or circumstances and any action taken, or contemplated, to address the issue.

14. In the event the Recipient contemplates any action to commence a bankruptcy or insolvency proceeding in any jurisdiction, the Recipient shall promptly notify Treasury.

15. The Recipient shall:

- a. Promptly provide to Treasury and the Treasury Inspector General a copy of any Department of Transportation Inspector General report, audit report, or report of any other oversight body, that is received by the Recipient relating to this Agreement.
- b. Immediately notify Treasury and the Treasury Inspector General of any indication of fraud, waste, abuse, or potentially criminal activity pertaining to the Payroll Support.
- c. Promptly provide Treasury with any information Treasury may request relating to compliance by the Recipient and its Affiliates with this Agreement.

16. The Recipient and Affiliates will provide Treasury, the Treasury Inspector General, and such other entities as authorized by Treasury timely and unrestricted access to all documents, papers, or other records, including electronic records, of the Recipient related to the Payroll Support, to enable Treasury and the Treasury Inspector General to make audits, examinations, and otherwise evaluate the Recipient's compliance with the terms of this Agreement. This right also includes timely and reasonable access to the Recipient's and its Affiliates' personnel for the purpose of interview and discussion related to such documents. This right of access shall continue as long as records are required to be retained. In addition, the Recipient will provide timely reports as reasonably required by Treasury, the Treasury Inspector General, and such other entities as authorized by Treasury to comply with applicable law and to assess program effectiveness.

#### Recordkeeping and Internal Controls

17. If the Recipient is a debtor as defined under 11 U.S.C. § 101(13), the Payroll Support funds, any claim or account receivable arising under this Agreement, and any segregated account holding funds received under this Agreement shall not constitute or become property of the estate under 11 U.S.C. § 541.

18. The Recipient shall expend and account for Payroll Support funds in a manner sufficient to:

- a. Permit the preparation of accurate, current, and complete quarterly reports as required under this Agreement.
- b. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used as required under this Agreement.

19. The Recipient shall establish and maintain effective internal controls over the Payroll Support; comply with all requirements related to the Payroll Support established under applicable Federal statutes and regulations; monitor compliance with Federal statutes, regulations, and the terms and conditions of this Agreement; and take prompt corrective

actions in accordance with audit recommendations. The Recipient shall promptly remedy any identified instances of noncompliance with this Agreement.

20. The Recipient and Affiliates shall retain all records pertinent to the receipt of Payroll Support and compliance with the terms and conditions of this Agreement (including by suspending any automatic deletion functions for electronic records, including e-mails) for a period of three years following the period of performance. Such records shall include all information necessary to substantiate factual representations made in the supporting documents submitted by the Recipient related to the Payroll Support, including ledgers and sub-ledgers, and the Recipient's and Affiliates' compliance with this Agreement. While electronic storage of records (backed up as appropriate) is preferable, the Recipient and Affiliates may store records in hardcopy (paper) format. The term "records" includes all relevant financial and accounting records and all supporting documentation for the information reported on the Recipient's quarterly reports.
21. If any litigation, claim, investigation, or audit relating to the Payroll Support is started before the expiration of the three-year period, the Recipient and Affiliates shall retain all records described in paragraph 20 until all such litigation, claims, investigations, or audit findings have been completely resolved and final judgment entered or final action taken.

### Remedies

22. If Treasury believes that an instance of noncompliance by the Recipient or an Affiliate with (a) this Agreement, (b) section 7301 of the ARP, or (c) the Internal Revenue Code of 1986 as it applies to the receipt of Payroll Support has occurred, Treasury may notify the Recipient in writing of its proposed determination of noncompliance, provide an explanation of the nature of the noncompliance, and specify a proposed remedy. Upon receipt of such notice, the Recipient shall, within seven days, accept Treasury's proposed remedy, propose an alternative remedy, or provide information and documentation contesting Treasury's proposed determination. Treasury shall consider any such submission by the Recipient and make a final written determination, which will state Treasury's findings regarding noncompliance and the remedy to be imposed.
23. If Treasury makes a final determination under paragraph 22 that an instance of noncompliance has occurred, Treasury may, in its sole discretion, withhold any Additional Payroll Support Payments; require the repayment of the amount of any previously disbursed Payroll Support, with appropriate interest; require additional reporting or monitoring; initiate suspension or debarment proceedings as authorized under 2 CFR Part 180; terminate this Agreement; or take any such other action as Treasury, in its sole discretion, deems appropriate.
24. Treasury may make a final determination regarding noncompliance without regard to paragraph 22 if Treasury determines, in its sole discretion, that such determination is necessary to protect a material interest of the Federal Government. In such event, Treasury shall notify the Recipient of the remedy that Treasury, in its sole discretion, shall impose, after which the Recipient may contest Treasury's final determination or propose an

alternative remedy in writing to Treasury. Following the receipt of such a submission by the Recipient, Treasury may, in its sole discretion, maintain or alter its final determination.

25. Any final determination of noncompliance and any final determination to take any remedial action described herein shall not be subject to further review. To the extent permitted by law, the Recipient waives any right to judicial review of any such determinations and further agrees not to assert in any court any claim arising from or relating to any such determination or remedial action.
26. Instead of, or in addition to, the remedies listed above, Treasury may refer any noncompliance or any allegations of fraud, waste, or abuse to the Treasury Inspector General.
27. Treasury, in its sole discretion, may grant any request by the Recipient for termination of this Agreement, which such request shall be in writing and shall include the reasons for such termination, the proposed effective date of the termination, and the amount of any unused Payroll Support funds the Recipient requests to return to Treasury. Treasury may, in its sole discretion, determine the extent to which the requirements under this Agreement may cease to apply following any such termination.
28. If Treasury determines that any remaining portion of the Payroll Support will not accomplish the purpose of this Agreement, Treasury may terminate this Agreement in its entirety to the extent permitted by law.

#### Debts

29. Any Payroll Support in excess of the amount which Treasury determines, at any time, the Recipient is authorized to receive or retain under the terms of this Agreement constitutes a debt to the Federal Government.
30. Any debts determined to be owed by the Recipient to the Federal Government shall be paid promptly by the Recipient. A debt is delinquent if it has not been paid by the date specified in Treasury's initial written demand for payment, unless other satisfactory arrangements have been made. Interest, penalties, and administrative charges shall be charged on delinquent debts in accordance with 31 U.S.C. § 3717, 31 CFR 901.9, and paragraphs 31 and 32. Treasury will refer any debt that is more than 180 days delinquent to Treasury's Bureau of the Fiscal Service for debt collection services.
31. Penalties on any debts shall accrue at a rate of not more than 6 percent per year or such other higher rate as authorized by law.
32. Administrative charges relating to the costs of processing and handling a delinquent debt shall be determined by Treasury.
33. The Recipient shall not use funds from other federally sponsored programs to pay a debt to the government arising under this Agreement.



### Protections for Whistleblowers

34. In addition to other applicable whistleblower protections, in accordance with 41 U.S.C. § 4712, the Recipient shall not discharge, demote, or otherwise discriminate against an Employee as a reprisal for disclosing information to a Person listed below that the Employee reasonably believes is evidence of gross mismanagement of a Federal contract or grant, a gross waste of Federal funds, an abuse of authority relating to a Federal contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a Federal contract (including the competition for or negotiation of a contract) or grant:
- a. A Member of Congress or a representative of a committee of Congress;
  - b. An Inspector General;
  - c. The Government Accountability Office;
  - d. A Treasury employee responsible for contract or grant oversight or management;
  - e. An authorized official of the Department of Justice or other law enforcement agency;
  - f. A court or grand jury; or
  - g. A management official or other Employee of the Recipient who has the responsibility to investigate, discover, or address misconduct.

### Lobbying

35. The Recipient shall comply with the provisions of 31 U.S.C. § 1352, as amended, and with the regulations at 31 CFR Part 21.

### Non-Discrimination

36. The Recipient shall comply with, and hereby assures that it will comply with, all applicable Federal statutes and regulations relating to nondiscrimination including:
- a. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*), including Treasury's implementing regulations at 31 CFR Part 22;
  - b. Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794);
  - c. The Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101–6107), including Treasury's implementing regulations at 31 CFR Part 23 and the general age discrimination regulations at 45 CFR Part 90; and
  - d. The Air Carrier Access Act of 1986 (49 U.S.C. § 41705).

### Additional Reporting

37. Within seven days after the date of this Agreement, the Recipient shall register in SAM.gov, and thereafter maintain the currency of the information in SAM.gov until at least January 1, 2023. The Recipient shall review and update such information at least annually after the initial registration, and more frequently if required by changes in the Recipient's information. The Recipient agrees that this Agreement and information related thereto, including the Maximum Awardable Amount and any executive total compensation reported pursuant to paragraph 38, may be made available to the public through a U.S. Government website, including SAM.gov.
38. For purposes of paragraph 37, the Recipient shall report total compensation as defined in paragraph e.6 of the award term in 2 CFR part 170, App. A for each of the Recipient's five most highly compensated executives for the preceding completed fiscal year, if:
- a. the total Payroll Support is \$25,000 or more;
  - b. in the preceding fiscal year, the Recipient received:
    - i. 80 percent or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance, as defined at 2 CFR 170.320 (and subawards); and
    - ii. \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance, as defined at 2 CFR 170.320 (and subawards); and
  - c. the public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. To determine if the public has access to the compensation information, the Recipient shall refer to U.S. Securities and Exchange Commission total compensation filings at <http://www.sec.gov/answers/excomp.htm>.
39. The Recipient shall report executive total compensation described in paragraph 38:
- a. as part of its registration profile at <https://www.sam.gov>; and
  - b. within five business days after the end of each month following the month in which this Agreement becomes effective, and annually thereafter.
40. The Recipient agrees that, from time to time, it will, at its own expense, promptly upon reasonable request by Treasury, execute and deliver, or cause to be executed and delivered, or use its commercially reasonable efforts to procure, all instruments, documents and information, all in form and substance reasonably satisfactory to Treasury, to enable Treasury to ensure compliance with, or effect the purposes of, this Agreement, which may include,

among other documents or information, (a) certain audited financial statements of the Recipient, (b) documentation regarding the Recipient's revenues derived from its business as a passenger air carrier or regarding the passenger air carriers for which the Recipient provides services as a contractor (as the case may be), and (c) the Recipient's most recent quarterly Federal tax returns. The Recipient agrees to provide Treasury with such documents or information promptly.

41. If the total value of the Recipient's currently active grants, cooperative agreements, and procurement contracts from all Federal awarding agencies exceeds \$10,000,000 for any period before termination of this Agreement, then the Recipient shall make such reports as required by 2 CFR part 200, Appendix XII.

Other

42. [Reserved]
43. Notwithstanding any other provision of this Agreement, the Recipient has no right to, and shall not, transfer, pledge, mortgage, encumber, or otherwise assign this Agreement or any Payroll Support provided under this Agreement, or any interest therein, or any claim, account receivable, or funds arising thereunder or accounts holding Payroll Support, to any party, bank, trust company, or other Person without the express written approval of Treasury.
44. The Signatory Entity will cause its Affiliates to comply with all of their obligations under or relating to this Agreement.
45. Unless otherwise provided in guidance issued by Treasury or the Internal Revenue Service, the form of any Taxpayer Protection Instrument held by Treasury and any subsequent holder will be treated as such form for purposes of the Internal Revenue Code of 1986 (for example, a Taxpayer Protection Instrument in the form of a note will be treated as indebtedness for purposes of the Internal Revenue Code of 1986).
46. This Agreement may not be amended or modified except pursuant to an agreement in writing entered into by the Recipient and Treasury, except that Treasury may unilaterally amend this Agreement if required in order to comply with applicable Federal law or regulation.
47. Subject to applicable law, Treasury may, in its sole discretion, waive any term or condition under this Agreement imposing a requirement on the Recipient or any Affiliate.
48. This Agreement shall bind and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, and assigns.
49. The Recipient represents and warrants to Treasury that this Agreement, and the issuance and delivery to Treasury of the Taxpayer Protection Instruments, if applicable, have been duly authorized by all requisite corporate and, if required, stockholder action, and will not result in the violation by the Recipient of any provision of law, statute, or regulation, or of the articles of incorporation or other constitutive documents or bylaws of the Recipient, or breach or constitute an event of default under any material contract to which the Recipient is a party.

50. The Recipient represents and warrants to Treasury that this Agreement has been duly executed and delivered by the Recipient and constitutes a legal, valid, and binding obligation of the Recipient enforceable against the Recipient in accordance with its terms.
51. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute a single contract.
52. The words “execution,” “signed,” “signature,” and words of like import in any assignment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. Notwithstanding anything herein to the contrary, delivery of an executed counterpart of a signature page of this Agreement by electronic means, or confirmation of the execution of this Agreement on behalf of a party by an email from an authorized signatory of such party, shall be effective as delivery of a manually executed counterpart of this Agreement.
53. The captions and paragraph headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.
54. This Agreement is governed by and shall be construed in accordance with Federal law. Insofar as there may be no applicable Federal law, this Agreement shall be construed in accordance with the laws of the State of New York, without regard to any rule of conflicts of law (other than section 5-1401 of the New York General Obligations Law) that would result in the application of the substantive law of any jurisdiction other than the State of New York.
55. Nothing in this Agreement shall require any unlawful action or inaction by either party.
56. The requirement pertaining to trafficking in persons at 2 CFR 175.15(b) is incorporated herein and made applicable to the Recipient.
57. This Agreement, together with the attachments hereto, including the Payroll Support Program 3 Certification and any attached terms regarding Taxpayer Protection Instruments, constitute the entire agreement of the parties relating to the subject matter hereof and supersede any previous agreements and understandings, oral or written, relating to the subject matter hereof. There may exist other agreements between the parties as to other matters, which are not affected by this Agreement and are not included within this integration clause.
58. No failure by either party to insist upon the strict performance of any provision of this Agreement or to exercise any right or remedy hereunder, and no acceptance of full or partial Payroll Support (if applicable) or other performance by either party during the continuance of any such breach, shall constitute a waiver of any such breach of such provision.

**ATTACHMENT**

Payroll Support Program 3 Certification of Corporate Officer of Recipient

## **PAYROLL SUPPORT PROGRAM 3**

### **CERTIFICATION OF CORPORATE OFFICER OF RECIPIENT**

In connection with the Payroll Support Program 3 Agreement (Agreement) between American Airlines, Inc. and the Department of the Treasury (Treasury) relating to Payroll Support being provided by Treasury to the Recipient under section 7301 of the American Rescue Plan Act of 2021, I hereby certify under penalty of perjury to the Treasury that all of the following are true and correct. Capitalized terms used but not defined herein have the meanings set forth in the Agreement.

(1) I have the authority to make the following representations on behalf of myself and the Recipient. I understand that these representations will be relied upon as material in the decision by Treasury to provide Payroll Support to the Recipient.

(2) The information, certifications, attachments, and other information provided by the Recipient to Treasury related to the Payroll Support are true and correct and do not contain any materially false, fictitious, or fraudulent statement, nor any concealment or omission of any material fact.

(3) The Recipient has the legal authority to apply for the Payroll Support, and it has the institutional, managerial, and financial capability to comply with all obligations, terms, and conditions set forth in the Agreement and any attachment thereto.

(4) The Recipient and any Affiliate will give Treasury, Treasury's designee or the Treasury Office of Inspector General (as applicable) access to, and opportunity to examine, all documents, papers, or other records of the Recipient or Affiliate pertinent to the provision of Payroll Support made by Treasury to the Recipient, in order to make audits, examinations, excerpts, and transcripts.

(5) No Federal appropriated funds, including Payroll Support, have been paid or will be paid, by or on behalf of the Recipient, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(6) If the Payroll Support exceeds \$100,000, the Recipient shall comply with the disclosure requirements in 31 CFR Part 21 regarding any amounts paid for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the Payroll Support.

**I acknowledge that a materially false, fictitious, or fraudulent statement (or concealment or omission of a material fact) in this certification may be the subject of criminal prosecution and also may subject me and the Recipient to civil penalties and/or administrative remedies for false claims or otherwise.**

/s/ Meghan B. Montana

Corporate Officer of Signatory Entity

Name: Meghan B. Montana

Title: Vice President and Treasurer

Date: April 23, 2021

/s/ Derek J. Kerr

Second Authorized Representative

Name: Derek J. Kerr

Title: Executive Vice President and Chief Financial Officer

Date: April 23, 2021

[Signature Page – Payroll Support Program 3 Certification]

**PROMISSORY NOTE**

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

Reference is made to that certain Payroll Support Program 3 Agreement ("PSP3 Agreement") dated as of the date hereof by and among American Airlines, Inc., a Delaware corporation ("AA"), having an office at 1 Skyview Drive, Fort Worth, TX 76155, and the United States Department of the Treasury ("Treasury"), having an office at 1500 Pennsylvania Avenue, NW, Washington, D.C. 20220, entered into by AA and Treasury pursuant to the American Rescue Plan Act of 2021 (March 11, 2021) ("PSP3 Extension Law").

WHEREAS, American Airlines Group Inc., a Delaware corporation ("Issuer"), has requested that Treasury provide financial assistance to the Issuer and certain of its Affiliates (as defined below) that are Recipients (as defined in the PSP3 Agreement) that shall be used for the continuation of payment of employee wages, salaries, and benefits as is permissible under Section 7301(b)(1) of the PSP3 Extension Law.

WHEREAS, as appropriate compensation to the Federal Government of the United States of America for the provision of financial assistance under the PSP3 Agreement, Issuer has agreed to issue this Promissory Note ("Note") to Treasury on the terms and conditions set forth herein.

FOR VALUE RECEIVED, Issuer unconditionally promises to pay to the Holder (as defined below) the principal sum of FOUR HUNDRED SIXTY-SIX MILLION, SIX HUNDRED THIRTY THOUSAND, ONE HUNDRED NINETEEN AND NINETY-EIGHT CENTS (\$466,630,119.98), subject to increases and/or decreases made pursuant to Section 2.1, as permissible under the PSP3 Agreement, or Section 2.3, in each case as noted by the Holder in Schedule I (the "Principal Amount"), outstanding hereunder, together with all accrued interest thereon on the Maturity Date (as defined below) as provided in this Note. Notations made by the Holder in Schedule I shall be final and conclusive absent manifest error; provided, however, that any failure by the Holder to make such notations or any error by omission by the Holder in this regard shall not affect the obligation of the Issuer to pay the full amount of the principal of and interest on the Note or any other amount owing hereunder.

**1 DEFINITIONS**

1.1 Defined Terms. As used in this Note, capitalized terms have the meanings specified in Annex A.

1.2 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." The word "or" is not exclusive. The word "year" shall refer (i) in the case of a leap year, to a year of three hundred sixty-six (366) days, and (ii) otherwise, to a year of three hundred sixty-five (365) days. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Note in its entirety and not to any particular provision hereof, (d) all references herein to Sections, Annexes and Schedules shall be construed to refer to Sections of, and Annexes and Schedules to, this Note, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

1.3 Accounting Terms. All accounting terms not otherwise defined herein shall be construed in conformity with GAAP, as in effect from time to time.



## 2 **NOTE**

2.1 **Principal Amount.** Upon any disbursement to the Issuer under the PSP3 Agreement after the Closing Date, the Principal Amount of this Note shall be increased in an amount equal to 30 % of any such disbursement; provided, however, that no increases in the Principal Amount of this Note shall occur pursuant to this Section until the aggregate principal amount of any disbursements to the Issuer under the PSP3 Agreement is greater than \$100,000,000.

2.2 **Maturity Date.** The aggregate unpaid principal amount of the Note, all accrued and unpaid interest, and all other amounts payable under this Note shall be due and payable on the Maturity Date, unless otherwise provided in Section 5.1.

### 2.3 **Prepayments.**

(a) **Optional Prepayments.** The Issuer may, upon written notice to the Holder, at any time and from time to time prepay the Note in whole or in part without premium or penalty in a minimum aggregate principal amount equal to the lesser of \$5,000,000 and the Principal Amount outstanding.

(b) **Mandatory Prepayments.** If a Change of Control occurs, within thirty (30) days following the occurrence of such Change of Control, the Issuer shall prepay the aggregate principal amount outstanding under the Note and any accrued interest or other amounts owing under the Note. The Issuer will not, and will not permit any Subsidiary to, enter into any Contractual Obligation (other than this Note) that, directly or indirectly, restricts the ability of the Issuer or any Subsidiary to make such prepayment hereunder.

### 2.4 **Interest.**

(a) **Interest Rate.** Subject to paragraph (b) of this Section, the Note shall bear interest on the Principal Amount outstanding from time to time at a rate per annum equal to 1.00% until the fifth anniversary of the Closing Date, and the Applicable SOFR Rate plus 2.00% thereafter until the Maturity Date. All interest hereunder shall be computed on the basis of the actual number of days in each interest period and a year of 365 or 366 days, as applicable, until the fifth anniversary of the Closing Date and computed in a manner determined by the Holder thereafter, based on prevailing customary market conventions for the use of the Applicable SOFR Rate in floating-rate debt instruments at the time of the announcement of the Applicable SOFR Rate. Each interest period will be from, and including, the Closing Date, or from and including the most recent interest payment date to which interest has been paid or provided for, to, but excluding the next interest payment date.

(b) **Default Interest.** If any amount payable by the Issuer or any Guarantor under this Note (including principal of the Note, interest, fees or other amount) is not paid when due, whether at stated maturity, upon acceleration or otherwise, such amount shall thereafter bear interest at a rate per annum equal to the applicable Default Rate. While any Event of Default exists, the Issuer or any Guarantor shall pay interest on the principal amount of the Note outstanding hereunder at a rate per annum equal to the applicable Default Rate.

(c) **Payment Dates.** Accrued interest on the Note shall be payable in arrears on the last Business Day of March and September of each year, beginning with September 30, 2021, and on the Maturity Date and at such other times as may be specified herein; provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand and (ii) in the event of any repayment or prepayment of the Note, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) **SOFR Fallback.** If, at any time, the Holder or its designee determines that a Benchmark Transition Event has occurred with respect to the Applicable SOFR Rate or SOFR, or any successor rate, the Holder or its designee will designate a Benchmark Replacement and, as applicable, make Benchmark Conforming Changes in a manner consistent with the methodology set forth in the ARRC Fallback Provisions. Any determination, decision or election that may be made by the Holder or its designee pursuant to this Section 2.4(d), and any decision to take or refrain from taking any action or making any determination, decision or election arising out of or relating to this Section 2.4(d), shall be conclusive and binding absent manifest error, may be made by the Holder or its designee in its sole discretion, and, notwithstanding anything to the contrary in this Note, shall become effective without the consent of the Issuer, any Guarantor or any other party. Any terms used in this Section 2.4(d) but not defined in this Note shall be construed in a manner consistent with the ARRC Fallback Provisions.

### 2.5 **Payments Generally.**

(a) **Payments by Issuer.** All payments to be made by the Issuer hereunder shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, (i) for so long as Treasury is the Holder of this Note, each payment under this Note shall be paid in immediately available

funds by electronic funds transfer to the account of the United States Treasury maintained at the Federal Reserve Bank of New York specified by Treasury in a written notice to the Issuer, or to such other account as may be specified from time to time by Treasury in a written notice to the Issuer, or (ii) in the event that Treasury is not the Holder of this Note, then each payment under this Note shall be made in immediately available funds by electronic funds transfer to such account as shall be specified by the Holder in a written notice to the Issuer, in each case not later than 12:00 noon (Washington, D.C. time) on the date specified herein. All amounts received by the Holder after such time on any date shall be deemed to have been received on the next succeeding Business Day and any applicable interest or fees shall continue to accrue. If any payment to be made by the Issuer shall fall due on a day that is not a Business Day, payment shall be made on the next succeeding Business Day and such extension of time shall be reflected in computing interest or fees, as the case may be; provided that, if such next succeeding Business Day would fall after the Maturity Date, payment shall be made on the immediately preceding Business Day. Except as otherwise expressly provided herein, all payments hereunder shall be made in Dollars.

(b) Application of Insufficient Payments. If at any time insufficient funds are received by and available to the Holder to pay fully all amounts of principal, interest, fees and other amounts then due hereunder, such funds shall be applied (i) first, to pay interest, fees and other amounts then due hereunder, and (ii) second, to pay principal then due hereunder.

### 3 REPRESENTATIONS AND WARRANTIES

The Issuer and each Guarantor represents and warrants to the Holder on the Closing Date and is deemed to represent and warrant to the Holder on any date on which the amount of the Note is increased pursuant to the terms hereof and in accordance with the PSP3 Agreement that:

3.1 Existence, Qualification and Power. The Issuer, each Guarantor and each Subsidiary (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Note, and (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, except, in each case referred to in clause (a) (other than with respect to the Issuer and each Guarantor), (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

3.2 Authorization; No Contravention. The execution, delivery and performance by the Issuer and each Guarantor of the Note have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of its Organizational Documents, (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any material Contractual Obligation to which the Issuer or any Guarantor is a party or affecting the Issuer or any Guarantor or the material properties of the Issuer, any Guarantor or any Subsidiary or (ii) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which the Issuer, the Guarantor or any Subsidiary or its property is subject or (c) violate any Law, except to the extent that such violation could not reasonably be expected to have a Material Adverse Effect.

3.3 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Issuer or any Guarantor of this Note, except for such approvals, consents, exemptions, authorizations, actions or notices that have been duly obtained, taken or made and in full force and effect.

3.4 Execution and Delivery; Binding Effect. This Note has been duly executed and delivered by the Issuer and each Guarantor. This Note constitutes a legal, valid and binding obligation of the Issuer and each Guarantor, enforceable against the Issuer and each Guarantor in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other Laws affecting creditors' rights generally and by general principles of equity.

### 4 COVENANTS

Until all Obligations shall have been paid in full or until any later date as provided for in this Note, the Issuer covenants and agrees with the Holder that:

4.1 Notices. The Issuer will promptly notify the Holder of the occurrence of any Default.

4.2 **Guarantors.** The Guarantors listed on the signature page to this Note hereby Guarantee the Guaranteed Obligations as set forth in Annex B. If any Subsidiary (other than an Excluded Subsidiary) is formed or acquired after the Closing Date or if any Subsidiary ceases to be an Excluded Subsidiary, then the Issuer will cause such Subsidiary to become a Guarantor of this Note within 30 days of such Subsidiary being formed or acquired or of such Subsidiary ceasing to be an Excluded Subsidiary pursuant to customary documentation reasonably acceptable to the Holder and on the terms and conditions set forth in Annex B.

4.3 **Pari Passu Ranking.** The Obligations of the Issuer and any Guaranteed Obligations of any Guarantor under this Note shall be unsecured obligations of the Issuer and any Guarantor ranking *pari passu* with all existing and future senior unsecured Indebtedness of the Issuer or any Guarantor that is not subordinated in right of payment to the holder or lender of such Indebtedness.

## 5 **EVENTS OF DEFAULT**

5.1 **Events of Default.** If any of the following events (each, an “**Event of Default**”) shall occur:

- (a) the Issuer shall fail to pay any principal of the Note when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;
- (b) the Issuer shall fail to pay any interest on the Note, or any fee or any other amount (other than an amount referred to in clause (a) of this Section) payable under this Note, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of two (2) or more Business Days;
- (c) any representation or warranty made or deemed made by or on behalf of the Issuer or any Guarantor, including those made prior to the Closing Date, in or in connection with this Note or any amendment or modification hereof, or any waiver hereunder, or in the PSP3 Agreement, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Note, the PSP3 Agreement or the PSP3 Application or any amendment or modification hereof or thereof, or any waiver hereunder or thereunder, shall prove to have been incorrect in any material respect (or, in the case of any such representation or warranty under this Note already qualified by materiality, such representation or warranty shall prove to have been incorrect) when made or deemed made;
- (d) the Issuer shall fail to observe or perform any covenant, condition or agreement contained in Section 4.1;
- (e) the Issuer or any Guarantor shall fail to observe or perform any covenant, condition or agreement contained in this Note (other than those specified in clause (a), (b) or (d) of this Section) and such failure shall continue unremedied for a period of 30 or more days after notice thereof by the Holder to the Issuer;
- (f) (i) the Issuer or any Guarantor shall default in the performance of any obligation relating to any Indebtedness (other than Indebtedness under the Note) having an aggregate principal amount equal to or greater than \$260,000,000.00 (“**Material Indebtedness**”) and any applicable grace periods shall have expired and any applicable notice requirements shall have been complied with, and as a result of such default the holder or holders of such Material Indebtedness or any trustee or agent on behalf of such holder or holders shall have caused such Material Indebtedness to become due prior to its scheduled final maturity date or (ii) the Issuer or any Guarantor shall default in the payment of the outstanding principal amount due on the scheduled final maturity date of any Indebtedness outstanding under one or more agreements of the Issuer or any Guarantor, any applicable grace periods shall have expired and any applicable notice requirements shall have been complied with and such failure to make payment when due shall be continuing for a period of more than five (5) consecutive Business Days following the applicable scheduled final maturity date or the applicable grace period thereunder, in an aggregate principal amount at any single time unpaid exceeding \$260,000,000.00;
- (g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Issuer, any Guarantor or any Subsidiary or its debts, or of a substantial part of its assets, under any Debtor Relief Law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or any of its Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for a period of 60 or more days or an order or decree approving or ordering any of the foregoing shall be entered;
- (h) the Issuer, any Guarantor or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Debtor Relief Law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Section, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer, any Guarantor or any Subsidiary or for a substantial part of

its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding or (v) make a general assignment for the benefit of creditors;

- (i) the Issuer, any Guarantor or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;
- (j) there is entered against the Issuer, any Guarantor or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount (as to all such judgments and orders) exceeding an amount equal to or greater than \$260,000,000.00 (to the extent not covered by independent third-party insurance as to which the insurer has been notified of such judgment or order and has not denied or failed to acknowledge coverage), or (ii) a non-monetary final judgment or order that, either individually or in the aggregate, has or could reasonably be expected to have a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or
- (k) any material provision of the Note, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all Obligations, ceases to be in full force and effect; or the Issuer, any Guarantor or any other Person contests in writing the validity or enforceability of any provision of the Note; or the Issuer or any Guarantor denies in writing that it has any or further liability or obligation under the Note, or purports in writing to revoke, terminate or rescind the Note;

then, and in every such event (other than an event with respect to the Issuer or any Guarantor described in clause (g) or (h) of this Section), and at any time thereafter during the continuance of such event, the Holder may, by notice to the Issuer, take any or all of the following actions, at the same or different times:

- (i) declare any amounts then outstanding under the Note to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Note so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of the Issuer accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Issuer and any Guarantor; and
- (ii) exercise on all rights and remedies available to it under the Note and Applicable Law;

provided that, in case of any event with respect to the Issuer or any Guarantor described in clause (g) or (h) of this Section, the principal of the Note then outstanding, together with accrued interest thereon and all fees and other Obligations accrued hereunder, shall automatically become due and payable, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Issuer and any Guarantor.

## 6 MISCELLANEOUS

### 6.1 Notices.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by email as follows:

- (i) if to the Issuer or any Guarantor, to 1 Skyview Drive, Fort Worth, Texas, 76155, Attention of Meghan B. Montana, Treasurer (Telephone No. ###; Email: ##);
- (ii) if to the Holder, to the Department of the Treasury at 1500 Pennsylvania Avenue, NW, Washington, D.C. 20220, Attention of Assistant General Counsel (Banking and Finance) (Telephone No. ###; Email: ##); and

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices delivered through electronic communications, to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Holder hereunder may be delivered or furnished by electronic communication (including e-mail, FpML, and Internet or intranet websites) pursuant to procedures approved by the Holder. The Holder, the Issuer or any Guarantor may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Holder otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day.

#### 6.2 Waivers; Amendments.

(a) No Waiver; Remedies Cumulative; Enforcement. No failure or delay by the Holder in exercising any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege, or any abandonment or discontinuance of steps to enforce such a right remedy, power or privilege, preclude any other or further exercise thereof or the exercise of any other right remedy, power or privilege. The rights, remedies, powers and privileges of the Holder hereunder and under the Note are cumulative and are not exclusive of any rights, remedies, powers or privileges that any such Person would otherwise have.

(b) Amendments, Etc. Except as otherwise expressly set forth in this Note, no amendment or waiver of any provision of this Note, and no consent to any departure by the Issuer therefrom, shall be effective unless in writing executed by the Issuer and the Holder, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

#### 6.3 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Issuer shall pay (i) all reasonable out-of-pocket expenses incurred by the Holder (including the reasonable fees, charges and disbursements of any counsel for the Holder) in connection with the preparation, negotiation, execution, delivery and administration of this Note and the PSP3 Agreement, any other agreements or documents executed in connection herewith or therewith, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Holder (including the fees, charges and disbursements of any counsel for the Holder), in connection with the enforcement or protection of its rights in connection with this Note and the PSP3 Agreement, any other agreements or documents executed in connection herewith or therewith, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including all such out-of-pocket expenses incurred during any workout, restructuring, negotiations or enforcement in respect of such Note, PSP3 Agreement and other agreements or documents executed in connection herewith or therewith.

(b) Indemnification by the Issuer. The Issuer shall indemnify the Holder and each of its Related Parties (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, obligations, penalties, fines, settlements, judgments, disbursements and related costs and expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Issuer) arising out of, in connection with, or as a result of (i) the execution or delivery of this Note or any agreement or instrument contemplated hereby, the performance by the Issuer or any Guarantor of its obligations hereunder or the consummation of the transactions contemplated hereby, (ii) the Note or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Issuer or any Guarantor, and regardless of whether any Indemnitee is a party thereto.

(c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, the Issuer and any Guarantor shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Note or any agreement or instrument contemplated hereby, the transactions contemplated hereby, or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Note or the transactions contemplated hereby.

- (d) Payments. All amounts due under this Section shall be payable not later than five (5) days after demand therefor.
- (e) Survival. Each party's obligations under this Section shall survive the termination of the Note and payment of the obligations hereunder.
- 6.4 Successors and Assigns. Neither the Issuer nor any Guarantor may assign or transfer this Note or any of its rights or obligations hereunder and any purported assignment or transfer in violation of this Note shall be void. Holder may assign or participate a portion or all of its rights under this Note at any time in compliance with all Applicable Laws. This Note shall inure to the benefit of and be binding upon Issuer, any Guarantor and Holder and their permitted successors and assigns. Any Holder that assigns, or sells participations in, any portion of the Note will take such actions as are necessary for the Note and such portion to be in "registered form" (within the meaning of Treasury Regulations Section 5f.103-1).
- 6.5 Counterparts; Integration; Effectiveness. This Note and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single contract. This Note constitutes the entire contract between Issuer, any Guarantor and the Holder with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Notwithstanding anything herein to the contrary, delivery of an executed counterpart of a signature page of this Note by electronic means shall be effective as delivery of a manually executed counterpart of this Note.
- 6.6 Severability. If any term or provision of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such term or provision in any other jurisdiction.
- 6.7 Right of Setoff. If an Event of Default shall have occurred and be continuing, the Holder is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held, and other obligations (in whatever currency) at any time owing, by the Holder, to or for the credit or the account of the Issuer against any and all of the due and unpaid Obligations of the Issuer now or hereafter existing under this Note to the Holder, irrespective of whether or not the Holder shall have made any demand under this Note. The rights of the Holder under this Section are in addition to other rights and remedies (including other rights of setoff) that the Holder may have. The Holder agrees to notify the Issuer promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.
- 6.8 Governing Law; Jurisdiction; Etc. This Note will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the Issuer, any Guarantor and the Holder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Note or the transactions contemplated hereby, and (b) that notice may be served upon the Issuer, any Guarantor or the Holder at the applicable address in Section 6.1 hereof (or upon any Holder that is not Treasury at an address provided by such Holder to Issuer in writing). To the extent permitted by Applicable Law, each of the Issuer, any Guarantor and the Holder hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to the Note or the transactions contemplated hereby.
- 6.9 Headings. Section headings used herein are for convenience of reference only, are not part of this Note and shall not affect the construction of, or be taken into consideration in interpreting, this Note.

IN WITNESS WHEREOF, the Issuer and each Guarantor have executed this Note as of the day and year written below.

AMERICAN AIRLINES GROUP INC.,  
as Issuer

By /s/ Meghan B. Montana  
Name: Meghan B. Montana  
Title: Vice President and Treasurer  
Date: April 23, 2021

AMERICAN AIRLINES, INC.,  
as Guarantor

By /s/ Meghan B. Montana  
Name: Meghan B. Montana  
Title: Vice President and Treasurer  
Date: April 23, 2021

ENVOY AIR INC.,  
as Guarantor

By /s/ Meghan B. Montana  
Name: Meghan B. Montana  
Title: Treasurer  
Date: April 23, 2021

PIEDMONT AIRLINES, INC.,  
as Guarantor

By /s/ Eric H. Morgan  
Name: Eric H. Morgan  
Title: Chief Executive Officer and  
President  
Date: April 23, 2021

PSA AIRLINES, INC.,  
as Guarantor

By /s/ Dion J. Flannery  
Name: Dion J. Flannery  
Title: President  
Date: April 23, 2021

## ANNEX A

### DEFINITIONS

“Affiliate” means any Person that directly or indirectly Controls, is Controlled by, or is under common Control with, the Issuer.

“Applicable Law” means, as to any Person, all applicable Laws binding upon such Person or to which such a Person is subject.

“Applicable SOFR Rate” means a rate of interest based on SOFR that shall be determined by the Holder and publicly announced by the Holder on or prior to the fifth anniversary of the Closing Date and shall, to the extent reasonably practicable, be based on customary market conventions as in effect at the time of such announcement. In no event will the Applicable SOFR Rate be less than 0.00% per annum.

“ARRC Fallback Provisions” means the Fallback Language for New Issuances of LIBOR Floating Rate Notes set forth in the ARRC Recommendations Regarding More Robust Fallback Language for New Issuances of LIBOR Floating Rate Notes, dated April 25, 2019.

“ASU” means the Accounting Standards Update 2016-02, Leases (Topic 842) by the Financial Accounting Standards Board issued on February 25, 2016.

“Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“Business Day” means any on which Treasury and the Federal Reserve Bank of New York are both open for business.

“Capitalized Lease Obligations” means, at the time any determination thereof is to be made, the amount of the liability in respect of a Capitalized Lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP; provided that all leases of such Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance of the ASU shall continue to be accounted for as operating leases for purposes of all financial definitions and calculations for purposes of this Note (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with the ASU (on a prospective or retroactive basis or otherwise) to be treated as capitalized lease obligations for other purposes.

“Capitalized Leases” means all leases that have been or should be, in accordance with GAAP as in effect on the Closing Date, recorded as capitalized leases; provided that for all purposes hereunder the amount of obligations under any Capitalized Lease shall be the amount thereof accounted for as a liability in accordance with GAAP; provided, further, that all leases of such Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance of the ASU shall continue to be accounted for as operating leases for purposes of all financial definitions and calculations for purposes of this Note (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with the ASU (on a prospective or retroactive basis or otherwise) to be treated as capitalized lease obligations for other purposes.

“Change of Control” means the occurrence of any of the following: (a) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, or if the Issuer is a Subsidiary of any Guarantor, such Guarantor (the “Parent Guarantor”) and its Subsidiaries, taken as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the Exchange Act)); or (b) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any “person” (as defined above)) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer or Parent Guarantor, as applicable, (measured by voting power rather than number of shares), other than (i) any such transaction where the Voting Stock of the Issuer or Parent Guarantor, as applicable, (measured by voting power rather than number of shares) outstanding immediately prior to such transaction constitutes or is converted into or exchanged for at least a majority of the outstanding shares of the Voting Stock of such Beneficial Owner (measured by voting power rather than number of shares), or (ii) any merger or consolidation



of the Issuer or Parent Guarantor, as applicable, with or into any Person (including any “person” (as defined above)) which owns or operates (directly or indirectly through a contractual arrangement) a Permitted Business (a “Permitted Person”) or a Subsidiary of a Permitted Person, in each case, if immediately after such transaction no Person (including any “person” (as defined above)) is the Beneficial Owner, directly or indirectly, of more than 50% of the total Voting Stock of such Permitted Person (measured by voting power rather than number of shares).

“Closing Date” means the date set forth on the Issuer’s and each Guarantor’s signature page to this Note.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings analogous thereto.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate (before as well as after judgment) equal to the interest rate on the Note plus 2.00% per annum.

“Disqualified Equity Interest” means any equity interest that, by its terms (or the terms of any security or other equity interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for equity interests that are not Disqualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of Control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of Control or asset sale event shall be subject to the prior repayment in full of the Note and all other Obligations that are accrued and payable), (b) is redeemable at the option of the holder thereof, in whole or in part, (c) provides for scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other equity interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is ninety-one days after the Maturity Date; provided that if such equity interests are issued pursuant to a plan for the benefit of employees of the Issuer or any Subsidiary or by any such plan to such employees, such equity interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee’s termination, death or disability.

“Dollar” and “\$” mean lawful money of the United States.

“Event of Default” has the meaning specified in Section 5.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Excluded Subsidiary” means any Subsidiary of the Issuer that is not an obligor in respect of any Material Indebtedness that is unsecured of the Issuer or any of its Subsidiaries, unless such Subsidiary is required to be an obligor under any agreement, instrument or other document relating to any Material Indebtedness that is unsecured of the Issuer or any of its Subsidiaries.

“GAAP” means United States generally accepted accounting principles as in effect as of the date of determination thereof. Notwithstanding any other provision contained herein, (a) all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under FASB Accounting Standards Codification 825-Financial Instruments, or any successor thereto (including pursuant to the FASB Accounting Standards Codification), to value any Indebtedness of any subsidiary at “fair value,” as defined therein and (b) the amount of any Indebtedness under GAAP with respect to Capitalized Lease Obligations shall be determined in accordance with the definition of Capitalized Lease Obligations.

“Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or

functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part) or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Guaranteed Obligations” has the meaning specified in Annex B.

“Guarantor” means each Guarantor listed on the signature page to this Note and any other Person that Guarantees this Note.

“Holder” means the United States Department of the Treasury or its designees or any other Person that shall have rights pursuant to an assignment hereunder.

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP: (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments; (b) all direct or contingent obligations of such Person arising under (i) letters of credit (including standby and commercial), bankers’ acceptances and bank guaranties and (ii) surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person; (c) net obligations of such Person under any swap contract; (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business); (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; (f) attributable indebtedness in respect of any Capitalized Lease Obligation and any synthetic lease obligation of any Person; (g) all obligations of such Person in respect of Disqualified Equity Interests; and (h) all Guarantees of such Person in respect of any of the foregoing. For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any swap contract on any date shall be deemed to be the swap termination value thereof as of such date. The amount of any Indebtedness of any Person for purposes of clause (e) that is expressly made non-recourse or limited-recourse (limited solely to the assets securing such Indebtedness) to such Person shall be deemed to be equal to the lesser of (i) the aggregate principal amount of such Indebtedness and (ii) the fair market value of the property encumbered thereby as determined by such Person in good faith.

“Indemnatee” has the meaning specified in Section 6.3(b).

“Issuer” has the meaning specified in the preamble to this Note.

“Laws” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lien” means any mortgage, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect on, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Issuer and its Subsidiaries taken as a whole; or (b) a material adverse effect on (i) the ability of the Issuer or any Guarantor to perform its Obligations, (ii) the legality, validity, binding effect or enforceability against the Issuer or any Guarantors of the Note or (iii) the rights, remedies and benefits available to, or conferred upon, the Holder under the Note.

“Material Indebtedness” has the meaning specified in Section 5.1(f).

“Maturity Date” means the date that is ten years after the Closing Date (except that, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day).

“Note” has the meaning specified in the preamble to this Note.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, the Issuer arising under or otherwise with respect to the Note, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Issuer or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding. Without limiting the foregoing, the Obligations include (a) the obligation to pay principal, interest, charges, expenses, fees, indemnities and other amounts payable by the Issuer under the Note and (b) the obligation of the Issuer to reimburse any amount in respect of any of the foregoing that the Holder, in each case in its sole discretion, may elect to pay or advance on behalf of the Issuer.

“Obligee Guarantor” has the meaning specified in Annex B.

“Organizational Documents” means (a) as to any corporation, the charter or certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction), (b) as to any limited liability company, the certificate or articles of formation or organization and operating or limited liability agreement and (c) as to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Permitted Business” means any business that is the same as, or reasonably related, ancillary, supportive or complementary to, the business in which the Issuer and its Subsidiaries are engaged on the date of this Note.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Principal Amount” has the meaning specified in the preamble to this Note.

“PSP3 Extension Law” has the meaning specified in the preamble to this Note.

“PSP3 Agreement” has the meaning specified in the preamble to this Note.

“PSP3 Application” means the application form and any related materials submitted by the Issuer to Treasury in connection with an application for financial assistance under Section 7301 of the PSP3 Extension Law.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the agents, advisors and representatives of such Person and of such Person’s Affiliates.

“SOFR” means the secured overnight financing rate published by the Federal Reserve Bank of New York, as administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York’s (or such successor’s) website.

“Subsidiary” of a Person means a corporation, partnership, limited liability company, association or joint venture or other business entity of which a majority of the equity interests having ordinary voting power for the election of

directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time owned or the management of which is Controlled, directly, or indirectly through one or more intermediaries, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Issuer.

“Treasury” has the meaning specified in the preamble to this Note.

“United States” and “U.S.” mean the United States of America.

“Voting Stock” of any specified Person as of any date means the equity interests of such Person that is at the time entitled to vote in the election of the board of directors of such Person.

## ANNEX B

### GUARANTEE

1. Guarantee of the Obligations. Each Guarantor jointly and severally hereby irrevocably and unconditionally guarantees to the Holder, the due and punctual payment in full of all Obligations (or such lesser amount as agreed by the Holder in its sole discretion) when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)) (collectively, the “Guaranteed Obligations”).
2. Payment by a Guarantor. Each Guarantor hereby jointly and severally agrees, in furtherance of the foregoing and not in limitation of any other right which the Holder may have at law or in equity against any Guarantor by virtue hereof, that upon the failure of the Issuer to pay any of the Guaranteed Obligations when and as the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), such Guarantor will upon demand pay, or cause to be paid, in cash, to the Holder an amount equal to the sum of the unpaid principal amount of all Guaranteed Obligations then due as aforesaid, accrued and unpaid interest on such Guaranteed Obligations (including interest which, but for the Issuer’s becoming the subject of a case under the Bankruptcy Code, would have accrued on such Guaranteed Obligations, whether or not a claim is allowed against the Issuer for such interest in the related bankruptcy case) and all other Guaranteed Obligations then owed to the Holder as aforesaid.
3. Liability of Guarantors Absolute. Each Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guaranteed Obligations. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees as follows:
  - (a) this Guarantee is a guarantee of payment when due and not of collectability;
  - (b) the Holder may enforce this Guarantee upon the occurrence of an Event of Default notwithstanding the existence of any dispute between the Issuer and the Holder with respect to the existence of such Event of Default;
  - (c) a separate action or actions may be brought and prosecuted against such Guarantor whether or not any action is brought against the Issuer or any other Guarantors and whether or not Issuer or such Guarantors are joined in any such action or actions;
  - (d) payment by any Guarantor of a portion, but not all, of the Guaranteed Obligations shall in no way limit, affect, modify or abridge any other Guarantor’s liability for any portion of the Guaranteed Obligations which has not been paid;
  - (e) the Holder, upon such terms as it deems appropriate, without notice or demand and without affecting the validity or enforceability hereof or giving rise to any reduction, limitation, impairment, discharge or termination of any Guarantor’s liability hereunder, from time to time may (i) renew, extend, accelerate, increase the rate of interest on, or otherwise change the time, place, manner or terms of payment of the Guaranteed Obligations; (ii) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guaranteed Obligations or subordinate the payment of the same to the payment of any other obligations; (iii) release, surrender, exchange, substitute, compromise, settle, rescind, waive, alter, subordinate or modify, with or without consideration, any security for payment of the Guaranteed Obligations, any other guarantees of the Guaranteed Obligations, or any other obligation of any Person (including any other Guarantor) with respect to the Guaranteed Obligations; and (iv) enforce its rights and remedies even though such action may operate to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against the Issuer or any security for the Guaranteed Obligations; and
  - (f) this Guarantee and the obligations of each Guarantor hereunder shall be valid and enforceable and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason (other than payment in full of the Guaranteed Obligations), including the occurrence of any of the following: (i) any failure, delay or omission to assert or enforce or agreement or election not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy with respect to the Guaranteed Obligations, or with respect to any security for the payment of the Guaranteed Obligations; (ii) any rescission, waiver, amendment or modification of, or any consent to departure from, any of the

terms or provisions hereof; (iii) the Guaranteed Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect; (iv) the Holder's consent to the change, reorganization or termination of the corporate structure or existence of the Issuer or any of its Subsidiaries and to any corresponding restructuring of the Guaranteed Obligations; (v) any defenses, set-offs or counterclaims which the Issuer or any Guarantor may allege or assert against the Holder in respect of the Guaranteed Obligations, including failure of consideration, lack of authority, validity or enforceability, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury; and (vi) any other event or circumstance that might in any manner vary the risk of any Guarantor as an obligor in respect of the Guaranteed Obligations.

4. Waivers by Guarantors. Each Guarantor hereby waives, for the benefit of the Holder: (a) any right to require the Holder, as a condition of payment or performance by such Guarantor, to (i) proceed against Issuer, any Guarantor or any other Person; (ii) proceed against or exhaust any security in favor of the Holder; or (iii) pursue any other remedy in the power of the Holder whatsoever or (b) presentment to, demand for payment from and protest to the Issuer or any Guarantor or notice of acceptance; and (c) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms hereof.

5. Guarantors' Rights of Subrogation, Contribution, etc. Until the Guaranteed Obligations shall have been paid in full, each Guarantor hereby waives any claim, right or remedy, direct or indirect, that such Guarantor now has or may hereafter have against the Issuer or any other Guarantor or any of its assets in connection with this Guarantee or the performance by such Guarantor of its obligations hereunder, including without limitation (a) any right of subrogation, reimbursement or indemnification that such Guarantor now has or may hereafter have against the Issuer with respect to the Guaranteed Obligations, (b) any right to enforce, or to participate in, any claim, right or remedy that the Holder now has or may hereafter have against the Issuer, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by the Holder. In addition, until the Guaranteed Obligations shall have been paid in full, each Guarantor shall withhold exercise of any right of contribution such Guarantor may have against any other guarantor (including any other Guarantor) of the Guaranteed Obligations. If any amount shall be paid to any Guarantor on account of any such subrogation, reimbursement, indemnification or contribution rights at any time when all Guaranteed Obligations shall not have been finally and paid in full, such amount shall be held in trust for the Holder and shall forthwith be paid over to the Holder to be credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms hereof.

6. Subordination. Any Indebtedness of the Issuer or any Guarantor now or hereafter held by any Guarantor (the "Obligee Guarantor") is hereby subordinated in right of payment to the Guaranteed Obligations, and any such indebtedness collected or received by the Obligee Guarantor after an Event of Default has occurred and is continuing shall be held in trust for the Holder and shall forthwith be paid over to the Holder to be credited and applied against the Guaranteed Obligations but without affecting, impairing or limiting in any manner the liability of the Obligee Guarantor under any other provision hereof.

7. Continuing Guarantee. This Guarantee is a continuing guarantee and shall remain in effect until all of the Guaranteed Obligations shall have been paid in full. Each Guarantor hereby irrevocably waives any right to revoke this Guarantee as to future transactions giving rise to any Guaranteed Obligations.

8. Financial Condition of the Issuer. The Note may be issued to the Issuer without notice to or authorization from any Guarantor regardless of the financial or other condition of the Issuer at the time of such grant. Each Guarantor has adequate means to obtain information from the Issuer on a continuing basis concerning the financial condition of the Issuer and its ability to perform its obligations under the Note, and each Guarantor assumes the responsibility for being and keeping informed of the financial condition of the Issuer and of all circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations.

9. Reinstatement. In the event that all or any portion of the Guaranteed Obligations are paid by the Issuer or any Guarantor, the obligations of any other Guarantor hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from the Holder as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Guaranteed Obligations for all purposes hereunder.

10. Discharge of Guarantee Upon Sale of the Guarantor. If, in compliance with the terms and provisions of the Note, all of the capital stock of any Guarantor that is a Subsidiary of the Issuer (other than AA, Envoy Air Inc., Piedmont Airlines, Inc. or PSA Airlines, Inc.) or any of its successors in interest hereunder shall be sold or otherwise disposed of (including by merger or consolidation) to any Person (other than to the Issuer or to any other Guarantor),

the Guarantee of such Guarantor or such successor in interest, as the case may be, hereunder shall automatically be discharged and released without any further action by any beneficiary or any other Person effective as of the time of such asset sale.

Annex B-3

SCHEDULE I

Date	Current Outstanding Principal Amount	Increase or Decrease in Outstanding Principal Amount	Resulting Outstanding Principal Amount	Notation Made By

Schedule I



Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.



The Boeing Company  
P.O. Box 3707  
Seattle, WA 98124 2207

AAL-LA-21003287

American Airlines, Inc.  
P.O. Box 619616  
Dallas-Fort Worth Airport, Texas  
75261-9616

Subject: Amendment 2 to [\*\*\*\*] Agreement Number AAL-LA-2100511

This Amendment No. 2 (**Amendment No. 2**), between American Airlines, Inc. (**Customer**) and The Boeing Company (**Boeing**), supplements and amends in part, the agreement number AAL-LA-2100511 executed by Boeing and Customer on March 9, 2021, relating to [\*\*\*\*] for the [\*\*\*\*] (as defined therein) ([\*\*\*\*]**Agreement**). All capitalized terms used and not defined herein have the same meaning as in the [\*\*\*\*] Agreement.

In recognition of [\*\*\*\*] in the Boeing [\*\*\*\*] to Customer, and the [\*\*\*\*] on Customer's [\*\*\*\*] ([\*\*\*\*]), Boeing and Customer agree that it is [\*\*\*\*] to amend certain terms and provisions of the [\*\*\*\*] Agreement.

In consideration of the [\*\*\*\*] contained herein, Customer and Boeing agree to amend the [\*\*\*\*]Agreement via this Amendment No. 2 as follows:

1. Boeing [\*\*\*\*] to Customer, [\*\*\*\*] ([\*\*\*\*]) ([\*\*\*\*]) [\*\*\*\*] Aircraft:

[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]



At delivery of [\*\*\*\*] Aircraft in the above table, the [\*\*\*\*] for each such [\*\*\*\*] Aircraft will [\*\*\*\*].

For the sake of clarity, Boeing's [\*\*\*\*] of [\*\*\*\*] to Customer as described in this Amendment No. 2 are [\*\*\*\*] an [\*\*\*\*] to the [\*\*\*\*].

Except as expressly modified by the terms of this Amendment No. 2, all terms and conditions of the [\*\*\*\*] Agreement, as previously amended remain unchanged and in full force and effect.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. This Amendment No. 2 will be subject to the terms and conditions of Letter Agreement No. 6-1162-TRW-0673R1 entitled "Confidentiality".

ACCEPTED AND AGREED:

**THE BOEING COMPANY**

**AMERICAN AIRLINES, INC.**

By: The Boeing Company

By: American Airlines, Inc.

Title: Attorney-in-Fact

Title: VP, Treasurer

Date: 6/28/2021

Date: 6/28/2021

**SUPPLEMENTAL AGREEMENT NO. 16**

**to**

**Purchase Agreement No. 3219**

**between**

**THE BOEING COMPANY**

**and**

**AMERICAN AIRLINES, INC.**

**Relating to Boeing Model 787 Aircraft**

THIS SUPPLEMENTAL AGREEMENT No. 16 (*SA-16*) is made between THE BOEING COMPANY, a Delaware corporation with offices in Seattle, Washington (*Boeing*), and AMERICAN AIRLINES, INC, a Delaware corporation with offices in Fort Worth, Texas, together with its successors and permitted assigns (*Customer*);

WHEREAS, Boeing and Customer entered into Purchase Agreement No. 3219 dated October 15, 2008, relating to Boeing Model 787 aircraft, as amended and supplemented (*Purchase Agreement*) and capitalized terms used herein without definitions shall have the meanings specified in such Purchase Agreement;

WHEREAS, Customer and Boeing agree to [\*\*\*\*] the [\*\*\*\*] for certain undelivered 2018 787-8 [\*\*\*\*] Aircraft [\*\*\*\*];

WHEREAS, Customer and Boeing agree to [\*\*\*\*] ([\*\*\*\*]) undelivered 2018 787-8 [\*\*\*\*] Aircraft [\*\*\*\*] to [\*\*\*\*] ([\*\*\*\*]) and [\*\*\*\*] for the [\*\*\*\*];

WHEREAS, Customer and Boeing agree to [\*\*\*\*] to 787 aircraft; and

WHEREAS, Customer and Boeing agree to [\*\*\*\*] the [\*\*\*\*] of the [\*\*\*\*] ([\*\*\*\*]) undelivered 2018 787-9[\*\*\*\*] Aircraft [\*\*\*\*] in [\*\*\*\*];

NOW, THEREFORE, the parties agree that the Purchase Agreement is amended as set forth below and otherwise agree as follows:

**1. Table of Contents.**

The Table of Contents referencing SA-15 in the footer is deleted in its entirety and is replaced with the new Table of Contents (attached hereto) referencing SA-16 in the footer. Such new Table of Contents is hereby incorporated into the Purchase Agreement in replacement of its predecessor.

**2. Tables.**

2.1. Table 5R1. Table 5 entitled “787-9 [\*\*\*\*], Aircraft Delivery, Description, Price and Advance Payments” referencing SA-11 in the footer is deleted in its entirety and is replaced with the similarly titled Table 5R1 (attached hereto) referencing SA-16 in the footer. Table 5R1 is hereby incorporated into the Purchase Agreement in replacement of Table 5.

2.2. Table 6R2. Table 6R1 entitled “787-8 [\*\*\*\*] Aircraft, Aircraft Delivery, Description, Price and Advance Payments” referencing SA-12 in the footer is deleted in its entirety and is replaced with the similarly titled Table 6R2 (attached hereto) referencing SA-16 in the footer. Table 6R2 is hereby incorporated into the Purchase Agreement in replacement of Table 6R1.

2.2 Table 7. Table 7 entitled “[\*\*\*\*] 787-9 [\*\*\*\*] Aircraft, Aircraft Delivery, Description, Price and Advance Payments” (**Table 7**) is hereby incorporated into the Purchase Agreement.

**3. Letter Agreements.**

3.1. Letter Agreement AAL-PA-3219-2101557 entitled “[\*\*\*\*]” is hereby incorporated into the Purchase Agreement.

3.2. Letter Agreement AAL-LA-2100530, entitled “[\*\*\*\*]”, executed on March 9, 2021, is hereby incorporated into the Purchase Agreement.

**4. [\*\*\*\*].**

Upon execution of this SA-16, Boeing shall [\*\*\*\*] to Customer the [\*\*\*\*] (the [\*\*\*\*]). Such [\*\*\*\*] ([\*\*\*\*]).

**5. Effect on Purchase Agreement.**

5.1. Table 5 Reference Clarifications.

5.1.1. The following references in the Purchase Agreement and the associated exhibits, supplemental exhibits, and letter agreements to the Purchase Agreement to “Table 5” is now deemed to refer to “Table 5(R1)”. Specifically, the locations of such references are (but may not be limited to) as follows:

<b><u>Location of References*</u></b>
Articles 1, 2, 3 (all sections), 4 (all sections), and Section 5.1 of the Basic Articles
Exhibit C(R1), Definitions of “Aircraft” and “Engine”
Section 1 of Supplemental Exhibit AE1
Section 1.4.1 of Letter Agreement 6-1162-CLO-1047R4 entitled “[*****]”
Section 1 (definition of “[*****]”) and Attachment C(R4) of Letter Agreement 6-1162-TRW-0664R2 entitled “ <u>Aircraft Purchase Rights and Substitution Rights</u> ”
Section 1.1 of LA 6-1162-TRW-0672R1 entitled “ <u>Promotional Support Agreement</u> ”
Sections 4a2, 6, and 9.2 of Letter Agreement 6-1162-TRW-0674R4 entitled “ <u>Business Considerations</u> ”
Section 1 of Letter Agreement AAL-PA-03219-1804779 entitled “[*****]”
Section 1.2 of Letter Agreement AAL-PA-3219-LA1802492 entitled “ <u>Open Configuration Matters</u> ”
Section 1.3.1.1 of Letter Agreement AAL-1604503 entitled “[*****]”
Sections 6 and 7 of Supplemental Agreement No. 11
Supplemental Exhibit EE1

5.2. **Table 6 Reference Clarifications.**

5.2.1 The following references in the Purchase Agreement and the associated exhibits, supplemental exhibits, and letter agreements to the Purchase Agreement to “Table 6(R1)” is now deemed to refer to “Table 6(R2)”. Specifically, the locations of such references are (but may not be limited to) as follows:

<b><u>Location of References*</u></b>
Articles 1, 2, 3 (all sections), 4 (all sections), and Section 5.1 of the Basic Articles
Exhibit C(R1), Definitions of “Aircraft” and “Engine”
Section 1 of Supplemental Exhibit AE1
Section 1 (definition of “[****]”) and Attachment C(R4) of Letter Agreement 6-1162-TRW-0664R2 entitled “ <u>Aircraft Purchase Rights and Substitution Rights</u> ”
Section 1.4.1 of Letter Agreement 6-1162-CLO-1047R4 entitled “[****]”
Section 1.1 of LA 6-1162-TRW-0672R1 entitled “ <u>Promotional Support Agreement</u> ”
Section 9.2 of Letter Agreement 6-1162-TRW-0674R4 entitled “ <u>Business Considerations</u> ”
Section 1.1 of Letter Agreement AAL-PA-3219-LA1802492 entitled “ <u>Open Configuration Matters</u> ”
The 2 <sup>nd</sup> paragraph of Letter Agreement AAL-PA-3219-LA-201170 entitled “[****]”
Sections 6 and 7 of Supplemental Agreement No. 11
Supplemental Exhibit EE2

5.3. Table 7 Reference Clarifications.

5.3.1 The following references in the Purchase Agreement and the associated exhibits, supplemental exhibits, and letter agreements to the Purchase Agreement now include Table 7. Specifically, the locations of such references are (but may not be limited to) as follows:

<b><u>Location of References*</u></b>
Articles 1, 2, 3 (all sections), 4 (all sections), and Section 5.1 of the Basic Articles
Exhibit C(R1), Definitions of “Aircraft” and “Engine”
Section 1 of Supplemental Exhibit AE1

Section 1.4.1 of Letter Agreement 6-1162-CLO-1047R4 entitled “[****]” ([****])
Section 1 (definition of “[****]”) of Letter Agreement 6-1162-TRW-0664R2 entitled “ <u>Aircraft Purchase Rights and Substitution Rights</u> ”
Section 1.1 of LA 6-1162-TRW-0672R1 entitled “ <u>Promotional Support Agreement</u> ”
Sections 4a.2, 6, and 9.2 of Letter Agreement 6-1162-TRW-0674R4 entitled “ <u>Business Considerations</u> ” Section 1 of Letter Agreement AAL-PA-03219-1804779 entitled “[****]” Section 1.2 of Letter Agreement AAL-PA-3219-LA1802492 entitled “ <u>Open Configuration Matters</u> ”
Sections 6 and 7 of Supplemental Agreement No. 11
Supplemental Exhibit EE1

5.4. The reference in Section 4.1.1 of Letter Agreement 6-1162-TRW-0670R1 entitled “Miscellaneous Commitments for Model 787 Aircraft” to “Letter Agreement Nos. AAL-PA-3219-LA-08837 and AAL-PA-3219-LA-08838” is now deemed to be the following: “Letter Agreement Nos. AAL-PA-3219-LA-08837R1, AAL-PA-3219-LA-08838 and AAL-PA-3219-LA-2001170.”

5.5 Except as expressly set forth herein, all terms and provisions contained in the Purchase Agreement shall remain in full force and effect. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous proposals, and agreements, understandings, commitments or representations whatsoever, oral or written, with respect to the subject matter hereof and may be changed only in writing signed by authorized representatives of the parties.

AGREED AND ACCEPTED

May 21, 2021

\_\_\_\_\_  
Date

**THE BOEING COMPANY**

*/s/ The Boeing Company*

\_\_\_\_\_  
Signature

*The Boeing Company*

\_\_\_\_\_  
Printed name

*Attorney-in-Fact*

\_\_\_\_\_  
Title

**AMERICAN AIRLINES, INC.**

*/s/ American Airlines, Inc.*

\_\_\_\_\_  
Signature

*American Airlines, Inc.*

\_\_\_\_\_  
Printed name

*VP, Treasurer*

\_\_\_\_\_  
Title



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**BOEING PROPRIETARY**

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

**Table 5R1 To  
Purchase Agreement No. PA-03219  
787-9 [\*\*\*\*] Aircraft Delivery, Description, Price and Advance Payments**

**Airframe Model/MTOW:** 787-9 [\*\*\*\*] pounds  
**Engine Model/Thrust:** GENX-1B74/75 [\*\*\*\*] pounds  
**Airframe Price:** \$[\*\*\*\*]  
**Optional Features:** \$[\*\*\*\*]  
**Sub-Total of Airframe and Features:** \$[\*\*\*\*]  
**Engine Price (Per Aircraft):** \$[\*\*\*\*]  
**Aircraft Basic Price (Excluding BFE/SPE):** \$[\*\*\*\*]  
**Buyer Furnished Equipment (BFE) Estimate:** \$[\*\*\*\*]  
**//Seller Purchased Equipment (SPE) In-Flight Ent:** \$[\*\*\*\*]  
**LIFT Seats Provided by Boeing (Estimate):** \$[\*\*\*\*]  
**Deposit per Aircraft:** \$[\*\*\*\*]

**Detail Specification:** [\*\*\*\*]  
**Airframe Price Base Year/Escalation Formula:** [\*\*\*\*] [\*\*\*\*]  
**Engine Price Base Year/Escalation Formula:** [\*\*\*\*] [\*\*\*\*]  
**Airframe Escalation Data:**  
**Base Year Index (ECI):** [\*\*\*\*]  
**Base Year Index (CPI):** [\*\*\*\*]  
**Engine Escalation Data:**  
**Base Year Index (ECI):** [\*\*\*\*]  
**Base Year Index (CPI):** [\*\*\*\*]

Nominal Delivery Month*	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
					At Signing [****]	[****] [****]	[****] [****]	Total [****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

**Table 5R1 To  
Purchase Agreement No. PA-03219  
787-9 [\*\*\*\*] Aircraft Delivery, Description, Price and Advance Payments**

[****]-2024	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2025	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2026	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2026	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2026	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2026	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2026	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2026	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2026	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

Total 25

Note: [\*\*\*\*]

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[\*\*\*\*]

Note: [\*\*\*\*]

**Table 6R2 To**  
**Purchase Agreement No. PA-03219**  
**787-8 [\*\*\*\*] Aircraft Delivery, Description, Price and Advance Payments**

**Airframe Model/MTOW:** 787-8 [\*\*\*\*] pounds  
**Engine Model/Thrust:** GENX-1B70 [\*\*\*\*] pounds  
**Airframe Price:** \$[\*\*\*\*]  
**Optional Features:** \$[\*\*\*\*]  
**Sub-Total of Airframe and Features:** \$[\*\*\*\*]  
**Engine Price (Per Aircraft):** \$[\*\*\*\*]  
**Aircraft Basic Price (Excluding BFE/SPE):** \$[\*\*\*\*]  
**Buyer Furnished Equipment (BFE) Estimate:** \$[\*\*\*\*]  
**//Seller Purchased Equipment (SPE)/In-Flight Entertainment (IFE)//:** \$[\*\*\*\*]  
**LIFT Seats Provided by Boeing (Estimate):** \$[\*\*\*\*]  
**Deposit per Aircraft:** \$[\*\*\*\*]

**Detail Specification:** [\*\*\*\*]  
**Airframe Price Base Year/Escalation Formula:** [\*\*\*\*] [\*\*\*\*]  
**Engine Price Base Year/Escalation Formula:** [\*\*\*\*] [\*\*\*\*]  
**Airframe Escalation Data:**  
**Base Year Index (ECI):** [\*\*\*\*]  
**Base Year Index (CPI):** [\*\*\*\*]  
**Engine Escalation Data:**  
**Base Year Index (ECI):** [\*\*\*\*]  
**Base Year Index (CPI):** [\*\*\*\*]

[****] Scheduled Delivery Month	[****] Scheduled Delivery Month	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
						[****]	[****]	[****]	Total [****]
[****]-2020		1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2020		1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2020		1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]



**Table 6R2 To**  
**Purchase Agreement No. PA-03219**  
**787-8 [\*\*\*\*] Aircraft Delivery, Description, Price and Advance Payments**

[****]	[****]-2021	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2021	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2022	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2023	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2022	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]	[****]-2022	1	[****]	[****]		\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

Total 17

AAL-PA-03219 113460-1F.txt Boeing Proprietary SA-16, Table 6R1

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**Table 7 To  
Purchase Agreement No. PA-03219  
[\*\*\*\*] 787-9 [\*\*\*\*] Aircraft, Aircraft Delivery, Description, Price and Advance Payments**

**Airframe Model/MTOW:** 787-9 [\*\*\*\*] pounds  
**Engine Model/Thrust:** GENX-1B74/75 [\*\*\*\*] pounds  
**Airframe Price:** \$[\*\*\*\*]  
**Optional Features:** [\*\*\*\*]  
**Sub-Total of Airframe and Features:** \$[\*\*\*\*]  
**Engine Price (Per Aircraft):** \$[\*\*\*\*]  
**Aircraft Basic Price (Excluding BFE/SPE):** \$[\*\*\*\*]  
**Buyer Furnished Equipment (BFE) Estimate:** \$[\*\*\*\*]  
**//Seller Purchased Equipment (SPE)/In-Flight Ent** \$[\*\*\*\*]  
**LIFT Seats Provided by Boeing (Estimate):** \$[\*\*\*\*]  
**Deposit per Aircraft:** \$[\*\*\*\*]

**Detail Specification:** [\*\*\*\*]  
**Airframe Price Base Year/Escalation Formula:** [\*\*\*\*] [\*\*\*\*]  
**Engine Price Base Year/Escalation Formula:** [\*\*\*\*] [\*\*\*\*]

**Airframe Escalation Data:**

**Base Year Index (ECI):** [\*\*\*\*]  
**Base Year Index (CPI):** [\*\*\*\*]

**Engine Escalation Data:**

**Base Year Index (ECI):** [\*\*\*\*]  
**Base Year Index (CPI):** [\*\*\*\*]

Nominal Delivery Month*	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
					At Signing [****]	[****] [****]	[****] [****]	Total [****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]	[****]	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

Total 5

AAL-PA-3219-LA-2101557

American Airlines, Inc.  
P.O. Box 619616  
Dallas-Fort Worth Airport, Texas 75261-9616

Subject: [\*\*\*\*]

References: (a) Purchase Agreement No. 3219 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and American Airlines, Inc. (**Customer**) relating to Model 787 aircraft (collectively, the **Aircraft**); and

(b) Aircraft General Terms Agreement No. AGTA-AAL (**AGTA**) between Boeing and Customer dated as of October 31, 1997.

This agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement or the AGTA, as the context requires.

As of the date of this Letter Agreement, Customer has [\*\*\*\*] ([\*\*\*\*]) 2018 787-9 Exercised Aircraft as [\*\*\*\*] of the Purchase Agreement (**Undelivered 2018 787-9 [\*\*\*\*] Aircraft**), [\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft [\*\*\*\*] ([\*\*\*\*] **2018 787-9 [\*\*\*\*] Aircraft**) and [\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*] 2018 787-8 Exercised Aircraft under the Purchase Agreement.

Boeing and Customer agree as follows:

1. 787-8 [\*\*\*\*] Aircraft.

1.1 [\*\*\*\*] Undelivered 2018 787-8 [\*\*\*\*] Aircraft.

1.1.1 Boeing and Customer acknowledge that the [\*\*\*\*] of [\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*] 2018 787-8 [\*\*\*\*] Aircraft and [\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*] 2018 787-8 [\*\*\*\*] Aircraft ([\*\*\*\*] **2018 787-8 [\*\*\*\*] Aircraft**) were [\*\*\*\*] as set forth in Attachment A and [\*\*\*\*].

1.1.2 Boeing and Customer agree that the [\*\*\*\*] 2018 787-8 [\*\*\*\*] Aircraft [\*\*\*\*].

2. [\*\*\*\*] 2018 787-8 Aircraft to [\*\*\*\*].

2.1 Customer and Boeing agree that the [\*\*\*\*] Aircraft set forth in Attachment B [\*\*\*\*] from [\*\*\*\*] aircraft [\*\*\*\*] with the [\*\*\*\*] as set forth in Attachment B [\*\*\*\*]. The

P.A. No. 3219 **SA-16** L.A. AAL-PA-3219-LA-2101557  
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**BOEING PROPRIETARY**

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]



[\*\*\*\*] will have the same [\*\*\*\*] as the [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft, and [\*\*\*\*] to its applicable Scheduled Delivery Month [\*\*\*\*] in accordance with the Purchase Agreement.

2.2 For avoidance of doubt, the [\*\*\*\*] for the [\*\*\*\*] includes [\*\*\*\*] of Letter Agreement No. 6-1162-TRW-0674R4 to the Purchase Agreement entitled Business Considerations (Business Considerations LA) [\*\*\*\*], and the [\*\*\*\*] described in Section 2.2.1 below. The parties hereby confirm that [\*\*\*\*] with Supplemental Agreement No. 5 and Supplemental Agreement No. 11, for the [\*\*\*\*]. Such [\*\*\*\*] in accordance with the Purchase Agreement.

2.2.1 Boeing and Customer agree that Boeing will provide to Customer a [\*\*\*\*] ([\*\*\*\*]) in the [\*\*\*\*] of [\*\*\*\*] ([\*\*\*\*]). The [\*\*\*\*] is [\*\*\*\*] and shall be [\*\*\*\*] is [\*\*\*\*] by Boeing in [\*\*\*\*] of the Supplemental Exhibit AE1-[\*\*\*\*] as such provisions have been applied to the [\*\*\*\*]. Except as provided in Section 2.2.1.1, below, the [\*\*\*\*] shall be [\*\*\*\*] by Boeing to Customer at the [\*\*\*\*] of the [\*\*\*\*]. The [\*\*\*\*], in whole or in part, [\*\*\*\*], and/or [\*\*\*\*]. The [\*\*\*\*] is in addition to the [\*\*\*\*] of the Business Considerations LA.

2.2.1.1 If either [\*\*\*\*] the Purchase Agreement as to the [\*\*\*\*] Aircraft as and [\*\*\*\*] under a [\*\*\*\*] (as defined in Section 7.3 of the Business Considerations LA), such [\*\*\*\*] Aircraft will be [\*\*\*\*], and shall be [\*\*\*\*] of determining [\*\*\*\*] Aircraft [\*\*\*\*].

2.2.1.2 If a [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft is [\*\*\*\*] in accordance with a [\*\*\*\*], the [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft [\*\*\*\*] in accordance with a [\*\*\*\*].

2.2.1.3 If the [\*\*\*\*].

### 3. Other [\*\*\*\*].

#### 3.1 [\*\*\*\*].

3.1.1 [\*\*\*\*], Boeing [\*\*\*\*] Customer, [\*\*\*\*], a [\*\*\*\*] 787-9 aircraft [\*\*\*\*] as [\*\*\*\*] Purchase Agreement ([\*\*\*\*] **787-9 Aircraft**). Customer [\*\*\*\*] for (i) [\*\*\*\*] and (ii) [\*\*\*\*] the [\*\*\*\*] 787-9 Aircraft.

3.1.2. [\*\*\*\*] Customer [\*\*\*\*] Boeing [\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*] Undelivered 2018 787-9 [\*\*\*\*] Aircraft, the [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft, and [\*\*\*\*] 787-9 Aircraft [\*\*\*\*] (or [\*\*\*\*]) [\*\*\*\*] this Agreement, Boeing [\*\*\*\*] Undelivered 2018 787-9 [\*\*\*\*] Aircraft, [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft, or [\*\*\*\*] 787-9 Aircraft [\*\*\*\*] (or [\*\*\*\*]) [\*\*\*\*] of this Agreement. In the event that [\*\*\*\*] Undelivered 2018 787-9 [\*\*\*\*] Aircraft, a [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft, and [\*\*\*\*] 787-9 Aircraft [\*\*\*\*] (or [\*\*\*\*]), [\*\*\*\*], except Customer [\*\*\*\*].



3.1.3 Within [\*\*\*\*] ([\*\*\*\*]) days [\*\*\*\*] Customer, Boeing [\*\*\*\*] Customer, [\*\*\*\*], [\*\*\*\*] 787-9 Aircraft [\*\*\*\*]. Customer [\*\*\*\*] for (i) [\*\*\*\*] and (ii) [\*\*\*\*] 787-9 Aircraft.

3.2 [\*\*\*\*]. The parties acknowledge that [\*\*\*\*] to that [\*\*\*\*] by and between Boeing and Customer (as amended by that certain Letter Agreement No. AAL-LA-2002714 entitled [\*\*\*\*] for 737 Max [\*\*\*\*]), Boeing [\*\*\*\*] Customer [\*\*\*\*]. Boeing [\*\*\*\*] Customer, [\*\*\*\*], [\*\*\*\*].

3.3 [\*\*\*\*]. As [\*\*\*\*] to Section 1.3.1.3 of Letter Agreement AAL-PA-3219-LA-1604503 entitled [\*\*\*\*], the parties agree as follows:

3.3.1 [\*\*\*\*]. Boeing [\*\*\*\*] Customer, [\*\*\*\*], a [\*\*\*\*] of twenty-two (22) 787-9 Aircraft [\*\*\*\*].

3.3.2 [\*\*\*\*]. [\*\*\*\*] 787-9 Aircraft [\*\*\*\*] Boeing under the Purchase Agreement [\*\*\*\*] ([\*\*\*\*]) will be [\*\*\*\*].

3.3.3 [\*\*\*\*]. If, [\*\*\*\*], [\*\*\*\*] of the 787-9 Aircraft [\*\*\*\*] by Boeing to Customer under the Purchase Agreement, then [\*\*\*\*] Boeing, Boeing [\*\*\*\*] Customer, [\*\*\*\*], [\*\*\*\*] 787-9 Aircraft.

3.3.4 [\*\*\*\*]. If [\*\*\*\*], [\*\*\*\*] 787-9 aircraft is [\*\*\*\*] Agreement ([\*\*\*\*]), then [\*\*\*\*] 787-9 Aircraft, Boeing [\*\*\*\*] Customer [\*\*\*\*], [\*\*\*\*]. Such [\*\*\*\*] by Customer to Boeing [\*\*\*\*]. [\*\*\*\*] Customer [\*\*\*\*] Aircraft or [\*\*\*\*] Aircraft, Customer [\*\*\*\*] pursuant to Section 3.3.3 above.

#### 4. Miscellaneous.

4.1 [\*\*\*\*] in regards to [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft.

4.1.1 Boeing will [\*\*\*\*] 2018 787-8 [\*\*\*\*] Aircraft and [\*\*\*\*] by Customer for the [\*\*\*\*] 2018 787-8 [\*\*\*\*] Aircraft. The parties agree that [\*\*\*\*], Customer [\*\*\*\*] on the [\*\*\*\*] 2018 787-8 [\*\*\*\*] Aircraft that [\*\*\*\*] of this Agreement.

4.1.2 Boeing [\*\*\*\*] 2018 787-8 [\*\*\*\*] Aircraft that are being [\*\*\*\*] to [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft (the [\*\*\*\*]). The [\*\*\*\*] ([\*\*\*\*]). Boeing [\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*] ([\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*] as defined in Section 1.4.1 of Letter Agreement No. 6-1162-CLO-1047R4 entitled [\*\*\*\*]) that are [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft. Boeing [\*\*\*\*] 787-9 Aircraft ([\*\*\*\*], the Undelivered 2018 787-9 [\*\*\*\*] Aircraft and the [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft) [\*\*\*\*] the terms of the Purchase Agreement are applicable.

5. [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft [\*\*\*\*].



5.1 Customer has [\*\*\*\*] ([\*\*\*\*]) for the Undelivered 2018 787-8 [\*\*\*\*] Aircraft ([\*\*\*\*]) in which [\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*] ([\*\*\*\*]) and [\*\*\*\*]. [\*\*\*\*], [\*\*\*\*] the [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft into the [\*\*\*\*].

5.2 Section 9.2 of Supplemental Agreement No. 11 (**SA-11**) (as such Section 9.2 was amended by Supplemental Agreement No. 14) is hereby deleted in its entirety and replaced with the following:

“9.2 Customer and Boeing will [\*\*\*\*]:

9.2.1 the [\*\*\*\*] for any [\*\*\*\*] Aircraft [\*\*\*\*] Customer of the applicable [\*\*\*\*];

9.2.2 Boeing, [\*\*\*\*] for the [\*\*\*\*] for such [\*\*\*\*] Aircraft; or

9.2.3 Boeing [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft [\*\*\*\*] (as defined in Section 5.3 of Letter Agreement AAL-LA-2100511) [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft.

In the event of a [\*\*\*\*], Boeing agrees to [\*\*\*\*] of the applicable [\*\*\*\*] Aircraft for the [\*\*\*\*]. Customer shall not be [\*\*\*\*] the applicable [\*\*\*\*] Aircraft during such [\*\*\*\*] and, if required, [\*\*\*\*] to Customer the [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft [\*\*\*\*] for the applicable [\*\*\*\*] Aircraft, [\*\*\*\*] Aircraft may otherwise be [\*\*\*\*] during such [\*\*\*\*]. For the avoidance of doubt, the [\*\*\*\*] as defined in Section 1.13 of the Misc. Commitments LA, the [\*\*\*\*] is otherwise subject to the terms and conditions of the AGTA and the Purchase Agreement.

If prior to the [\*\*\*\*], Boeing and Customer are [\*\*\*\*], Customer may, within [\*\*\*\*] following the [\*\*\*\*], and [\*\*\*\*], either (i) [\*\*\*\*] the applicable [\*\*\*\*] Aircraft for which the [\*\*\*\*], or (ii) [\*\*\*\*] the Purchase Agreement [\*\*\*\*] to (A) the applicable [\*\*\*\*] Aircraft for which the [\*\*\*\*], or (B) any [\*\*\*\*] Aircraft, including the applicable [\*\*\*\*] Aircraft for which the [\*\*\*\*], without [\*\*\*\*] Aircraft [\*\*\*\*] by Customer [\*\*\*\*] clause (ii) of this paragraph. If Customer [\*\*\*\*] the Purchase Agreement as to [\*\*\*\*] Aircraft under this Section 9.2, Boeing shall (x) [\*\*\*\*] Aircraft with [\*\*\*\*] from Customer to Boeing of the [\*\*\*\*] to Customer by Boeing pursuant to this Section 9.2, (y) [\*\*\*\*] from Customer all [\*\*\*\*] related to the [\*\*\*\*] Aircraft at the [\*\*\*\*], by Customer, and (z) [\*\*\*\*] Customer for all [\*\*\*\*] of such [\*\*\*\*] Aircraft, including, but not limited to, all [\*\*\*\*] Aircraft that have been [\*\*\*\*] with this Section 9.2 but are not yet [\*\*\*\*].”

5.3 At the [\*\*\*\*] of each [\*\*\*\*] 2018 787-9 [\*\*\*\*] Aircraft, for which [\*\*\*\*] (as defined in Section 9 of SA-11), Boeing will [\*\*\*\*] Customer a [\*\*\*\*] ([\*\*\*\*]) [\*\*\*\*]. The [\*\*\*\*] from Boeing to Customer pursuant Section 2.2.1 above.

P.A. No. 3219 **SA-16** L.A. AAL-PA-3219-LA-2101557

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**BOEING PROPRIETARY**

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]



6. **Assignment.**

Notwithstanding any other provision of the Purchase Agreement except for the AGTA Assignment Provisions (as defined in Section 1 of Letter Agreement AAL-LA-1106678 entitled "Assignment Matter"), the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned, in whole or in part, without the prior written consent of Boeing.

7. **Confidential Treatment.**

Customer and Boeing understand that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. This Letter Agreement Letter shall be subject to the terms and conditions of Letter Agreement 6-1162-TRW-0673R1 entitled "Confidentiality.

*The rest of this page is left intentionally blank.*

P.A. No. 3219 SA-16 L.A. AAL-PA-3219-LA-2101557

[\*\*\*\*] Page 5

**BOEING PROPRIETARY**

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]



EXECUTED as of May 21, 2021

**THE BOEING COMPANY AMERICAN AIRLINES, INC.**

By: The Boeing Company By: American Airlines, Inc.

Name: The Boeing Company Name: American Airlines, Inc.

Title: Attorney-In-Fact Title: VP, Treasurer

P.A. No. 3219 **SA-16** L.A. AAL-PA-3219-LA-2101557

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**BOEING PROPRIETARY**

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]



**Attachment A**  
**to**  
**AAL-PA-3219-LA-2101557**

[****] Undelivered 2018 787-8 [****] Aircraft	
[****] Scheduled Delivery Month	[****]
[****]-2020	[****]*
[****]-2020	[****]
[****]-2020	[****]
[****]-2020	[****]
[****]-2020	[****]
[****]-2020	[****]
[****]-2020	[****]
[****]-2020	[****]
[****]-2020	[****]
[****]-2020	[****]
[****]-2021	[****]
[****]-2021	[****]
[****]-2021	[****]
[****]-2021	[****]
[****]-2021	[****]

\* [\*\*\*\*]. For this aircraft, [\*\*\*\*]-2021. The parties also agreed that for the avoidance of doubt, [\*\*\*\*]-2021.

**SA-16**

**BOEING PROPRIETARY**

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

**Attachment B**  
**to**  
**AAI-PA-3219-LA-2101557**

[****] 2018 787-9[****] Aircraft **			
[****]	[****]Scheduled Delivery Month	[****]	[****]
[****]	[****]-2021	[****]	[****]
[****]	[****]-2021	[****]	[****]
[****]	[****]-2021	[****]	[****]
[****]	[****]-2021	[****]	[****]
[****]	[****]-2021	[****]	[****]

Notes:

\*\* [\*\*\*\*]

**SA-16**

**BOEING PROPRIETARY**

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

**SUPPLEMENTAL AGREEMENT NO. 19**

to

**Purchase Agreement No. 03735**

between

**THE BOEING COMPANY**

and

**AMERICAN AIRLINES, INC.**

**Relating to Boeing Model 737 MAX Aircraft**

This SUPPLEMENTAL AGREEMENT No. 19 (**SA-19**), entered into as of April 8, 2021 (**Effective Date**), by and between THE BOEING COMPANY, a Delaware corporation with offices in Seattle, Washington (**Boeing**) and AMERICAN AIRLINES, INC. a Delaware corporation with offices in Fort Worth, Texas, together with its successors and permitted assigns (**Customer**);

WHEREAS, Boeing and Customer entered into Purchase Agreement No. 03735 dated February 1, 2013 relating to Boeing Model 737 MAX Aircraft, as amended and supplemented (**Purchase Agreement**) and capitalized terms used herein without definitions shall have the meanings specified therefore in such Purchase Agreement;

WHEREAS, Boeing and Customer have entered into Letter No. AAL-LA-2002714, entitled [\*\*\*\*] and Letter Agreement No. AAL-PA-03735-LA-2002743 entitled [\*\*\*\*], which both [\*\*\*\*] the [\*\*\*\*] for the following [\*\*\*\*] ([\*\*\*\*]) as June 2021:

[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]

WHEREAS, Boeing and Customer agree that pursuant to Section 1.2 of the [\*\*\*\*], Customer agreed to [\*\*\*\*] to, [\*\*\*\*], [\*\*\*\*] the [\*\*\*\*] and the [\*\*\*\*] (each as defined in Section 1.2 of the [\*\*\*\*]);

WHEREAS, in accordance with Section 1.2 of the [\*\*\*\*], Customer has [\*\*\*\*] to Boeing the [\*\*\*\*] by [\*\*\*\*], and the [\*\*\*\*] for the [\*\*\*\*];

WHEREAS, Customer has [\*\*\*\*] to Boeing the [\*\*\*\*] in a [\*\*\*\*] to Boeing [\*\*\*\*] for [\*\*\*\*];

NOW, THEREFORE, the parties agree that the Purchase Agreement is amended as set forth below and otherwise agree as follows:

1. [\*\*\*\*].

Customer and Boeing agree to [\*\*\*\*] of [\*\*\*\*] from [\*\*\*\*] to [\*\*\*\*] as shown in the table below, pursuant to the terms and conditions in the [\*\*\*\*].

[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]
[****]	[****]

2. Table of Contents.

The “Table Of Contents” to the Purchase Agreement referencing SA-18 in the footer is deleted in its entirety and is replaced with the new “Table Of”

Contents" (attached hereto) referencing SA-19 in the footer to reflect changes made to the Purchase Agreement by this SA-19. Such new Table of Contents is hereby incorporated into the Purchase Agreement in replacement of its predecessor.

### 3. Tables.

3.1 Table 1R11. Table 1R11, entitled "Base Weight 737-8 Aircraft Delivery, Description, Price, and Advance Payments" referencing SA-18 in the footer is deleted in its entirety and replaced with Table 1R12, entitled "737-8 Aircraft Delivery, Description, Price, and Advance Payments" (attached hereto) referencing SA-19 in the footer (**Table 1R12**). Table 1R12 is hereby incorporated into the Purchase Agreement in replacement of Table 1R11. [\*\*\*\*].

3.2 Table 1-3R5. Table 1-3R5 entitled "[\*\*\*\*] Aircraft Delivery, Description, Price, and Advance Payments" referencing SA-18 in the footer is deleted in its entirety and replaced with Table 1-3R6, entitled "[\*\*\*\*] Aircraft Delivery, Description, Price, and Advance Payments" (attached hereto) referencing SA-19 in the footer (**Table 1-3R6**). Table 1-3R6 is hereby incorporated into the Purchase Agreement in replacement of Table 1-3R5. [\*\*\*\*].

### 4. Miscellaneous.

4.1 The Purchase Agreement is amended as set forth above by the revised Table of Contents, Table 1R12, and Table 1-3R6. All other terms and conditions of the Purchase Agreement remain unchanged and are in full force and effect.

4.2 References in the Purchase Agreement and any supplemental agreements and associated letter agreements to "Table 1" or "Table 1R2" or "Table 1R3", or "Table 1R4 and Table 1-2" or "Table 1(R4) and Table 1-2", "Table 1R5 and Table 1-2", "Table 1R6, Table 1-2, and Table 1-3", "Table 1R7, Table 1-2, and Table 1-3R1", "Table 1R8, Table 1-2, and Table 1-3R2", "Table 1R9, Table 1-2, and Table 1-3R3", "Table 1R10, Table 1-2, and Table 1-3R4", "Table 1R11, Table 1-2, and Table 1-3R5" are deemed to refer to "Table 1R12, Table 1-2, and Table 1-3R6".

References in the Purchase Agreement and any supplemental agreements and associated letter agreements to "Table 1R4" or "Table 1R5" (where no corresponding reference to Table 1-2 is made) are deemed to refer to "Table 1R12 and Table 1-3R6", (including without limitation, and for the avoidance of doubt, the references to Table 1R4 in Section 3 of Supplemental Agreement No. 9 dated April 6, 2018). However, references to Table 1R5 in Letter Agreement AAL-PA-LA-1106650R4 entitled "[\*\*\*\*]" is deemed to only refer to Table 1R12 and the references to Table 1R5 in the Slide Letter Agreement remain references to Table 1R5.

References in the Purchase Agreement and any supplemental agreements and associated letter agreements to "Table 1R6", "Table 1R7", "Table 1R8", "Table 1R9", "Table 1R10" or "Table 1R11" (where no corresponding reference to either Table 1-2 or Table 1-3 is made) are deemed to refer to only "Table 1R12".

Additionally, for the avoidance of doubt, references in the Purchase Agreement and any supplemental agreements and associated letter agreements to "Table 1-2" (where no corresponding reference to Table 1R4 or Table 1R5 is made) remain references to "Table 1-2".

4.3 On or before [\*\*\*\*], Boeing will, pursuant to Section 6.1 of the [\*\*\*\*] Agreement (and by [\*\*\*\*] concurrent with the execution of this SA-19), [\*\*\*\*] to Customer the [\*\*\*\*] in the [\*\*\*\*] of [\*\*\*\*] ([\*\*\*\*]) as shown in the table below.

[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]
[****]	[****]	[****]	[****]

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AGREED AND ACCEPTED this

April 8, 2021

\_\_\_\_\_  
Date

**THE BOEING COMPANY**

**AMERICAN AIRLINES, INC.**

\_\_\_\_\_  
*/s/ The Boeing Company*

\_\_\_\_\_  
*/s/ American Airlines, Inc.*

Signature

Signature

\_\_\_\_\_  
The Boeing Company

\_\_\_\_\_  
American Airlines, Inc.

Printed name

Printed name

\_\_\_\_\_  
Attorney-in-Fact

\_\_\_\_\_  
VP, Treasurer

Title

Title

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\* - This is an intended gap as there are no Letter Agreements LA-1106674 through LA-1106676 incorporated by the Purchase Agreement.

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**BOEING PROPRIETARY**

[\*\*\*\*]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

**Table 1R12 To  
Purchase Agreement No. PA-03735  
737-8 Aircraft Delivery, Description, Price and Advance Payments**

<b>Airframe Model/MTOW:</b>	737-8	[****] pounds	<b>Detail Specification:</b>	[****]
<b>Engine Model/Thrust:</b>	CFMLEAP-1B25	[****] pounds	<b>Airframe Price Base Year/Escalation Formula:</b>	[****] [****]
<b>Airframe Price:</b>		\$[****]	<b>Engine Price Base Year/Escalation Formula:</b>	
<b>Optional Features:</b>		\$[****]		
<b>Sub-Total of Airframe and Features:</b>		\$[****]	<b>Airframe Escalation Data:</b>	
<b>Engine Price (Per Aircraft):</b>		\$[****]	<b>Base Year Index (ECI):</b>	[****]
<b>Aircraft Basic Price (Excluding BFE/SPE):</b>		\$[****]	<b>Base Year Index (CPI):</b>	[****]
<b>Buyer Furnished Equipment (BFE) Estimate:</b>		\$[****]		
<b>Seller Purchased Equipment (SPE) Estimate:</b>		\$[****]		
<b>LIFT Seats Provided by Boeing (Estimate):</b>		\$[****]		
<b>Deposit per Aircraft:</b>		\$[****]		

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Manufacturer Serial Number	Nominal Delivery Month	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
						At Signing [****]	[****] [****]	[****] [****]	Total [****]
[****]-2017	1	[****]	44459	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2017	1	[****]	44463	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2017	1	[****]	44465	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2017	1	[****]	44446	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44447	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44451	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44448	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

[****]-2018	1	[****]	44449	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44455	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44450	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44452	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44453	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44454	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44456	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44457	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44458	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44460	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44461	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44462	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2018	1	[****]	44464	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44466</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44467</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44468</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44469</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44471</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44470</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44472</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44473</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44474</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44476</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44475</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44477</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

[****]-2019	1	[****]	<b>44479</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44478</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44481</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44480</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44482</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44483</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44484</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2019	1	[****]	<b>44485</b>	N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2020	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2020	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

Total 42

**Table 1-3R6 To  
Purchase Agreement No. PA-03735  
[\*\*\*\*] Aircraft Delivery, Description, Price and Advance Payments**

<b>Airframe Model/MTOW:</b>	737-8	[****] pounds	<b>Detail Specification:</b>	[****]
<b>Engine Model/Thrust:</b>	CFMLEAP-1B25	[****] pounds	<b>Airframe Price Base Year/Escalation Formula:</b>	[****] [****]
<b>Airframe Price:</b>		\$[****]	<b>Engine Price Base Year/Escalation Formula:</b>	
<b>Optional Features:</b>		<u>\$[****]</u>		
<b>Sub-Total of Airframe and Features:</b>		\$[****]	<b><u>Airframe Escalation Data:</u></b>	
<b>Engine Price (Per Aircraft):</b>		\$[****]	<b>Base Year Index (ECI):</b>	[****]
<b>Aircraft Basic Price (Excluding BFE/SPE):</b>		<u>\$[****]</u>	<b>Base Year Index (CPI):</b>	[****]
<b>Buyer Furnished Equipment (BFE)</b>				
<b>Estimate:</b>		\$[****]		
<b>Seller Purchased Equipment (SPE)</b>				
<b>Estimate:</b>		\$[****]		
<b>LIFT Seats Provided by Boeing (Estimate):</b>		\$[****]		
<b>Deposit per Aircraft:</b>		\$[****]		

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Manufacturer Serial Number	Nominal Delivery Month	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
						At Signing [****]	[****] [****]	[****] [****]	Total [****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

**Table 1-3R6 To  
Purchase Agreement No. PA-03735  
[\*\*\*\*] Aircraft Delivery, Description, Price and Advance Payments**

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Manufacturer Serial Number	Nominal Delivery Month	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
						At Signing [****]	[****] [****]	[****] [****]	Total [****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2023	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]
[****]-2024	1	[****]		N/A	\$[****]	\$[****]	\$[****]	\$[****]	\$[****]

Total 18

CEO CERTIFICATION

I, W. Douglas Parker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Airlines Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2021

/s/ W. Douglas Parker

Name: W. Douglas Parker

Title: Chief Executive Officer



CFO CERTIFICATION

I, Derek J. Kerr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Airlines Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2021

/s/ Derek J. Kerr

Name: Derek J. Kerr

Title: Executive Vice President and  
Chief Financial Officer

CEO CERTIFICATION

I, W. Douglas Parker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2021

/s/ W. Douglas Parker

Name: W. Douglas Parker

Title: Chief Executive Officer

CFO CERTIFICATION

I, Derek J. Kerr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2021

/s/ Derek J. Kerr

Name: Derek J. Kerr

Title: Executive Vice President and  
Chief Financial Officer

**Certification of CEO and CFO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of American Airlines Group Inc. (the "Company") for the quarterly period ended June 30, 2021 (the "Report"), W. Douglas Parker, as Chief Executive Officer of the Company, and Derek J. Kerr, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. Douglas Parker

\_\_\_\_\_  
Name: W. Douglas Parker

Title: Chief Executive Officer

Date: July 22, 2021

/s/ Derek J. Kerr

\_\_\_\_\_  
Name: Derek J. Kerr

Title: Executive Vice President and Chief Financial Officer

Date: July 22, 2021

This certification is being furnished to accompany the Report pursuant to 18 U.S.C. § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**Certification of CEO and CFO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of American Airlines, Inc. (the "Company") for the quarterly period ended June 30, 2021 (the "Report"), W. Douglas Parker, as Chief Executive Officer of the Company, and Derek J. Kerr, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. Douglas Parker

\_\_\_\_\_  
Name: W. Douglas Parker

Title: Chief Executive Officer

Date: July 22, 2021

/s/ Derek J. Kerr

\_\_\_\_\_  
Name: Derek J. Kerr

Title: Executive Vice President and Chief Financial Officer

Date: July 22, 2021

This certification is being furnished to accompany the Report pursuant to 18 U.S.C. § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.