Employees have Contributed $15 BILLION to AMR's Bottom Line
Yet Executives Still Demand More

Bankruptcy: Just Another Accounting Tool to Chisel Employees and Taxpayers

AMR's Bankruptcy was About Staving Off a Mass Exodus of Pilots Because of AMR's Poor Stock Performance

We say it's Time to Fight Back!!!

DEFINITION: Chapter 11 is one of the chapters of the US Bankruptcy Code that provides protection to debtors. Chapter 11 bankruptcy is almost exclusively used by businesses due to the expense and complexity of the process. Chapter 11 bankruptcy is appropriate when a business needs to restructure the debts it has and reorganize its finances so it can stay open. As an alternative to Chapter 7, which would require a business to liquidate, Chapter 11 allows a business to keep many of its assets.

Chapter 11 (Reorganization) is just an accounting tool created by the government that allows corporations to dump their employee obligations and poor business decisions on the taxpayers. It's about transferring wealth from those who have little to those who have everything. The fact that it allows those who instigated the bankruptcy filing (executives and board members) to benefit the most supports this theory.

What's so stunning about AMR's bankruptcy filing is that the math just doesn't add up! There's too much cash and too many assets. Furthermore, AMR has taken no steps whatsoever to curb costs other than come after employees. Look at Southwest's corporate governance versus AMR's -- 37 executives versus 58 executives -- clearly AMR's top heavy, and these are the most expensive employees on the property. Understanding that AMR's goal has always been to align American's costs with those of low-cost carriers like JetBlue and Southwest, why is it then that American's cuts don't start at the top? The Boyd Group did a

wonderful analysis on the recent bankruptcy filing that we recommend every employee read. (Download in .PDF)

It's also interesting to note that AMR filed in the Southern District of New York when in reality the airline has no airports there. The Southern District is known for pandering to corporations, which is why corporations flock there to file for bankruptcy.

Also important is a claim that AMR's filing was an effort to stave off a mass exodus of pilots in December. AMR's poor stock value has led pilots to consider leaving before it's necessary simply to protect what they have left because the stock has performed so poorly.

Having spent eight years fighting AMR in Federal Court over the 2003 Restructuring Agreement, we can clearly see the similarities between the strategy to extort from flight attendants then and extort from flight attendants now. It's the same strategy, only the name has changed. It's about using threats to take money rather than focusing on ways to make money. We can see through the charade just like we could back in 2003

Employees need to fight offensively, not defensively. We should be questioning the legitimacy of AMR's bankruptcy filing rather than looking for ways to appease corporate governance. We saw how this worked for us in 2003 -- we saw flight attendants forfeit 33% of their income so that executives could pocket hundreds upon hundreds of millions in executive compensation. To that we say "no more."

We can fight this. But we have to think logically, not emotionally. We need, and already have in place, a team of professionals ready to work with APFA who have exemplary track records. They know how to go after AMR's board and the financial institutions that will benefit from our losses. They also know how to best represent us in court and how to expose in the national media the sham bankruptcy proceedings. Preparation is the key to protecting our interests. Relying on the courts, or even worse, the notion that AMR is going to do the right thing, is wishful thinking.

One of our greatest concerns is that current APFA leadership will negotiate an agreement and present it to AMR and then the Bankruptcy Court before the next administration assumes office. Given that we work under a Side Letter of Agreement and not a Contract, this means that changes to our pay, benefits and work rules can be amended with a simple majority of the APFA board approving it. IT DOES NOT REQUIRE MEMBERSHIP APPROVAL. This is why we spent eight

years in Federal Court challenging the 2003 Restructuring Agreement, to close Pandora's box. In a nutshell, APFA leadership reinterpreted the APFA Constitution in 2003 so that the leadership could bypass our right to have a 30-day paper ballot. This excerpt from an APFA Constitution Committee Memo says it all:

> Therefore, the [APFA] Constitution Committee strongly urges APFA to file a lawsuit in Texas state court in Tarrant County seeking a declaratory judgment that the Executive Committee has the constitutional authority to shorten the ratification period if APFA and the Company reach agreement on modifications to the contract. Although the Constitution Committee does not know the precise procedural steps that would have to be followed, we believe that most - if not all - judges would be extremely sympathetic with what APFA is trying to accomplish. (APFA legal counsel would be able to advise the Executive Committee and the Board of the impact such a declaratory judgment would have on potential member challenges to a shortened ratification period. An additional option would be to ask the Company to indemnify APFA for any legal costs and liability that arise if APFA members sue the Union about the ratification issue.)

As you can see, our rights can be circumvented by our union leadership with a simple reinterpretation of the APFA Constitution. In this instance, the leadership felt that judges would be "sympathetic" to the union for helping the company gut the contract.

There's a tremendous amount at stake, therefore we hope that a candidate wins the Primary Election so as to make the transition sooner than later. Forcing a Runoff will only prolong our preparation and our ability to challenge the company's assertion that it needed to file.

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