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January 6, 2018

Brothers and Sisters:

As we enter a new calendar year and begin to analyze the implications of the recently enacted changes to the U.S. tax code, TWU's lawyers are pressing the IRS for a determination as to the tax-exempt status of the reserve fund created to hold the American Airlines stock granted to the TWU during the bankruptcy reorganization. This determination by the IRS is critically important. Our tax lawyers advise us that, if the IRS determines that the reserve fund is not a tax-exempt entity, a potential capital gains tax liability of almost half the estimated value of the reserve fund may be owed to the IRS. Although this means that a full distribution of the fund will be postponed until the extent, if any, of these tax liabilities is determined by the IRS, we expect to distribute most of the monies from the fund within the next few months.

Unfortunately, your distribution payouts were delayed for several years by the now-concluded litigation contesting the TWU distribution plan. Mindful of this, we are working hard to get the reserve fund monies into your pockets as quickly as possible, while also preparing for an adverse determination by the IRS. To do that, our lawyers advise us that we must do two things. The first is that we have to set aside approximately half of the fund to pay the potential capital gains tax liability in the event the IRS does not agree with the TWU's position that the reserve fund should have the same tax-exempt status as our Union does. The second is that we have to await American Airlines' agreement to a system for the payout of the reserve fund balance to the members, including the withholding of all applicable income and FICA taxes.

To expedite that process, TWU's lawyers and accountants are actively engaged in discussions with American Airlines, but they have not yet agreed to pave the way for these payments. We remain optimistic that an agreement will be reached with the Company in the very near future, so that payouts can commence. But again, the Company has not yet agreed to make this happen. Unlike in 2013 when American Airlines first made distributions of the dollar value of stock to our members through its payroll system (withholding taxes and paying its share of FICA), the Company is refusing our request to do so again now. Their refusal both unreasonably delays the distribution process and makes it more costly to TWU members.

Instead, American Airlines has proposed that TWU retain an outside company to act as a payroll agent. This is unreasonable, costly, and potentially problematic in many ways. The Union continues to press the Company to do the right thing, but as of now American Airlines is not helping this situation.

Suffice it to say that we understand your frustration with the time it has taken to get to this point. Unfortunately, while the court litigation was pending, we were constrained by court order from doing anything with the reserve fund monies.

Rest assured that the Union's leadership, lawyers, and other professional advisors are doing everything in our power to move the process along and, of course, to get the reserve fund monies into your pockets as soon as possible.

On behalf of the entire TWU International leadership, please accept my best wishes to you and your loved ones for a happy and healthy 2018.

Fraternally,

A handwritten signature in cursive script that reads "Mike Mayes".

Mike Mayes
TWU International Vice President and Air Division Director

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