HEARING DATE AND TIME: April 23, 2012 at 10:00 a.m. (Eastern Time)
OBJECTION DEADLINE: April 3, 2012 at 4:00 p.m. (Eastern Time)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11 Case No.**
AMR CORPORATION, *et al.*,	:	**11-15463 (SHL)**
Debtors.	:	**(Jointly Administered)**

UPDATED DECLARATION OF DAVID L. RESNICK IN SUPPORT OF DEBTORS' MOTION TO REJECT COLLECTIVE BARGAINING AGREEMENTS PURSUANT TO 11 U.S.C. § 1113

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I, DAVID L. RESNICK, subject to the penalties provided by law for perjury, do hereby declare the following to be true and correct on the basis of my personal knowledge and upon information from documents I have reviewed, including those in my custody and control.

I. <u>IDENTIFICATION OF DECLARANT</u>

1. I am Managing Director and Chairman of Global Financing Advisory of Rothschild Inc. ("**Rothschild**"), an international investment banking firm. I also lead the firm's global restructuring practice and am a member of the firm's management committee. Our offices are located at 1251 Avenue of the Americas, New York, New York 10020.

2. Rothschild is a member of one of the world's leading independent investment banking groups, with significant expertise in restructurings, mergers and acquisitions and other financial advisory services. Rothschild has served as bankruptcy and restructuring advisor to debtors, bondholders, creditors' committees, single creditor classes and secured creditors in a variety of industries. Rothschild is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

3. Rothschild and its professionals have extensive experience working with financially troubled companies across a range of industries in complex financial and operational restructurings, both in- and out-of-court. In the past decade, Rothschild's professionals have provided financial advisory, investment banking and other services in connection with numerous U.S. bankruptcy proceedings, including major airlines reorganization proceedings. In particular, Rothschild's professionals provided financial advisory services to (1) UAL Corporation in connection with its reorganization under Chapter 11, (2) MBIA in connection with the Chapter 11 reorganization of US Airways and (3) TWA in connection with its Chapter 11 and sale to American Airlines. In addition, Rothschild and its professionals have extensive experience advising companies in connection with significant labor and pension issues, including the

Pension Benefit Guaranty Corporation with respect to the reorganization under Chapter 11 of Northwest Airlines. Rothschild's professional qualifications and experience are more fully described in Docket No. 473 (Notice of Hearing on Application of Debtors for Entry of an Order Authorizing the Retention and Employment of Rothschild Inc. as Financial Advisor and Investment Banker for the Debtors Nunc Pro Tunc to the Commencement Date).

4. At Rothschild and in prior roles, I have represented a diverse group of companies, secured and unsecured creditors and official committees on both in-court and out-of-court restructurings and have extensive experience advising companies on complex financial advisory assignments such as recapitalizations and sales of companies in bankruptcy. I joined Rothschild in 2000. From 1996 until 2000, I was employed at Peter J. Solomon Company, where I founded and headed the restructuring group. I previously worked at Lazard Freres & Co. from 1990 to 1996, where I advised on restructurings and on mergers and acquisitions. I began my investment banking career in 1985, at Merrill Lynch & Co. I hold a Bachelor of Arts degree, with High Honors, from Wesleyan University, where I was elected to Phi Beta Kappa, and a M.B.A. and J.D. from The University of Chicago. I previously have testified as an expert witness in numerous restructuring cases, including matters involving airlines and in connection with comparable motions to reject collective bargaining agreements pursuant to 11 USC § 1113(c). I have also testified in matters related to the following companies in the past: Delphi Corporation, Huntsman Corporation, Outsourcing Solutions, Inc, Thermadyne Holdings Corporation, Trans World Airlines, Inc, Service Merchandise Company Inc, Bedford Fair Industries, and Edison Stores Inc. In the case of Delphi Corporation, I have testified in relation to the § 1113 and § 1114 motions as well as for the plan of reorganization. In the case of Huntsman Corporation, I testified regarding a solvency opinion. In the case of Trans World Airlines, Inc., I testified pertaining to

the §363 sale. My qualifications and prior experience are more fully set out in my biography, attached to this declaration as Appendix A, AA Ex. 301.

5. I make this declaration in support of the motion of American Airlines, Inc. (“**American”** or “**the Company**”) pursuant to 11 U.S.C. § 1113 (the “**1113 Motion**”) to reject its collective bargaining agreements with the Allied Pilots Association (“**APA**”), the Transport Workers Union of America, AFL-CIO (“**TWU**”), and Association of Professional Flight Attendants (“**APFA**”) (APA, TWU, and APFA are referred to collectively herein as the “**Unions**”).

6. This declaration contains my opinions and the basis for my opinions. Except as otherwise indicated, all facts and opinions set forth in this declaration are based upon: (a) my personal knowledge, my experience and knowledge of corporate finance and restructuring issues; (b) information concerning the operations and finances of the Debtors; and (c) my review of relevant business records, financial projections and other information provided to me by employees working under my supervision. A list of the documents and information sources I have considered is summarized in Appendix B.

7. My investigation and evaluation of the issues discussed in this declaration is ongoing. Accordingly, my opinions are subject to further revision based upon work I may complete in the future and based upon additional materials I may review. If called as a witness, I would testify competently to the opinions set out in this declaration. I am not being compensated directly for my time or testimony in this case; however, Rothschild is being compensated in accordance with the Bankruptcy Court’s final order of March 2, 2012, authorizing Rothschild’s retention in connection with this proceeding.

8. **Summary of Opinions**: Based on my analysis of the information I have reviewed to date, I have formed the following principal opinions:

- Upon emergence from Chapter 11, AMR will require significant capital investment to support its restructuring strategy and business plan ("**Plan for Success**"or "**Business Plan**");
- AMR's decision to freeze rather than terminate its defined benefit pension plans will necessitate sizeable pension cash contributions and increase its long-term obligations post emergence;
- AMR will require an adequate liquidity cushion post-Chapter 11 to withstand the varied exogenous shocks and risks that often confront the U.S. airline industry;
- the relief requested in AMR's 1113 Motion is necessary for AMR to attract the level of capital investment it will need post-Chapter 11 and to thereafter sustain a successful reorganized operation;
- the labor cost reductions requested in the 1113 Motion are necessary to ensure AMR's successful reorganization without which AMR will be unable to attract the requisite capital investment and have insufficient liquidity and financial flexibility; and
- the various financial metrics on which AMR's Business Plan are based are reasonable and comparable to those of other U.S. airlines.

II. ROTHSCHILD'S ENGAGEMENT

9. On October 17, 2011, Rothschild was retained by the Debtors to provide financial advisory and investment banking services, including reviewing and analyzing the Debtors' assets and their operating and financial strategies; reviewing and analyzing the Business Plan prepared by AMR, including, but not limited to, testing assumptions and comparing those assumptions to historical company and industry trends; and evaluating AMR's debt capacity in light of its projected cash flows. The vast majority of AMR's revenue, expenses and debt relate directly to

its principal subsidiary, American Airlines, Inc. Accordingly, I refer to them collectively herein as "**AMR**".[1]

10. Rothschild worked closely with AMR in evaluating AMR's Business Plan prepared by AMR management. More specifically, Rothschild helped AMR to identify the essential financial metrics around which the Plan for Success would be evaluated from a financial perspective. For the airline industry, one of the key financial metrics that investors, financial analysts and rating agencies focus on is Earnings Before Interest, Taxes, Depreciation, Amortization, and Aircraft Rent ("**EBITDAR**"), which is a commonly-used indicator to evaluate leverage, valuation and the ability to generate operating cash flow of a given airline. Rothschild helped to identify the range of EBITDAR levels and EBITDAR margins of other large network carriers and low-cost carriers such as United Continental Holdings, Inc. ("**United**"), Delta Air Lines Inc. ("**Delta**"), US Airways Group, Inc. ("**US Airways**"), Alaska Air Group, Inc. ("**Alaska**"), Southwest Airlines Co. ("**Southwest**"), JetBlue Airways Corporation ("**JetBlue**"), Spirit Airlines Inc., ("**Spirit**") and Allegiant Travel Company ("**Allegiant**") targeted in the respective restructuring plans for those airlines that previously went through a bankruptcy and as currently projected by Wall Street research analysts for the upcoming years. Rothschild also reviewed other financial metrics such as pre-tax income margins, available liquidity as a percent of revenue and cash flow generation of the other U.S. carriers. I supervise the Rothschild team on the AMR engagement and have substantial input into all aspects of our engagement.

11. More generally, I have reviewed AMR's Plan for Success and the various financial metrics upon which it is premised (including EBITDAR margin, liquidity, leverage,

[1] The only other AMR subsidiary with material revenue or expense is AMR's regional airline subsidiary, American Eagle Holding Co., which operates American Eagle Airlines and Executive Airlines, which derives 100% of its revenue from American.

pre-tax income margin and cash flow generation), and, for the reasons detailed below, find those respective levels to be both reasonable and necessary to sustain the reorganized business enterprise.

12. While AMR's ability to meet the forecasts of its Business Plan is not certain in all respects, my review of the information currently available leads me to conclude that AMR's successful reorganization is dependent upon its ability to obtain the relief requested in the 1113 Motion. In my judgment, the labor cost reductions that AMR has proposed to its Unions are the minimum necessary for a successful reorganization. The intensely competitive nature of the airline industry and its susceptibility to economic cycles and external shocks leaves AMR with no alternative but to achieve a competitive cost structure that will enable it to attract external capital. AMR will then be capable of effectively competing with other carriers and have the economic flexibility to withstand the economic cycles and exogenous shocks which will inevitably occur.

III. THE AMR BUSINESS PLAN PROJECTS THAT THE COMPANY WILL EMERGE WITH SUBSTANTIAL AND INCREASING AMOUNTS OF SECURED DEBT AND ANNUAL AIRCRAFT RENT EXPENSE

13. AMR's collateral for its existing secured debt is primarily assets that the Company requires to continue its operations, including but not limited to, aircraft, route authorities, slots, and airport facilities. The Company's Business Plan is predicated upon its continued ability to use these assets in order to generate revenues and meet its financial projections through 2017. While AMR intends to compromise a significant amount of unsecured debt in the context of a plan of reorganization, its ability to compromise secured debt is limited by the value of the collateral as well as its need to continue to have full access to the assets pledged as collateral.

14. Although the Business Plan projects secured debt maturities over the next several years, the Business Plan also projects the Company to incur significant amounts of additional secured debt in order to finance its future aircraft fleet deliveries. AMR typically finances its aircraft purchases through sale leasebacks, operating leases or mortgages. During the forecast period from 2012 through 2017, AMR is expected to take delivery of over [redacted]. The financed aircraft deliveries are expected to add [redacted] of secured debt to AMR's balance sheet through the forecast period and the operating leases are expected to add approximately [redacted] in total incremental annual rent expense by 2017[2] compared to 2011. The Company also has approximately [redacted] of debt and capital lease obligations coming due in the projection period which shall require sufficient liquidity to make payments in the event new capital or financing is not available when these obligations come due. The Business Plan does not project the purchase of aircraft with cash on hand as this would unduly limit the Company's liquidity profile.[3]

IV. AMR REQUIRES CAPITAL INVESTMENTS TO SUPPORT THE RESTRUCTURING STRATEGY AND BUSINESS PLAN

15. AMR needs to continue to invest in its fleet and associated capital expenditures to compete effectively and to generate targeted revenue increases. Over the past decade, the Company has started to lag large network carriers in products and services, while its competitors have restructured and continue to invest in substantial upgrades to enhance revenue performance. The AMR Business Plan reflects significant capital expenditures in each year and, in my

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[2] Source: AMR's Business Plan as of April 6, 2012. Business Plan subject to revision for fresh start accounting adjustments.

[3] Source: AMR's Business Plan as of April 6, 2012.

judgment, the projected expenditures are necessary to achieve the competitive network and product improvements contemplated by AMR's restructuring strategy and Business Plan.

16. Specifically, the Business Plan is premised on substantial investment in newer aircraft. These investments will increase fuel efficiency, lower maintenance costs, and improve customer perception, all of which will lower costs while enhancing the airline's attractiveness to premium customers. AMR also needs critical investments in products and services important to high-value customers to ensure its customers are being provided with a premium experience that is fully on par with (if not superior to) its network competitors. These expenditures are an essential component of AMR's Business Plan to grow its share of high-value customers, which is critical to achieving the revenues necessary for AMR to effectively compete and assure its long-term viability.

[redacted]

V. AMR'S DECISION TO FREEZE, RATHER THAN TERMINATE, ITS DEFINED BENEFIT PENSION PLANS WILL REQUIRE SIGNIFICANT ANNUAL CASH PENSION CONTRIBUTIONS AND SUBSTANTIALLY INCREASE ITS LONG-TERM OBLIGATIONS POST EMERGENCE

17. In the Business Plan presented to the Unsecured Creditors Committee on February 1, 2012, the Company expected to terminate all of its defined benefit pension plans. On March 7, 2012, AMR announced it would pursue freezing the Company's Agents, Management and Support Staff ("**AMS**") plan, flight attendant plan and TWU plan as a concession to the Unions while seeking to identify acceptable alternatives to the termination of the pilot pension plan. The decision to freeze the plans rather than terminate has two separate and significant consequences to AMR. First, the Company will be required to make a total of [redacted] of additional cash contributions from 2012 through 2017 that were not originally contemplated in the initial Business Plan[5]. Second, by retaining and freezing the pension plans, AMR will have a significant pension underfunding liability of approximately [redacted] upon emergence, based on GAAP accounting.[6]

18. In addition, AMR's annual pension cash costs beyond the Business Plan horizon—in 2018, 2019, 2020 and 2021—are expected to total approximately [redacted] . Even after these significant cash payments, an underfunded liability may still remain after 2021.

19. Compounding the impact of AMR's decision to freeze and retain its pension plans, as Kasper and Goulet describe in their declarations, is that large network carriers such as

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[5] Assumes the Defined Benefit pension plans are frozen as of July 1, 2012 and minimum cash contributions are made. The initial Business Plan contemplated approximately $[redacted] in early termination penalties from 2012-2017 and includes $6 million paid in January 2012.

[6] GAAP accounting permits the use of a higher discount rate than may be employed by the PBGC when estimating the present value of pension liabilities.

[7] Based on estimates from Towers Watson as of March 9, 2012.

AMR now face fierce competition with low-cost carriers ("**LCCs**") [8]. Many of these LCCs are not burdened by significant pension obligations. This distinction means, to effectively compete in the current environment, AMR must have a cost structure that will enable it to generate cash flow consistent with its competitors.

20. The retained pension liabilities, along with the large ongoing cash payments the Company will be required to pay in connection there with, will impact the going forward credit profile of AMR and therefore must be taken into account when evaluating the capital structure, liquidity profile and capital needs within the Business Plan projection period.

VI. THE AIRLINE INDUSTRY IS AFFECTED BY ECONOMIC DOWNTURNS, EXOGENOUS SHOCKS AND VOLATILE FUEL PRICES THAT NECESSITATE AIRLINES TO MAINTAIN AN ADEQUATE LIQUIDITY BUFFER

21. Having an adequate liquidity cushion is critical for AMR to withstand the exogenous shocks and risks that often and consistently buffet the global airline industry. Since 2000, some of these shocks include the events of September 11, 2001, conflicts and wars such as those in Afghanistan and Iraq, health epidemics such as SARS and the H1N1 epidemic, natural disasters such as Hurricane Katrina and the Japanese Tsunami, and the recession starting in 2008, all of which significantly depressed passenger revenues and profitability. The charts below highlight the significant fluctuations in U.S. airline passenger revenue and growth as a result of economic cycles and exogenous events.

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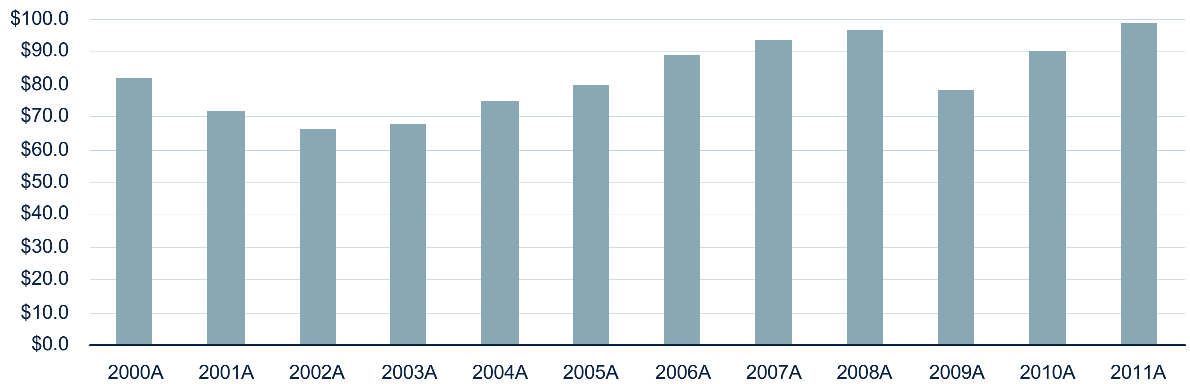
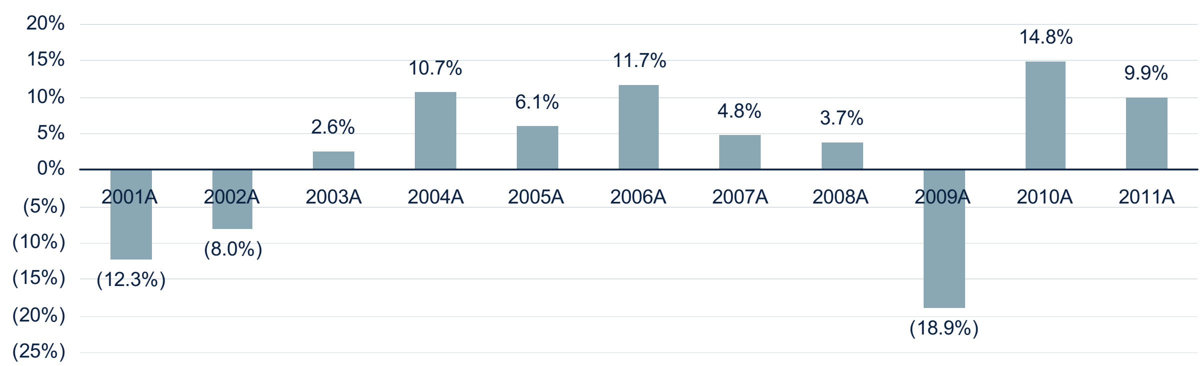
[8] Declaration of Daniel M. Kasper ("Kasper Decl."), attached as AA Ex. 1 ¶¶ 16-17; Declaration of Beverly K. Goulet ("Goulet Decl."), attached as AA Ex. 100, ¶ 13.

U.S. AIRLINE INDUSTRY PASSENGER REVENUES AND Y-O-Y GROWTH SINCE 2000 ($ BILLIONS)[9]



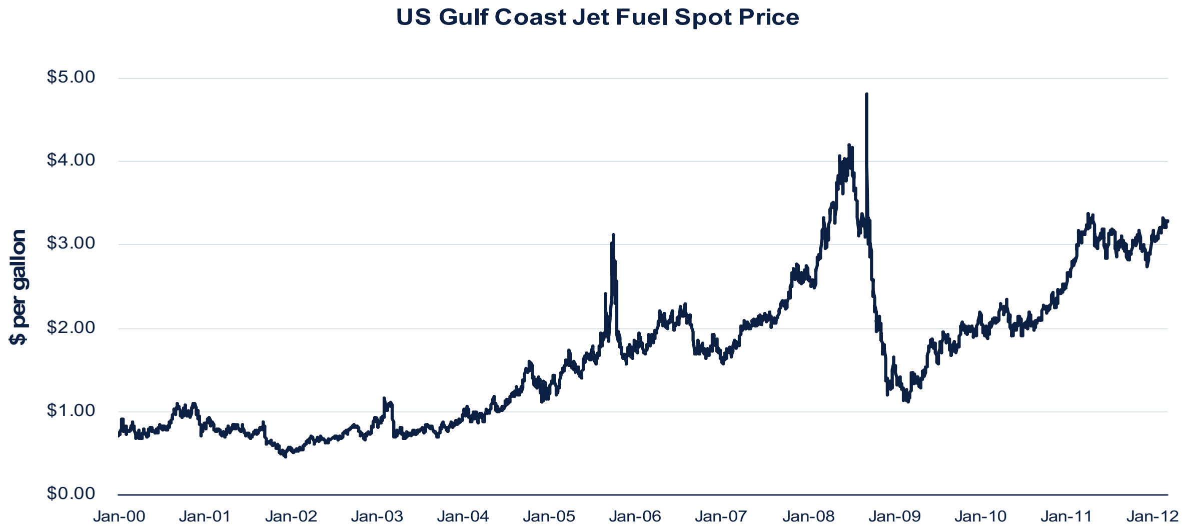


AA Ex. 303.

22. Another exogenous factor which has a significant impact on airlines is the cost of fuel, which generally is the largest non-labor cost for airlines. Since 2000, fuel prices have been highly volatile and jet fuel prices have fluctuated from approximately $0.50 per gallon to as high as approximately $5.00 per gallon. The chart below highlights historical volatility in fuel prices.

[9] Data set from SEC 10-K filings of the following airlines: AMR, Delta, Northwest, United, Continental, US Airways, America West and Alaska Air Group.

HISTORICAL JET FUEL PRICES, JANUARY 2000 TO JANUARY 2012 ($ PER GALLON) [10]



AA Ex. 304.

23. In order to maintain adequate liquidity cushion to withstand the circumstances outlined above, as well as to execute the Business Plan, AMR projects raising new capital in connection with its emergence from Chapter 11. [redacted]. The Company in its Business Plan has incorporated an [redacted] at the time of its emergence of [redacted][11]. The ultimate need for and size of any [redacted] at emergence will depend upon a number of factors such as the then current industry conditions, AMR's liquidity position at that time and the required Plan of Reorganization capital needs. In connection with these 1113 proceedings, I am presently not taking a position as to whether or not the additional

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[10] Source: US Energy Information Administration website: http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWTC&f=D

[11] The Company initially envisioned an [redacted] of [redacted] per the Business Plan released on March 16, 2012. However, due to updates and revisions in the Business Plan released on April 6, 2012, the [redacted] currently contemplated is [redacted]

[redacted] is either required or sufficient for emergence. Whether or not such capital is either required or sufficient will depend on the facts and circumstances that exist at that point in time. Attracting and raising any new [redacted] will require convincing financial investors that AMR can succeed in executing on its Business Plan—which includes having market comparable credit metrics upon emergence—and a critical element of the Business Plan is the requested labor cost reductions.

VII. THE RELIEF REQUESTED IN THE § 1113 MOTION IS NEEDED FOR A SUCCESSFUL REORGANIZATION AND IS ESSENTIAL TO AMR'S ABILITY TO ATTRACT NEEDED CAPITAL, REDUCE LEVERAGE, AND OBTAIN CREDIT RATINGS COMPARABLE TO OTHER CARRIERS

24. The requested labor cost reductions are essential to establish a financial profile that will ensure AMR's long-term viability. As Goulet describes in her declaration, over the past decade, AMR has already achieved approximately $4.75 billion in annual savings from sources other than its collective bargaining agreements[12]. Without the requested labor cost reductions, AMR's performance in key financial metrics will not be sufficient to attract new capital investment. Failure to obtain the labor reductions will leave AMR with insufficient liquidity and inadequate financial flexibility to withstand the economic downturns, exogenous shocks, and other uncertainties necessarily attendant to the airline industry.

25. To meet its operating and investing needs, AMR will need continued access to capital markets over time. The ability to tap financial markets—including raising the [redacted]—will depend on achieving and maintaining the Business Plan's financial targets and achieving financial metrics that new capital investors will find appropriate. Some of the key financial metrics include EBITDAR margins, credit ratings and leverage ratios, which

[12] Goulet Decl. ¶ 25.

are discussed below. AMR's Business Plan contemplates annual employee cost reductions of $1.5 billion by 2017.[13] To illustrate the necessity of the requested $1.5 billion labor cost reductions, some metrics are shown pro forma excluding this $1.5 billion of requested labor cost reductions.[14]

26. EBITDAR Margin: EBITDAR margin is a financial metric commonly used in the airline industry to evaluate the financial status of a company, and represents a proxy to evaluate a company's leverage, valuation and ability to generate operating cash flow. EBITDAR is an appropriate metric for making financial comparisons among airlines because certain items such as aircraft rent expense, interest expense and taxes can vary significantly based on an individual company's capital structure, aircraft fleet financing strategy and tax attributes. Because EBITDAR measures earnings before the impact of these items, it provides a useful means of evaluating each carrier's ability to operate profitably relative to comparable companies.

27. AMR's Business Plan projects an EBITDAR margin in 2013, the first year after the assumed Chapter 11 emergence date of December 31, 2012, of approximately [redacted] and approximately [redacted] thereafter. As of March 2012, Wall Street analyst reports available to Rothschild projected that EBITDAR margins for comparable airlines for 2013E were in-line with, or exceeded AMR's forecasted EBITDAR margin performance under the Business Plan. Note however, in the absence of the $1.5 billion of requested labor cost reductions, AMR's pro

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[13] Goulet Decl. ¶ 54

[14] This $1.5 billion represents the amount of annual cash savings over current annual costs, to be achieved by 2017, and includes retiree medical cost reductions, as well as labor cost savings at American Eagle. The figure, excluding retiree medical costs, translates to $1.25 billion in average (six-year) annual direct labor cost reductions at American, including $990 million in annual direct labor cost reductions sought in this motion from the unionized employees represented by APA, APFA and TWU. In addition, in a separate motion under Section 1114 of the Code, American will ask the Court for permission to eliminate company-paid retiree medical benefits for former employees who retired prior to the Petition Date.

forma EBITDAR margin drops significantly and is estimated as the lowest among other carriers. A lower EBITDAR margin results in lower operating cash flow, thereby diminishing AMR's projected liquidity.

[redacted]

[redacted]

28. Credit Metrics: Credit ratings are a key indicator considered by the capital markets in assessing a company's overall financial and operating situation and its ability to satisfy its future financial obligations. Due to the strict definitional criteria maintained by the various credit rating agencies, the capital markets look to third party credit ratings for independent evaluation of a company's financial and operating health. Credit rating agencies utilize a wide range of qualitative and quantitative criteria in determining a credit rating, including industry risk and company-specific factors such as industry position, management quality, and quality of operations. Credit rating agencies also rely upon key financial

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[redacted]

considerations including various financial ratios, an assessment of the company's cash flow, liquidity, capital structure, pension funding obligations and other financial considerations. All of these factors help the rating agencies in assessing the likelihood that companies will successfully meet their debt payments and other liabilities as they come due. The two largest credit rating agencies are Moody's Investors Service ("**Moody's**") and Standard and Poor's ("**S&P**").

29. Given the current capital markets dynamics, there is generally greater demand among investors and creditors for strong single-B (S&P) or better credit rated companies than for those companies with a credit rating below single-B. Other rated large network U.S. airlines and low cost carriers are currently rated at least single-B-. AMR's Business Plan, which includes the proposed labor cost reductions, nevertheless projects a credit profile that is disadvantaged in the near term relative to other U.S. airlines. Because a far larger portion of AMR debt is secured relative to other large network carriers, AMR will have a greater burden of debt and leverage upon emergence than most of its peers. In addition, Delta and United are generating more cash relative to AMR, partly attributable to the operating leverage of their larger scale, which should allow them to continue to de-lever relative to AMR. If AMR is unable to obtain its proposed labor cost reductions, the Company's financial projections and credit profile will be further exacerbated compared to other large network US carriers. As illustrated in the table below, even if AMR were to achieve the full labor cost reductions, its financial performance and credit profile is not as strong as most competitors. For instance the average of the EBITDA to interest expense coverage ratio for other airlines is 7.2x times whereas AMR pro forma with the labor cost reductions is projected at [redacted].

[redacted]

30. Leverage: AMR's adjusted net debt (including available cash and capitalized aircraft rents but excluding AMR's assumed pension underfunding) over EBITDAR ratio is projected to remain higher than the industry average upon its emergence, but it improves and then holds relatively steady over the projection period of the Business Plan. Specifically, AMR's Business Plan projects adjusted net debt (excluding pension underfunding) to EBITDAR of [redacted][19] upon emergence, and it improves in 2013E to [redacted] then ranges from [redacted] through 2017 as cost reductions are more fully achieved. Note that AMR's Business Plan assumes raising new capital of [redacted] which is included in the ratios shown below. In the event AMR raises a lesser amount of new capital, the ratio will be higher.

[redacted]

[19] Assumed aircraft rent capitalized at 7.0x LTM aircraft rent expense.

[redacted]

31. As of March 2012, Wall Street analyst reports available to Rothschild estimated that Delta and United projected adjusted net debt (excluding pension underfunding) to 2013E EBITDAR ratios of approximately 1.7x and 1.4x, respectively[21]. Wall Street analysts expect both Delta and United to experience material deleveraging and credit profile improvements by 2013E. Alaska, Southwest, Spirit and Allegiant also have lower adjusted net debt (excluding pension underfunding) to EBITDAR ratios when compared to AMR's projected ratios by 2013E.

[redacted]

[21] US Airways is projected to maintain a high adjusted net leverage (excluding pension underfunding) ratio of 4.4x in 2012E and 4.3x in 2013E. [redacted]

[redacted]

32. Thus, AMR's adjusted net debt (excluding pension underfunding) to EBITDAR at emergence is expected to [redacted]

33. Without the labor cost reductions sought, however, the Company cannot achieve the target metrics discussed above. As stated above, these financial and credit metrics are needed to attract the required levels of new capital investment upon emergence and for future access to capital markets. Potential investors will view having a competitive cost structure as critical for AMR to compete with other carriers, to withstand potential shocks to the system and to successfully execute on its Business Plan.

VIII. <u>ADDITIONAL FINANCIAL METRICS FURTHER SUPPORT THE NEED FOR LABOR COST REDUCTIONS TO BE COMPETITIVE WITH OTHER CARRIERS</u>

34. In addition to the metrics discussed above, we compared AMR's Business Plan to the projections available for other carriers on various additional metrics, including liquidity, net adjusted leverage (including pension underfunding), pre-tax income margins and cash flow from operations. These additional metrics further demonstrate the reasonableness of the financial targets on which the Business Plan is based and support the need for labor cost reductions at AMR in order for it to be competitive with other carriers. Note that AMR's Business Plan

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[redacted]

assumes raising new capital of $[redacted] which is included in the metrics shown below. In the event AMR raises a lesser amount of new capital, the discussed metrics will change.

35. Liquidity: One way to compare liquidity across airlines is to measure their cash balance and revolver availability as a percentage of their total revenues. As of December 2011, Delta, United, U.S. Airways, Alaska, Southwest, JetBlue, Spirit and Allegiant each reported in their SEC filings liquidity (including unrestricted cash and estimated revolver availability) as a percentage of 2011A revenues in the range of approximately 16% to 41%. AMR's Business Plan projects unrestricted cash as a percentage of revenue of approximately [redacted] in 2013E.[25] In addition to cash, many of AMR's competitors have access to credit facility availability in the form of a revolver. When compared to the estimated available liquidity for its competitors including revolver availability, AMR's 2013E projected total liquidity (which will consist only of the cash on its balance sheet) is within the range of its competitors.

[25] Note that AMR's projected total liquidity includes the assumption that the [redacted] of new capital is raised. In the event AMR raises a lesser amount of new capital, liquidity will be lower than what is currently shown.

[redacted]

[redacted]

36. Ratio of Adjusted Net Debt (including pension underfunding) to EBITDAR plus Pension Expense ("**EBITDARP**"): Given that at least three of AMR's pension plans are to be frozen, rather than terminated, the underfunding of these pension plans creates a substantial pension underfunding obligation on AMR's balance sheet. When including the pension underfunding as part of adjusted net debt, AMR has among the highest leverage ratios of the U.S. airlines, with only US Airways and Delta having higher ratios. In the absence of the requested labor cost reductions, AMR's Adjusted Net Debt (including pension underfunding) to EBITDARP[29] is the highest among comparable U.S. airlines along with US Airways in 2013E. This distinction underscores how crucial the labor cost reductions sought in the 1113 Motion are to the success of the Business Plan, even after considering the new capital raise upon emergence.

[29] Pension expense add back defined as 2011A net periodic benefit cost—service cost—amortized service cost; held constant for 2013.

[redacted]

[redacted]

37. Pre-tax income margin: Pre-tax income margin factors in capital structure costs, prior to tax expenses. Because tax expenses may vary across companies, pre-tax income allows for comparisons of return to shareholders before the tax variations. As of March 2012, Wall Street analyst reports available to Rothschild estimated that Delta, United, U.S. Airways, Alaska, Southwest, JetBlue, Spirit and Allegiant had projected 2013E pre-tax income margins of approximately 3% to 16%. AMR's Business Plan projects approximately [redacted] pre-tax income margins from 2013E to 2017E, again in line with the projections for the other carriers.

[redacted]

[redacted]

38. Cash flow generation: By generating positive cash flows from operations, AMR will be able to deleverage, support its necessary capital expenditures and service its debt. As of March 2012, Wall Street analyst reports available to Rothschild estimated that Delta and United, the two closest peers as other large network carriers, will each have projected 2013E cash flows from operations of $3-4 billion. AMR's Business Plan projects approximately [redacted] in cash flow from operations in 2013E, [redacted]

[redacted]

In the absence of the requested labor cost reductions, cash flow from operations would shrink to unsustainable levels.

[redacted]

[redacted]

39. Another cash flow generation metric is cash flow from operations less capital expenditures, net of sale leaseback transactions. This metric is typically used for companies, such as AMR, or industries where large capital investments are required; it measures the cash flow a

[redacted]

company has for its remaining uses (such as principal and interest payments) after payments for planned capital expenditures have been made. As illustrated in the chart below, without the requested labor cost reductions, AMR will not generate the necessary cash flow to achieve its Business Plan.

[redacted]

40. Based on the metrics discussed above, the financial metrics projected in AMR's Business Plan are comparable to and in the range of metrics projected by other domestic carriers, both currently and in their Plans of Reorganization. In the absence of the labor modifications requested in the 1113 Motion, these financial metrics cannot be achieved.

[redacted]

IX. THE FINANCIAL METRICS ON WHICH THE BUSINESS PLAN IS BASED ARE COMPARABLE TO THOSE SOUGHT BY OTHER U.S. AIRLINES IN THEIR REORGANIZATIONS

41. AMR is not the first U.S. airline to seek savings from its labor groups in a Chapter 11 proceeding. Other airlines such as United, Delta, US Airways, and Northwest all sought significant labor cost reductions as part of their reorganizations. The financial projections filed by these past debtor airlines contained a range of financial metrics that are generally consistent with those of AMR's Business Plan. Provided below are select financial metrics presented by these carriers in their plan of reorganization documents.

US AIRWAYS #1 POR PROJECTIONS ($ IN MILLIONS)[38 39]

	2003	2004	2005	2006	2007	2008	2009
EBITDAR	1,106	1,506	1,842	2,132	2,185	2,134	2,122
% margin	*15%*	*18%*	*21%*	*23%*	*23%*	*22%*	*22%*
Pre-tax income	($225)	$146	$388	$621	$657	$637	$660
% margin	*(3%)*	*2%*	*4%*	*7%*	*7%*	*7%*	*7%*
Cash Flow from Operations	($32)	$335	$488	$632	$656	$588	$590
Adj. net debt / EBITDAR	7.0x	5.4x	4.6x	4.0x	3.8x	3.7x	3.6x
Unrestricted cash as % of revenue	16%	16%	18%	17%	19%	19%	18%

AA Ex. 317A.

UNITED AIRLINES POR PROJECTIONS ($ IN MILLIONS)[40]

	2005	2006	2007	2008	2009	2010
EBITDAR	885	2,161	2,630	2,895	2,969	3,078
% margin	*5%*	*12%*	*14%*	*15%*	*15%*	*16%*
Pre-tax income	($664)	$349	$836	$1,217	$1,342	$1,569
% margin	*(4%)*	*2%*	*5%*	*6%*	*7%*	*8%*
Cash Flow from Operations	$378	$1,003	$1,889	$2,091	$2,300	$2,555
Adj. net debt / EBITDAR	2.8x	4.5x	3.2x	2.4x	1.8x	1.1x
Unrestricted cash as % of revenue	8%	15%	19%	22%	25%	17%

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[38] Source: Financial projections appendix of disclosure statement filed January 17, 2003.

[39] US Airways filed again for Chapter 11 in September 2004. Financials from its second Chapter 11 filing have not been shown as they are projected for a period of two years only.

[40]. Source: Financial projections appendix of disclosure statement filed October 20, 2005.

AA Ex. 318

DELTA AIR LINES POR PROJECTIONS ($ IN MILLIONS)[41]

	2006	2007	2008	2009	2010
EBITDAR	1,798	2,847	3,457	3,616	3,871
% margin	*10%*	*15%*	*18%*	*18%*	*18%*
Pre-tax income	($425)	$816	$1,471	$1,586	$1,899
% margin	*(2%)*	*4%*	*7%*	*8%*	*9%*
Cash Flow from Operations	$1,609	$2,053	$2,756	$2,852	$3,351
Adj. net debt / EBITDAR	4.4x	2.7x	1.8x	1.4x	0.7x
Unrestricted cash as % of revenue	14%	18%	24%	30%	36%

AA Ex. 319.

NORTHWEST AIRLINES POR PROJECTIONS ($ IN MILLIONS)[42]

	2006	2007	2008	2009	2010
EBITDAR	1,484	2,304	2,511	2,813	2,852
% margin	*12%*	*18%*	*19%*	*20%*	*20%*
Pre-tax income	$301	$986	$1,095	$1,332	$1,398
% margin	*2%*	*8%*	*8%*	*10%*	*10%*
Cash Flow from Operations	$1,360	$1,375	$1,754	$2,075	$2,097
Adj. net debt / EBITDAR	1.6x	2.5x	2.2x	1.5x	1.0x
Unrestricted cash as % of revenue	16%	25%	27%	34%	39%

AA Ex. 320.

42. The table below shows a summary comparison of American's Business Plan and those of the other carriers that emerged from Chapter 11 in the last decade, based upon their respective targeted Adjusted Net Debt (excluding pension underfunding to EBITDAR) one (T+1), two (T+2) and three (T+3) years from the year they emerged (T=0).

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41. Source: Financial projections appendix of disclosure statement filed February 2, 2007.

42. Source: Financial projections appendix of disclosure statement filed March 20, 2007.

[redacted]

43. Based on the financial projections above, AMR's Business Plan's projected EBITDAR margin, pre-tax income margin, liquidity profile and adjusted net debt (excluding pension underfunding) to EBITDAR ratio are comparable to and in the range of metrics projected by other domestic carriers in their plans of reorganization.

X. CONCLUSION

44. During the course of Rothschild's engagement with AMR, Rothschild has assisted the Debtors in evaluating the essential metrics upon which AMR's Business Plan is based and has noted that AMR's target financial metrics are consistent with the other airlines. In my judgment, the Business Plan lays the necessary foundation for a successful reorganization and the long-term viability of AMR. Critical to the Business Plan's success is the labor cost reductions sought in AMR's 1113 Motion. Without such relief, AMR's restructuring is unlikely to be successful or sustained.

[redacted]

I declare under penalty of perjury that the foregoing is true and correct on the basis of my personal knowledge and upon information from documents I have reviewed, including those in my custody and control.

Executed this 9 day of April, 2012.

9.12

David L. Resnick

DAVID L. RESNICK
Managing Director
Rothschild, Inc.

APPENDIX A

David L. Resnick—Biography

David Resnick is Chairman, Global Financing Advisory of Rothschild Inc. ("Rothschild"), a leading international investment banking firm which specializes in mergers, acquisitions, restructurings and privatizations. At Rothschild, Mr. Resnick also leads the firm's global restructuring practice and previously was Co-Head of Investment Banking for North America. He has represented a diverse group of companies, secured and unsecured creditors and official committees on both in-court and out-of-court restructurings. Mr. Resnick has extensive experience advising companies on complex financial advisory assignments such as recapitalizations, spin-offs and acquisitions of companies in bankruptcy.

Some of Mr. Resnick's more notable restructuring transactions include advising American Airlines, the Board of AIG, MediaNews, Access Industries on the recapitalization of LyondellBasell, Borders Group, Centerline Capital, Huntsman, Delphi Corporation, Tecumseh Products; the Ad Hoc Creditors Committee of Eurotunnel; Pacific Gas & Electric Company in its chapter 11 reorganization; the Federal Communications Commission in the restructuring of NextWave Telecom; France Telecom in the restructuring of NTL; Trans World Airlines in its sale to American Airlines, pursuant to §363 of the Bankruptcy Code; Zenith Electronics Corporation in its pre-packaged bankruptcy reorganization; The Walt Disney Company on the recapitalization of EuroDisney; Schlumberger, in its acquisition in chapter 11 of Cellnet Data Systems; Corning Inc., regarding its investment in Dow Corning; Olympia & York (U.S.) in its restructuring; Renault, regarding its investment in Mack Trucks; and, the creditors of Barneys Inc. in the company's bankruptcy proceeding.

Mr. Resnick joined Rothschild in 2000 from Peter J. Solomon Company, where he founded and headed the restructuring group from 1996–2000. Prior to working at Peter J. Solomon Company, Mr. Resnick worked for Lazard Freres & Co. At Lazard, Mr. Resnick worked on both restructuring and mergers and acquisitions assignments. Mr. Resnick began his career in 1985 at the investment banking division of Merrill Lynch & Co., where he worked in the merchant banking/restructuring and mergers and acquisitions groups.

Mr. Resnick holds a Bachelor of Arts degree, with High Honors, from Wesleyan University, where he was elected to Phi Beta Kappa, and a M.B.A. and J.D. from The University of Chicago. He speaks regularly at conferences on corporate restructurings. In 2011, Mr. Resnick received the Harvey R. Miller Award for service to the restructuring industry. Mr. Resnick is a member of the Board of Directors of the Rodeph Sholom Day School, and interviews prospective students as part of the Wesleyan University Alumni Schools Committee. He lives in New York City, is married and has two children.

APPENDIX B

I have considered the following categories of documents in forming the conclusions and opinions contained in this declaration:

1) Public filings including SEC filings such as 10-K, 10-Q, 8-K filings and press releases
2) Company business plan model and financial projections
3) Wall Street research reports from financial institutions and research analysts
4) Disclosure Statements and Plans of Reorganization of other airline bankruptcies
5) US Energy Information Administration website
6) Moody's: Global Passenger Airlines report
7) S&P: Key Credit factors: Criteria For Rating The Airline Industry
8) News articles
9) Towers Watson analysis as of March 9, 2012
10) Other American Airlines § 1113 Declarations
11) Bloomberg

AA Exhibit 0302A
Filed Under Seal

AA Exhibit 0305A
Filed Under Seal

AA Exhibit 0306A
Filed Under Seal

AA Exhibit 0307A
Filed Under Seal

AA Exhibit 0308A
Filed Under Seal

AA Exhibit 0309A
Filed Under Seal

AA Exhibit 0310A
Filed Under Seal

AA Exhibit 0311A
Filed Under Seal

AA Exhibit 0312A
Filed Under Seal

AA Exhibit 0313A
Filed Under Seal

AA Exhibit 0314A
Filed Under Seal

AA Exhibit 0315A
Filed Under Seal

AA Exhibit 0316A
Filed Under Seal

AA Exhibit 0317A

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AA Exhibit 0321A
Filed Under Seal