

September 9, 2024

VIA CMRRR to the Chairman of the Board and Each Board Member

TO: American Airlines Board of Directors

American Airlines Group Inc. - The Board of Directors 1 Skyview Drive Fort Worth, TX 76155	
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FROM: Kathleen Johnson, President, AMRRC, Inc. (American Airlines Retirees' Committee)
Employees, Retirees, and Shareholders

RE: AA's Struggles, Financial Outlook & Strategies

Dear American Airlines Board of Directors:

This letter is being sent on behalf of the employees, retirees, customers, and shareholders of American Airlines; there is much at stake for us if AA fails completely as an airline. These issues should have been addressed and rectified long ago by all of you as Board Members.

There is a lot of information contained in this letter, however, AA has dug itself into a huge deep hole, and the problems AA has created for itself must be explained in a comprehensive manner, so it only stands to reason that there has to be sufficient details provided in this letter for you to take the necessary actions.

We sincerely the Board will address the concerns and issues expressed in this letter about the decline of American Airlines' reputation throughout the world and the deterioration of its financial value to all of its shareholders. The downward spiral of AA within the airline and travel industry is nothing short of pitiful. It is a sad scenario for AA when it was recognized as the best airline with the best people, not so many years ago. It will take years, if ever, to restore the damage done to this once great airline. The enormous

challenge of fixing AA's problems should start now with you as the board members of this corporation to safeguard the investments of its shareholders. If corrective and appropriate actions are not swiftly taken you will fail AA shareholders and AA will not attract new investors, which could result in the complete demise of it. The thousands of years of dedicated service given to AA by its employees and retirees will be worthless just like the money invested in it by its shareholders.

The shareholders, employees and retirees are requesting that the Board take immediate action and directly engage in the challenges of overseeing the enormous setbacks and difficulties plaguing AA which have resulted from the failed business plans and decisions made by AA's executives. The dismissal of the executives should be seriously considered and competent executives and leaders should be recruited to manage the airline out of the financial distress in which it finds itself. Any ignorance in resolving the issues or the failure to remove the executives for mismanagement of it will continue in the complete collapse of AA.

Complaints. In all probably, you most likely do not read any online airline forums. Employees and retirees also have private forums to share travel experiences and to discuss the problems plaguing AA and hindering them, so much so, in their work functions that they cannot provide the products and services that passengers deserve and used to expect from AA. AA's customers are fleeing to DL, UA, and Southwest, (any other airline except AA) and they are not returning! Even offering a 'lottery' type of promotion for free international baggage will not revive the customer base AA has already lost. AA needs to return to the business practice of ramping up its Passenger Sales Departments with corporate account sales managers to execute contracts, address customers' concerns, and infuse the loyalty into corporations, and the customer-base that AA once had.

AA's X Feed (formerly known as Twitter) is filled with complaints from AA passengers. This is the X feed link for AA and the responses to the complaints are provided by AA personnel. <https://x.com/AmericanAir/status/1831334224021889041>

The problems identified in these forums (and news outlets) are 'various and numerous' and should concern each of you. The majority are stemming from the one and only core factor that AA seems to focus on --- which is, *on-time departures*. While flights departing on-time are important to boast about, the fixation that AA has placed on this single nucleus of its operation has wholly eliminated the customer service characteristics of AA. For years now, AA has consistently declined to the lowest-performance ratings when evaluated for its customer service qualities. Customer service attributes carry a greater influence on travelers when choosing an airline. DL and UA have steadily and remarkably implemented processes which allow them to accomplish both while AA slides further down in its customer ratings. AA is sacrificing everything for On-time Performance but fails in this category of measurement too.

Delta Air Lines is considered the top airline for *on-time performance* and has been constantly ranked Number 1 for the last three years. DL has not sacrificed its customer service qualities or excellence to serve its customers to achieve the ranking of the best

on-time airline. In fact, Delta Airlines is now the “premier” airline of the big three, a legendary position that AA held for years.

➤ **J.D. Power**

Delta was the top-ranked airline in the 2024 North America Airline Satisfaction Study for both First/Business Class and Premium Economy. This is the second year in a row that Delta has been ranked first in the Premium Economy segment.

➤ **The Points Guy**

Delta was named the best U.S. airline for the sixth year in a row by The Points Guy. This recognition was based on a variety of metrics, including operational reliability, customer experience, network, cost and loyalty offerings.

➤ **Skytrax**

Delta received a 3 out of 5 stars rating from Skytrax, which is based on the quality of Delta's airport and onboard product offerings, as well as customer service.

➤ **Wall Street Journal**

Delta was named the Top U.S. Airline by the Wall Street Journal for 2023.

Catering and Other Service Items. AA's excessive compulsion for on-time departures is significantly failing its shareholders, passengers, employees, and crews. AA flights are repeatedly leaving the gates with broken seats, non-working cabin lights, unclean cabins, broken lavatories, and without catering services for flights which results in “no” beverages, snacks, or meals onboard for the passengers. Blankets and pillows are not being supplied for some international flights. Will customers remember that their flight left the gate “exactly to the minute of its departure time”, or will customers long remember the announcement made by the flight attendant that ---- *no inflight services can be provided today because the flight was not catered? No beverages, snacks, meals, blankets, or pillows.*

Airport Priority List & Accommodation. However, even before the catering issues occur aboard the aircraft, AA is leaving behind angry passengers. Why? --- because of its airport priority list standby policy that was implemented earlier this year. Never before has AA been so openly discriminatory towards its passengers. However, with the new airport priority list restrictions and process it is exhibiting separatism by categorizing its customers into distinct “classes” to receive a standby listing, or accommodation/processing that should be afforded to all of its customers desiring to standby for a flight. Why isn't AA an airline for all of its customers? The distinctive perks AA provides to elite travelers can and will always be provided without ‘openly’ engaging in inequitable practices towards some of its customers who desire to travel standby. AA flies all customers, why not serve all customers equally? Sadly, AA's attitude is symbolic of “we just don't care about all of our customers – just some of them”. I recommend that you all inquire about the airport priority list standby process that was implemented earlier this year.

Gate Checked Bags & Open Bins. AA's passengers are being told they must gate check their bag because there is no overhead bin space left on the aircraft. This is just not the case in many instances. Then, after the passenger boards there is an abundance of bin space. Gate checked bags are being forced onto customers to save time and for AA to achieve an on-time departure, not because of the lack of open bin space. This truly angers

the customer. Their choice of airlines will not be AA in the future, they choose to fly DL and UA.

American Airlines Scraps Controversial NDC Strategy

Another failed 'strategical plan' and one of the biggest fiascos of AA is now being attributed to one executive who was dismissed (a scape-goat tactic) rather than, be attributed to all of the executives who participated and approved such a disastrous process. This proposed Plan attempted to only award AAdvantage miles to customers who booked their reservations through an *AA approved distribution channel* (travel agency or corporate travel department).

Lowest Employee Morale in the Industry

Customers are genuinely disgusted with AA's lack of service and the lack of receiving a friendly or caring attitude. Flight attendants are discouraged by the recent contract negotiations (which are in full public view), and customer service agents are taking the brunt of angry customers. Their anger is fueled by the abysmal policies and processes that AA has so carelessly implemented without forethought or insight over the past years. There is in-fighting between work groups which affects operations and the passengers' experiences. Employees from all work group are wholeheartedly discouraged and sickened by the poor employee morale.

AA's Former Programs, Processes, and Departments

Why was it necessary to entirely eliminate and woefully dismantle the programs and processes, and departments that served AA's customers, employees, and retirees so exceptionally well? These were time-proven and extremely successful programs and processes. Dismantling so many of them has created serious difficulties and is contributing to the further collapse of AA. AA poor decision-making policies is in full view of its customers, employees, and retirees. So why it is – the AA Board of Directors cannot see it?

The Airline Passenger's Bill of Rights. Are you all aware of this new legislation initiated from the DOT? Is AA prepared for the implementation of: S-178 "The Airline Passengers' Bill of Rights" in October 28, 2024? If AA cannot immediately begin to resolve its current problems, the implementation of this legislation will make it almost impossible for AA to operate as a basic airline. Is AA ready to implement this legislature; are they preparing their infrastructure and examining the staffing requirements for this next significant challenge?

<https://www.congress.gov/bill/118th-congress/senate-bill/178>

We, as customers, employees, retirees, and shareholders, would like to emphasize for AA's Board of Directors the difficulties that we envision AA is facing without any apparent well-directed efforts to resolve them. The fixes will not be easy and will probably take years.

➤ **Poor Employee Morale (all departments).**

- Delta Air Lines consistently ranks as one of the best airlines to work for in the US. AA is not even included on the list.

- **Lack of Training** for frontline employees places them at a total disadvantage to effectively and consistently administer AA's processes, and procedures. Frontline employees are woefully void of appropriate training for their job responsibilities. Policies are being applied inconsistently which further deteriorates AA's reputation.
- **Lack of Empowerment** to frontline employees, crews and managers to immediately address customer service issues and complaints in the field is a huge burden for the employees and angers its customers. Employees are so micro-managed by the policies and processes that AA has implemented; it completely restricts them from providing good service qualities that customers want and need to remain loyal to AA.
- **Understaffing.** The frontline airport employees are wholly stressed because they are under-staffed when working flights. Even the basic duties of an airport agent are difficult to accomplish because of the time constraints and lack of manpower that AA has forced upon them. Are you familiar with all of the responsibilities and functions of an airport gate agent while constantly working in a strict time-constraint environment?
- **The Demise of the Passenger Sales Departments** across the system that AA serves has significantly cost AA its goodwill and business relationships with major corporations. This department implemented account contracts to retain the business and corporate customers for AA. The passenger sales representatives and managers created the huge element of customer loyalty that AA is now so completely void of.
- **The Physical Appearance of AA's aircraft** has declined in ways that passengers will long-remember in a prejudicial way after flying on an aircraft with apparent broken and non-functional cabin parts.
- **AA's in-flight Catering** is so inferior to the services offered and presented by other airlines to their customers. Unfortunately, AA flights are leaving the gates uncatered, because catering services companies are failing to load the aircraft. PHL especially has a huge issue with catering. FAs are then left to explain to passengers that there will be no beverages, snacks or meal service provided on the flight. Most damage is being created by failed services that are not being addressed.
- **Lost Baggage.** AA has the worst records for losing passenger luggage. American Airlines was the worst offender, losing or damaging more than eight bags for every 1,000 checked. Jun 2, 2024.
 - In 2023, American Airlines had the highest rate of mishandled bags per 100 checked bags, with 0.76. This means that for every 1,000 checked bags, American Airlines lost or damaged more than eight bags.
 - Envoy Airlines - American's largest regional carrier, Envoy Airlines, had a rate of 8.25 lost bags per 1,000.
- **Executives Bonuses.** The extreme bonuses provided annually to executives demonstrate to employees that they are not respected or valued by the company for their contributions. How can it be explained to employees that their performances are based on the PPC Program (Peak Performance Through Commitment) but executives are automatically awarded bonuses approved by the Board of Directors. What sort of Profit Sharing have employees received?
- **Schedule Changes.** AA is constantly modifying its schedules and routes, so much so, that customers and employees have no idea what destinations AA serves --- when, or with what type of aircraft. The lack of consistency in routes prevents customers from even attempting to locate flight schedules on AA to international destinations. AA continues to cut its international destinations (or announces routes it cannot possibly serve because of the lack of delivery of new aircraft).

Grossman, LLC Announces that American Airlines Group, Inc. Shareholders with Substantial Losses Have Opportunity to Lead Class Action Lawsuit!

NEWS PROVIDED BY
ACCESSWIRE
Sep 06, 2024, 10:00 AM ET

NEW YORK CITY, NY / ACCESSWIRE /

September 6, 2024 / Bronstein, Gewirtz

& Grossman, LLC, a nationally recognized law firm, notifies investors that a class action lawsuit has been filed against American Airlines Group, Inc. ("American" or "the Company") (NASDAQ:AAL) and certain of its officers

➤ **Misleading Financial Statements.**

Following the Investor's Meeting in June, 2024. According to the Complaint, the Company made false and misleading statements to the market. American Airlines made repeated positive statements about its newly implemented sales and distribution strategy to reduce expenses while also increasing consumer demand. In fact, the Company's new strategy was failing to drive increased revenue. Based on these facts, the Company's public statements were false and materially misleading throughout the class period. When the market learned the truth about American Airlines, investors suffered damages.

THE LAWSUIT: A class action securities lawsuit was filed against American Airlines Group Inc. that seeks to recover losses of shareholders who were adversely affected by alleged securities fraud between July 20, 2023 and May 28, 2024. 2 days ago

September 7, 2024 - American Airlines is Out of S&P 500

American Airlines is dropping out of the S&P 500 before the market opens on Monday, September 23rd. It will move down to the S&P MidCap 400.

That's not S&P's judgment about the airline's performance and prospects... *but it is the market's judgment. It's based on the value of the company.*

- The airline's market cap is currently about \$7 billion.
- United's – which had been almost as vulnerable to bankruptcy during the pandemic and which has been taking on huge commitments for new aircraft orders – is worth over twice as much at \$15 billion.
- Delta's market cap is \$27 billion.
- Even the much smaller Alaska Airlines is worth nearly \$5 billion, by the way.

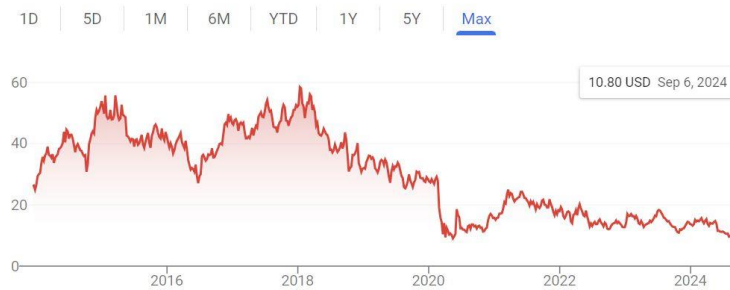
The last CEO publicly bet on shares hitting \$60 – the leader with 3 DUIs bet wine – and shares now hover around \$10, around the lows from the start of the pandemic despite receiving far more in government subsidies than the airline is worth today and despite travel's recovery.

American blames their underperformance on walking away from managed travel and punishing travel agencies. They say the strategy is costing them about \$1.5 billion in annual revenue. That may be on the high side, and it's revenue, not profit. They did nearly \$53 billion in revenue last year.

This doesn't explain their problems in either absolute or relative performance. They let go the architect of the strategy and while there were missteps, he also seems a scapegoat. Recovering all of this revenue doesn't turn around the airline. In fact, AAL stock is lower today than after they announced Vasu Raja's departure.

Ultimately, they lack leadership and a culture that pays attention to the product. They focus on basic on-time statistics but don't really invest in improvements. And they leave it at those table stakes. What's truly amazing is that the company's board has abided by this.

September 6, 2024
\$10.60



- **Alaska Airlines** is the best U.S. airline in 2024. It's known for its consistent performance, commitment to passenger satisfaction, and complimentary in-flight Starbucks.
- **Southwest Airlines and Delta Air Lines** have also been recognized for their investments in people, which have led to higher scores in areas where interpersonal interactions matter.
- **American Airlines** is no longer included and any top rankings for any service or performance. It is time for a significant change in senior management and executives that can begin to take AA upward, instead of continuing on its downward path to another organization under bankruptcy protection.

It is way past overdue for the AA Board of Directors to take action to correct the issues that AA has created for itself. AA can no longer compete with DL or UA, or smaller carriers like Alaska and Southwest Airlines. A special board meeting should be authorized and called immediately. Shareholders do not need to explain your responsibilities as board members; however, it is inexplicable as to why no action has been taken.

A corporation's success is directly dependent upon the morale and performance of its employees, as well as, the overall satisfaction of its customers. It should not be and will not be successful if the only reliance is for on-time performance.

You may view the following as a tired philosophy for operating an airline; however, it is one that made AA the success that it was for decades and was spoken by a true Pioneer and Legend of the airline industry.

All of us need to think of people
~ first, last and always ~
and act in a way that strengthens
the individual dignity of every
person at American

C. R. Smith

The Fourth Amended and Restated BYLAWS of American Airlines Group, Inc., effective July 24, 2024, Article II, Section 2, provides for Special Meetings of Stockholders. It seems that the Board of Directors should call for a Special Meeting of its Shareholders to review the financial circumstances, daily operations, and future survivability of the airline.

Sincerely,

Kathleen Johnson
President, AMRRC, Inc.

American Airlines' Retirees' Committee
AMRRC is incorporated as a 501(c)(4) tax-exempt, not-for-profit corporation.
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