

American Airlines Nears Bankruptcy Exit, Merger

by Joel R. Glucksman on August 15, 2013

American Airlines parent AMR Corporation is gearing up to make its formal exit from bankruptcy proceedings, and to enter into a multibillion-dollar merger agreement with US Airways, after receiving approval of its restructuring plan from creditors.

AMR announced that preliminary results reveal at least 88 percent of ballots in each creditor class were cast in favor of the plan, representing more than 97 percent of the claim value in each group. In addition, more than 99 percent of AMR shareholders voted for the plan.

"This is another important milestone toward our launch of the new American," said Tom Horton, AMR chairman, president, and CEO. "The overwhelming support for our Plan of Reorganization is a testament to the resilience and hard work of the entire American team."

The approval of the plan moves the company one step closer to not only a bankruptcy exit, but also finalizing its merger with US Airways, the latter of which cannot go into effect until AMR's restructuring is approved and it emerges from proceedings. The carriers are still awaiting approval from the U.S. Bankruptcy Court for the Southern District of New York and from the U.S. Justice Department, which will determine whether the merger will create a monopoly in any markets, Bloomberg reports. In addition, the carriers are also waiting for approval from the European Union antitrust authorities, the news source added.

US Airways CEO Doug Parker said that while the details get hammered out, the carriers continue to make progress with the merger and both parties expect the deal to close by the end of the third quarter. Once the merger goes into effect, US Airways shareholders will own 28 percent of the new company, with the remaining 72 percent going to AMR creditors, employees, and shareholders.

Final voting results will be certified and filed with the bankruptcy court before an August 15 court hearing.