

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.

Specifically, American is required to meet certain collateral coverage tests on an annual basis for its Credit Facilities, as described below:

	2013 Credit Facilities	2014 Credit Facilities	April 2016 Credit Facilities	December 2016 Credit Facilities
Frequency of Appraisals of Appraised Collateral	Annual	Annual	Annual	Annual
LTV Requirement	1.6x Collateral valuation to amount of debt outstanding (62.5% LTV)	1.6x Collateral valuation to amount of debt outstanding (62.5% LTV)	1.6x Collateral valuation to amount of debt outstanding (62.5% LTV)	1.6x Collateral valuation to amount of debt outstanding (62.5% LTV)
LTV as of Last Measurement Date	36.2%	17.7%	36.2%	53.6%
Collateral Description	Generally, certain slots, route authorities and airport gate leasehold rights used by American to operate all services between the U.S. and South America	Generally, certain slots, route authorities and airport gate leasehold rights used by American to operate certain services between the U.S. and European Union (including London Heathrow)	Generally, certain spare parts	Generally, certain Ronald Reagan Washington National Airport (DCA) slots, certain La Guardia Airport (LGA) slots, certain simulators and certain leasehold rights

At December 31, 2019, American was in compliance with the applicable collateral coverage tests as of the most recent measurement dates.

4. Leases

American leases certain aircraft and engines, including aircraft under capacity purchase agreements. As of December 31, 2019, American had 636 leased aircraft, with remaining terms ranging from less than one year to 12 years.

At each airport where American conducts flight operations, American has agreements, generally with a governmental unit or authority, for the use of passenger, operations and baggage handling space as well as runways and taxiways. These agreements, particularly in the U.S., often contain provisions for periodic adjustments to rates and charges applicable under such agreements. These rates and charges also vary with American's level of operations and the operations of the airport. Because of the variable nature of these rates, these leases are not recorded on American's balance sheet as a ROU asset or a lease liability. Additionally, at American's hub locations and in certain other cities it serves, American leases administrative offices, catering, cargo, training, maintenance and other facilities.

The components of lease expense were as follows (in millions):

	Year Ended December 31,	
	2019	2018
Operating lease cost	\$ 2,012	\$ 1,889
Finance lease cost:		
Amortization of assets	79	78
Interest on lease liabilities	43	48
Variable lease cost	2,542	2,353
Total net lease cost	\$ 4,676	\$ 4,368

Included in the table above is \$236 million and \$226 million of operating lease cost under American's capacity purchase agreement with Republic for the years ended December 31, 2019 and 2018, respectively. American holds a 25% equity interest in Republic Holdings, the parent company of Republic.