

Substantially all of our regional carrier arrangements are in the form of capacity purchase agreements. The capacity purchase agreements provide that all revenues, including passenger, in-flight, ancillary, mail and freight revenues, go to us. We control marketing, scheduling, ticketing, pricing and seat inventories. In return, we agree to pay predetermined fees to these airlines for operating an agreed-upon number of aircraft, without regard to the number of passengers on board. In addition, these agreements provide that we either reimburse or pay 100% of certain variable costs, such as airport landing fees, fuel and passenger liability insurance.

Cargo

Our cargo division provides a wide range of freight and mail services, with facilities and interline connections available across the globe.

Distribution and Marketing Agreements

Passengers can purchase tickets for travel on American through several distribution channels, including our website (www.aa.com), our mobile app, our reservations centers and third-party distribution channels, including those provided by or through global distribution systems (e.g., Amadeus, Sabre and Travelport), conventional travel agents, travel management companies and online travel agents (e.g., Expedia, including its booking sites Orbitz and Travelocity, and Booking Holdings, including its booking sites Kayak and Priceline). To remain competitive, we will need to manage our distribution costs and rights effectively, increase our distribution flexibility and improve the functionality of our proprietary and third-party distribution channels, while maintaining an industry-competitive cost structure. For more discussion, see Part I, Item 1A. Risk Factors - *"We rely on third-party distribution channels and must manage effectively the costs, rights and functionality of these channels."*

In general, beyond nonstop city pairs, carriers that have the greatest ability to seamlessly connect passengers to and from markets have a competitive advantage. In some cases, however, foreign governments limit U.S. air carriers' rights to transport passengers beyond designated gateway cities in foreign countries. In order to improve access to domestic and foreign markets, we have arrangements with other airlines including through the **oneworld** alliance, other cooperation agreements, joint business agreements (JBAs), and marketing relationships, as further discussed below.

Member of oneworld Alliance

American is a founding member of the **oneworld** alliance, which currently includes British Airways, Cathay Pacific Airways, Finnair, Iberia, Japan Airlines, LATAM Airlines Group, Malaysia Airlines, Qantas Airways, Qatar Airways, Royal Jordanian, S7 Airlines and SriLankan Airlines. The **oneworld** alliance links the networks of the member carriers and their respective affiliates to enhance customer service and smooth connections to the destinations served by the alliance, including linking the carriers' loyalty programs and access to the carriers' airport lounge facilities. Royal Air Maroc is expected to join the **oneworld** alliance in 2020. LATAM Airlines Group (LATAM) is in the process of withdrawing from the **oneworld** alliance, which is anticipated to be completed in the first half of 2020.

Cooperation and Joint Business Agreements

American has established a transatlantic JBA with British Airways, Iberia and Finnair, a transpacific JBA with Japan Airlines and a JBA relating to Australia and New Zealand with Qantas Airways, each of which has been granted antitrust immunity. Joint business agreements enable the carriers party to the relevant agreement to cooperate on flights between particular destinations and allow pooling and sharing of certain revenues and costs, enhanced loyalty program reciprocity and cooperation in other areas. American and its joint business partners received regulatory approval to enter into these JBAs and cooperation agreements. Joint business agreements have become a common approach among major carriers to address key regulatory restrictions typically applicable to international airline service, including limitations on the foreign ownership of airlines and national laws prohibiting foreign airlines from carrying passengers beyond specific gateway cities. Our competitors, including Delta Air Lines and United Airlines, are party to similar arrangements.

The business relationship under the transatlantic JBA benefits from a grant of antitrust immunity from the U.S. Department of Transportation (DOT) and was reviewed by the European Commission (EC) in July 2010. In connection with this review, we provided certain commitments to the EC regarding, among other things, the availability of take-off and landing slots at London Heathrow (LHR) or London Gatwick (LGW) airports. The commitments accepted by the EC are binding for 10 years. In October 2018, in anticipation of the exit of the United Kingdom from the European Union (EU), commonly referred to as Brexit, and the expiry of the EC commitments in July 2020, the United Kingdom Competition and Markets Authority (CMA) opened an investigation into the transatlantic JBA. We continue to fully cooperate with the CMA. An application for antitrust immunity is also pending with the DOT to add Aer Lingus, which is owned by the parent company of British Airways and Iberia, to the transatlantic JBA.