Company Comprehensive Proposal
Overview
November 14, 2011

Option A vs. Option B Approach

The APA negotiating committee explained there are differing priorities among the pilot group. So company negotiators offered two options for the APA to consider. Each provides an approach that will improve our competitive position.

Both Option A and Option B propose industry leading terms. The company's proposal provides pay raises, industry leading benefits, increases job protections, prevents outsourcing and creates a framework for growth. In return, the company has asked for greater productivity, additional operational flexibility and movement toward a more competitive benefit structure.

Option A:

- Compensation: Provides gradual pay raises every 15 months through the life of the agreement
- Productivity: Allows the company access to full productivity at the time of signing
- Pension: Preserves the current pension system and includes an option to freeze the A Plan and transition future contributions to a 401(k) plan
- Medical Benefits: Requires pilots to pay a greater share of medical benefits, comparable to industry peers

Option B:

- Compensation: Offers more significant pay increases, enacted every 12 months
- Productivity: Additional productivity phased in more gradually over the agreement
- Pension: Calls for a mandatory hard freeze of the A plan in exchange for a greater defined contribution benefit
- Medical Benefits: Pilots would pay more of their active medical benefits, but less than industry peers

These differences are detailed in the executive summaries, and the company has attached a **side-by-side summary document** of the two options. The APA has the ability to choose the one option that best meets the needs of their membership.

SCOPE

For many decades in the U.S. airline industry, the Scope clause has defined the flying that pilots of a particular airline are entitled to. There have been primarily two key areas to the Scope clause: regional flying and codesharing. Historically, these areas have also caused contention between airline companies and their pilot unions, but we have an opportunity to create a new Scope paradigm that benefits our pilots and the company.

Regional Flying: Ten years ago, the industry had a one-size-fits-all approach to the regional jet market – virtually all aircraft were 50 seats or less, as dictated by pilot labor agreements. However, beginning with a Delta agreement in 2001, and then followed by other carriers' restructured CBAs in or outside of bankruptcy, our competitors gained the ability to use 70-90 seat jets that were operated by regional airlines. So regional flying began to aggressively replace mainline flying, in addition to the traditional feeder role.

The reason for this is simple: at the regional airline, these 70-90 seat jets have roughly half the unit costs of MD80s, DC9s, and "classic" 737s. The use of regional flying made it easier for network airlines to compete with low-cost carriers, and it enabled them to retire many older airplanes. Of course, one of the reasons for these low regional costs is that these aircraft are flown by pilots with lower rates and more aggressive work rules.

As a result of these regional economics, the large regional jet has changed the aviation industry in the United States. Other airlines have grown regional jet capacity by 140 percent since 2000, while domestic mainline capacity has shrunk by 35 percent. More than 20 percent of all travel involves regional carriers. And among our network competitors, almost 25 percent of their total system capacity comes from regional jets.

This presents a challenge and an opportunity for us. We need to be able to compete with network carriers who rely heavily on regional operators, as well as low-cost carriers. And to do that, we need to be able to economically operate smaller airplanes. But unlike our competitors, we propose solving this in a very different way. Rather than sourcing large regional jets, we propose that any incremental jet aircraft larger than 50 seats will be flown by AA pilots. To compete effectively, aircraft under 125 seats would also have special rates and work rules.

This is a radically different approach than any of our legacy competitors are taking. It enables us to take advantage of our recent aircraft order, which allows us to source small narrowbodies (like the A319 and B737-700) at advantageous prices. It also helps us compete with the low-cost carriers and regional airlines whose low costs have driven us out of many markets over the last several years. Most importantly, it helps us create more jobs and more opportunity for pilots at our airline, while not displacing any of our current pilots under this new paradigm.

Codesharing: The other major exception to Scope is codesharing, which allows an airline to market another airline's network. This is useful in helping an airline access markets that it doesn't have any presence in, and in markets where an airline can't operate – because it doesn't have the right assets, or the regulatory rights (e.g., slots) to even launch service.

Early in the decade, large network carriers formed codeshare relationships to make their domestic networks more robust and increase feed to their international routes. Delta had codeshare relationships with Northwest, Continental and Alaska. United and US Airways had, and maintain, a robust domestic codeshare, in addition to the United/Continental codesharing resulting from the merger. As consolidation of the network carriers has taken place, domestic codesharing relationships have transformed into single carrier networks. As a result, our competitors' networks have significantly strengthened.

As our competitors have consolidated, we are now the third largest network carrier. We would like to expand our network in the northeast. However, we face slot constraints, so we cannot add flying in peak demand times without cutting flying in the same time window. As a result, we cannot grow our northeast operations without domestic codesharing. In contrast, Delta and United both operate full-service hubs in New York, serving and connecting more markets than we do. Additionally, Delta's and US Airways' shuttle products are used as sales tools to shift our high value business passengers to their networks.

On the West Coast, our existing partnership with Alaska Airlines allows us to serve passengers in the northwest region of the U.S. Today, Alaska puts more passengers onto our network than we put onto theirs. This enables us to serve many markets more successfully than we could without this codeshare. An expansion of the Alaska Codeshare Agreement would allow us to maintain a significant network presence in the northwest and along the West Coast, while fully utilizing our aircraft in the most productive manner possible across our domestic network.

The bottom line is that our competitors will continue to have far more liberal Scope agreements than what we've proposed. We are creating a new Scope paradigm that enables us to strengthen our network, increase opportunities and security for pilots, and out-compete other airlines.

WORK RULES

Our pilots work hard and many are flying as much as they can. However, the inefficiencies in the contract and additional reserves means that overall, American pilots fly less on average than our competitors. The current contract limits the number of hours a month our pilots can fly, creates additional reserves and inflates our costs, creating major operational inefficiencies. We need a contract that removes the inefficiencies and allows pilots to fly more – and earn more – giving American a competitive advantage, and with no cost of pilot jobs.

By removing the current hard monthly maximum and moving to a higher annual average maximum, pilots will have greater flexibility over the number of hours they fly each month, and have opportunities to pick up additional trips and earn more money. This means the company gets more productivity, and has guaranteed that no pilots will be furloughed as a result of the contractual changes. We'll transition to the appropriate staffing levels through normal attrition and potential growth.

The company has proposed two approaches for timing of implementing increased productivity, detailed in Options A and B above.

In addition to the ability to increase earnings, pilots can better predict their income through sequence pay protection, provided that the loss of flying is beyond the control of the pilot. To recapture lost pay, pilots would be required to be available for make-up flying within an agreed to window of their cancelled sequence.

Today pilots are limited by the older Trip Trade with Open Time system, so we're proposing an industry-leading Trip Trade system that will enhance pilots' scheduling flexibility. Pilots will be able to trip trade among themselves to a much greater degree than today, thus improving the quality of life/scheduling benefits by enabling greater control over their schedule. It will also create opportunities to increase their monthly projections, and consequently, enhance their earning power.

Another priority for both the company and the APA has been to create a greater ratio of line holders to reserves. Today, reserves make up about 30 percent of our total active headcount on an annual basis. By comparison, our network competitors' ratio of reserves to line holders is, on average, around 15 percent. We'd like to move more flying to lines, reducing the number of reserves.

We're also attempting to reduce the number of days a reserve pilot is required to be available – from 19 to 16 days per month, extended to 17 days four times per year. This would be the lowest among network carriers. Changes to the system will allow reserve pilots to better predict their schedule and provide an opportunity for additional pay above guarantee for voluntary flying completed on off duty days.

EQUIPMENT GROUPING

The formula in today's pilot contract dictates that any aircraft AA operates has its own pay rate. For similar sized aircraft, the difference in rates are minor – sometimes just $1 or $2. But even small differences in rates can encourage pilots to bid into a higher paying aircraft.

This is an inefficient system that inflates our training costs, takes pilots out of the cockpit for a couple of months for training events and at times, forces pilots to change bases or commute long distances because of relatively small rate differentials.

So instead of dozens of different pay rates, the company proposes grouping equipment into pay bands. Pay bands will set common rates of pay across multiple pieces of equipment, instead of basing pay on an individual aircraft's speed, weight or mileage.

Pay banding would make us competitive with other airlines, lower training costs and offer pilots more stability and career predictability. In return, training costs will be significantly reduced and the company will be better positioned to bring new aircraft into service.

MEDICAL BENEFITS

Medical: Health insurance is one of the fastest growing costs for employers. For American, this is especially true, as our benefit plans are considerably richer than the rest of the industry. We will continue to offer valuable medical benefit programs, but it's critical that we better align our costs and the employee cost share in this area with what other large companies pay.

AA pilots currently pay less than pilots at any other legacy airline. Other large network carriers require pilots to pay 20 percent or more of their active medical benefits costs. The company proposal asks AA pilots to contribute more toward the cost of the plan – amount differing by Option A and Option B – which is at or well below that of our main competitors.

When it comes to retiree benefits, American is one of only very few airlines providing retiree medical coverage – and today our pilots don't pay anything for that benefit. Our retiree medical obligation for 2011 is $171 million – $40 million more than United and more than $100 million greater than Delta. We're continuing to guarantee coverage to retiree medical, regardless of age, but employees hired after 1983 will need to begin sharing in that cost. For pilots retiring before age 65, American will continue to cover a large percentage of the benefit cost. At age 65, when Medicare is available, AA will offer guaranteed access to Medicare supplement coverage and pilots will pay the full cost for the coverage they select.

Lastly, the company proposes a few changes to Long Term Disability (LTD) coverage which will provide a richer benefit to pilots who need LTD while ensuring the benefit only applies to pilots who truly need the coverage. Additional changes will update the plan provisions to more closely match typical LTD plans.

Overall, the changes included within this proposal continue to provide industry-leading benefits to our pilots while better aligning the company's costs in this area with competitors.

SICK

The company recognizes that paid time off for illness or injury is an important benefit for all pilots. However, in recent years American's sick usage has far exceeded industry averages. This has caused significant scheduling problems for both pilots and the company. Higher sick usage compared to other carriers drives up our cost disadvantage and produces a negative impact on our reliability.

The vast majority of American pilots use sick as intended, but this benefit is also used for inappropriate reasons which puts an unfair burden on pilots who have to cover that time. The information within this proposal seeks to continue to ensure sick time is available for pilots when they need it, while eliminating abuse of the benefit and rewarding pilots for unused time.

In order to improve operational predictability and recognize those pilots that focus on maintaining good health, we are proposing a wellness incentive that rewards pilots for managing their sick usage throughout the year. The incentive program would allow qualifying pilots to cash out up to their full sick accrual each year. Pilots with a full sick bank will be eligible to cash out their entire annual accrual of 60 hours, and pilots with a partial sick bank are eligible to cash out up to 30 hours annually.

In addition, the company has proposed that sick events of less than 30 days will no longer be pensionable, as well as changes to rapid re-accrual and sick verification.

PENSION

In the last decade, pilots at virtually all other network carriers lost their pensions in bankruptcy – they were either turned over to the PBGC or were frozen. Continental and Northwest froze their defined benefit plans; while Delta, United and US Airways had theirs terminated under PBGC.

The company recognizes the importance of retirement benefits to pilots. Pension protection was a primary goal of negotiations in 2003 and American continues to provide the best-funded, most lucrative pilot retirement plan in the industry. Maintaining these benefits remains our goal in negotiations.

However, our annual pension funding requirements are extraordinary – we'll make payments of approximately $520 million in 2011. To protect these benefits, the company offered the APA two options for pilot retirement benefits. Both of these approaches continue to offer rich retirement benefits to pilots, while beginning to transition the company to a more sustainable program.

Details can be found in the company's Option A and Option B pension proposals.

COMPENSATION

As we've said throughout negotiations, pay rates are historically one of the last areas of discussion. The company's proposals on pay are directly linked to other elements within the contract, particularly retirement benefits and productivity, and reflective of our competitive position within the industry.

One of the primary goals of the proposals is to make compensation more streamlined and straightforward. AA has proposed eliminating many of the intricate formulas and premiums that drove complexity. Those funds would be redeployed and incorporated into the new, higher pay rates.

The company has offered the APA two approaches to a contract, both of which will make AA pilots among the best paid in the industry. Realizing that some pilots may value higher pay increases up front, one option offers larger and quicker increases in exchange for contractual changes in retirement and gradual changes to medical benefits and work rules. The other option offers more modest increases in exchange for no changes to retirement benefits for current pilots, immediate increases to medical benefits and enhanced productivity. Regardless of the option the union chooses, all pilots will see a base wage rate increase and have opportunities to earn more compensation through seat movement.

DURATION

In order to close out the last items of Section 6 negotiations and begin implementing the new contract as soon as possible, the company proposes a timeline that would have pilots seeing benefits of the new deal immediately following an Agreement in Principle. Parties have been working toward a deal for over five years now, and focusing on closing out the major TA deal points and beginning the ratification process this year will benefit both pilots and the company.

Immediately following an Agreement in Principle, pilots will begin to see the benefits of Section 6 negotiations including implementation of the Paycheck Process agreement, CKA and Tulsa flying agreements, as well as the company's retirement relief proposal. In addition, following a successful ratification vote and contract signing by February 15, 2012, new pay rates will be effective for pilots January 1, 2012.

In order to focus our collective attention on bringing the airline back to profitability and implementing the new contract successfully, the company proposes a contract amendable date of January 2, 2016, for all sections except Administrative sections. Administrative sections won't become amendable until the amendable date of the successor agreement, ensuring the next round Section 6 negotiations focus on the major items that are the most important to pilots.

To successfully implement equipment groups I, II and III (outlined above) the new work rules and pay relationship proposed by the company need to stay in place for two contract cycles or 10 years, whichever is greater. The new agreements around these equipment types will allow AA to bring flying to the mainline that was previously not economical. To operate these equipment types competitively and effectively implement these agreements, it is important that they remain in place for a greater amount of time than some of the other areas of the contract.

Company Comprehensive Proposal
Option A - Executive Summary

Date: 11/14/2011

In order to come to an Agreement in Principle, which will allow American and its pilots to be successful and prosper, AA proposes the following:

This proposal is contingent on acceptance of the Company proposal on Retirement Relief which is incorporated as an LOA11-01 (dated 09/30/2011). Post contract implementation flexibility will be adjusted appropriately to reflect the new work rules.

Acceptance of all previously agreed TA's plus:

SECTION 1 – RECOGNITION AND SCOPE:

- All future regional jets greater than fifty (50) seats will be flown by American Airlines pilots - no additional regional jets greater than fifty (50) seats will be outsourced.
- Permit commuter carrier codeshare (capacity purchase flying) with a carrier on aircraft with fifty (50) seats or less, even if the carrier has aircraft with greater than 50 seats on their Airline Operating Certificate (AOC), provided that the codeshare is limited to aircraft with 50 seats or less.
- Update and enhance the last baggage exception letter, permitting the Company to move excess passenger baggage that could not be accommodated on the same flight as the passenger.
- Modify Commuter Exception to permit fleet modernization within existing constraints (existing large RJ flying capped at 47 jets; existing large turbo props capped at 43 aircraft).
- Eliminate owned/non-owned commuter carrier distinction
  - All commuter air carriers operate same as owned
- Modify definition of hubs to cornerstone cities
- Hawaiian Inter-Island:
  - Incorporate changes from LOA 08-02 and make permanent part of the contract.
- After the Company grows mainline flying, permit the establishment of Domestic Codeshare to address network gaps in JFK
- Permit the establishment of Domestic Codeshare on a Shuttle product for BOS-LGA-DCA; this codeshare will only be allowed as long as the Company maintains a departure baseline in LGA, DCA, and BOS
- After the Company grows mainline flying, and creates a West Coast satellite base, the Company can expand the existing Domestic Codeshare with Alaska to address network gaps in LAX/West Coast
- Once new Domestic Codeshares are established, retain ability to replace such Codeshares with equivalent in the event the original Codeshare is terminated.

- APA approval will be required for any other future domestic codeshares; agreement will not be unreasonably withheld.
- Incorporate the RDU-LHR letter, including Company examples, regarding definition of JBA rationalization period.
- Modify Seniority List merger provisions to comply with McCaskill-Bond legislation
- Incorporate Successorship, Foreign Domicile, and Struck Work language per Company proposal dated 11/14/2011.

SECTION 2 – DEFINITIONS:

- Update and modify as necessary
    - Delete Scheduled Projection (SPROJ)

SECTION 3 – COMPENSATION (Option A):

- See attached Compensation proposal and pay tables

- Neither party shall seek at any time, without the express consent of the other party, to modify the pay relationship between Groups I – III and Groups IV – VII through the major dispute provisions of the Railway Labor Act and the pay relationship shall not be amendable for two contract cycles or 10 years, whichever is later.
- DOS + 15mo. – above rates increase by 3%
- DOS + 30mo. – above rates increase by an additional 2%
- DOS + 45mo. – above rates increase by an additional 2%
- First year pay - $40.00/Hr.
- Second year pay $55.00/Hr.
- Replace 2nd year pay percentage with second year rate applicable to all equipment groups
- Night Pay redeployed into TAFB.
- International Premium redeployed into base rate.
- Replace pay formula components (e.g. weight, speed/mileage) with chart pay rates
- Premium pay (Based on end of month lookback):
    - 1.25 X the base rate; applicable to premium sequences designated by the Company; pay applies to premium hours up to the MALV
    - 1.50 X the base rate; applicable to premium sequences designated by the Company; pay applies to premium hours between the MALV and the MALV plus the LCW
    - 2.0 X the base rate; applicable to premium sequences designated by the Company; pay applies to premium hours greater than the MALV plus the LCW
    - Premium sequences designated by the Company on Christmas Day, New Year's Day and Thanksgiving Day will be paid at a minimum of 1.5 X the base rate (no compounding)
- Pay for Distance Learning at a rate of 1:3 hours

Section 4 – Minimum Guarantees

- Modify Monthly Pay Guarantee – a line holder's (regular or secondary) guarantee for the month will be the highest PPROJ attained during the month less lowering transactions initiated by the pilot (e.g. sequence drops/ trade downs, fatigue, failure of a pilot to maintain a current passport or medical)
- Modify Reserve Guarantee:
  - Seventy (70) hours for months with sixteen (16) reserve days available
  - Seventy-three (73) hours for months with seventeen (17) reserve days available
- Replace Cancellation of Last Trip of the Month and Marketing/Route Award Cancellation Protection with Sequence Cancellation Protection

SECTION 5 – PAY AND CREDIT PILOT RELIEVED OF FLYING DUTIES:

- Modify 1/19th for reserve daily pay and credit to 1/16th or 1/17th, as applicable.
- Replace proration for regular pilot's guarantee reduction with same reduction as a TTOT sequence drop.

SECTION 6 – MISCELLANEOUS FLYING:

Supervisory Flying:

- Flight Standards may select trip sequences as follows:

  - Prior to publishing lines, for special qualification airports (for the purpose of this proposal a "special qualification airport" is one that requires a pilot to make a takeoff and/or a landing with a Check Airman acting as the other pilot)
  - Open sequences immediately following the Conflict Resolution Period
  - Open sequences following Secondary Line construction process through the start of DOTC
  - Displacements for training purposes shall be treated as pay / no credit events

Training:

- Increase rest following completion of training to twelve (12) hours; pilot option to reduce to ten (10) hours

- Incorporate Distance Learning
  - Recurrent Training
  - Up to two (2) days of Transition Training, expandable to five (5) days by mutual agreement
  - Distance Learning shall not be included on a pilot's schedule

Deadheading:

- Enhanced deadhead provisions with pilot priority for upgrade to premium cabins

<u>SECTION 7 – EXPENSES AWAY FROM BASE:</u>

- Meals and Incidentals:
  - Dom: $2.00 effective DOS; $2.15 effective 1/1/14
  - Int'l: $2.25 effective DOS; $2.50 effective 1/1/14
- Incorporate DEL language re crew meals (LOA 05-10)

<u>SECTION 9 – VACATIONS:</u>

- Modify vacation year in accordance with LOA 10-04
- Additional vacation float option
- Allow option for full cash out of vacation bank at start of vacation year, or partial cash out of vacation bank up to ten (10) hours per month throughout the year
- Mutual agreement for pilot to drop any or all of a pilot's scheduled vacation

<u>SECTION 10 – SICK LEAVE:</u>

- Annual Individual Wellness Incentive:
  - Sick Bank > 1000 hours – up to 60 hrs pay (non-pensionable) at year end
  - Sick Bank < 1000 – up to 30 hrs pay (non-pensionable) at year end
- Sick pay < 30 consecutive days not pensionable
- Rapid Reaccrual - Change methodology to reaccrue until total hours used is attained
- Revise the forty-six (46) hour Long Term Sick cap for reserve pilots to actual sick usage
- Incorporate Partial Sequence Sick test to allow return to work prior to end of original sequence
- Sick Verification / Proof of Illness
  - If the Company has reasonable cause to believe that misuse of Sick Leave by the pilot may have occurred, or
  - The pilot's absence from duty occurred in conjunction with a vacation period or a Holiday, as determined by the Company.

SECTION 11 – LEAVES OF ABSENCE:

- Tentative Agreement dated 4/29/2010 modified as a result of the Company's proposal reducing a reserve available days from nineteen (19) to sixteen (16) / seventeen (17) reserve available days.
    - Reserve guarantee is reduced for each day of Military Leave

SECTION 15 – HOURS OF SERVICE:

- Incorporate individual monthly pick up maximums based on a 12 month rolling average / projection for both contractual (IMAX) and FAR limitations
- Eliminate Credit Plan Account
- Modify Domestic Flight / Duty limits
- Incorporate Supplement I (International) Hours of Service
- Modify Off Duty Time provisions (Section 15) in accordance with changes in Line Construction process (Section 18)
- Provide for additional Time Away From Base rig for sequences with calendar days exceeding duty periods (1:1.325 for calendar days > duty periods)
- Increase Minimum Day to 3:15 /day
- Increase Average Day to 5:20 / day for multi-day sequences and single day sequences with > two (2) flight segments
- Incorporate flight and duty time exceptions per Notice of Proposed Rulemaking (final Rule) and the Fatigue Risk Management System

SECTION 17 – FILLING VACANCIES, DISPLACEMENTS, REINSTATEMENTS, FURLOUGHS AND RECALLS:

- Provide displacement protection as a direct result of increased productivity

SECTION 18 – TRIP SELECTIONS:

- **Line Construction (Trip Selections):**

    - Unique scheduling rules for Equipment Groups I – III
        - Work rules on Group I – III aircraft will not become amendable for two (2) contract cycles or 10 years, whichever comes later
    - For Groups IV – VII:
        - Monthly Average Line Value (MALV) – bid lines shall be constructed with an average between seventy-two (72) and eighty-three (83) hours
        - Rolling Average Line Value (RALV) – bid lines shall be constructed with an average between seventy-four (74) and eighty (80) hours, on a rolling twelve (12) month basis
        - Line Construction Window (LCW) – individual bid lines shall be constructed within a window of the MALV ± seven (7) hours. The LCW may be adjusted by mutual agreement
        - Secondary lines shall be constructed using a dynamic based system for plotting sequences
        - Reserve lines shall be constructed in seniority order using a dynamic based system

- **Order of Open Time / Daily Open Time Coverage (DOTC):**

    - Modified as necessary to reflect changes as a result of sequence protection, premium pay provisions and a reserve assignment system

- **Reserve Flying:**

    - Sixteen (16) reserve days of availability per month in the eight (8) non-peak months
    - Seventeen (17) reserve days of availability per month in the four (4) peak months
    - Reserve flying on days off; paid above guarantee
    - Reserve monthly maximum is MALV plus LCW (excludes voluntary flying on days off)
    - Sequence assignment methodology matching days of availability with length of sequence, then Reserve Priority Value (RPV) & Qualified, Legal and Available (QLA)
    - Incorporate modified Supplement AA (Reserve Rest) into Section 18; apply to International reserves for unaugmented flying. Reserve rest for augmented International flying in accordance with the FARs

SECTION 19 – TRIP TRADE WITH OPEN TIME SYSTEM

- Replace Trip Trade With Open Time (TTOT) system with a new Trip Trade System (TTS) focusing on individual and multiple pilot to pilot transactions

SECTION 26 – AMENDMENTS TO AGREEMENT, EFFECT ON PRIOR AGREEMENTS, AND DURATION:

- Duration:
  - 4 year term for non-Administrative Sections (amendable 1/2/2016)
  - Administrative Sections become amendable effective the amendable date of the successor Agreement

RETIREMENT (Option A):

- AA proposal dated 11/2/2011
- Pilot choice to opt out of A Plan with hard freeze
  - Alternative C plan contributions upon opt out as follows:
    - i) Company contribution rate determined by pilot age at date of signing and remains fixed for balance of career
    - ii) Company contribution invested 100% in Target Date Funds

Age at DOS	Company Contribution
30+	5%
35+	6%
40+	7%
45+	8%
50+	9%
55+	10%
60+	11%

- New shares in the B Plan would not be eligible for a lock-in
- New hire pilots would have a graduated scale up to 16% DC only

Service (yrs.)	Total Contribution Rate
12+	16%
11	15%
10	14%
9	13%
>1-8	12%
0-1	0%

The above chart reflects an 11% contribution rate to the B Plan and up to 5% Company Contribution in 401K plan

- o In service distribution to B Plan allows pilot to cash in B Plan shares at any time after age 60

BENEFITS (Option A):

- Company proposal dated 11/14/2011
- Revise plan design – 2 plans, 4 tiers; $300 deductible plan in contract and HDHP as offered to all AA employees – 22% contribution rate for 2012; 23% contribution for 2013; 24% contribution for 2014; 25% contribution for 2105
- Pre-65 Retiree Medical
    - o Pre-1983 hires: no change
    - o Post-1983 hires: Management plan – 25% contribution rate
    - o New hires: pay 100% (access only)
- Post-65 Retiree Medical
    - o Access only; pay 100%
- LTD – provide enhanced benefit with offsets for outside earnings (60% up to $9,000); one year waiting period for eligibility; all claims must be filed within one year of disability commencing

MISCELLANEOUS and SUPPLEMENTS

- Modify LOA on Crew Rest Seats
- LOA re SFO satellite base test as a template for other satellites
- LOA committing to meet and work on revisions to Supp CC
- LOA regarding Furlough protection as a direct result of productivity improvements

TENTATIVE AGREEMENTS

AA APA Negotiations
November 14, 2011

Section 2 – Definitions

- Tentative Agreement dated 02/23/2010 – Co-Terminals
- Tentative Agreement dated 02/23/2010 – Satellite Base
- Tentative Agreement dated 10/28/2011 – Calendar Month

Section 3 – Compensation

- Modify Paycheck process:
    - First year pilots $1500 advance
    - Second year pilots $2000 advance
    - Third year and beyond $3000 advance
    - Monthly advance to be paid on the 10th of the month, subject to all deductions and garnishments required by law
    - Effective with the 3rd calendar month following ratification of the Agreement

SECTION 6 – MISCELLANEOUS FLYING

- Delete sentence about deadheading between co-terminals (refer to TA on Satellite Bases and Co-Terminals)
- Distance Learning **-** Recurrent, plus two days Transition course expandable to 5 days by mutual agreement
- Training displacement for Operating Experience (Q & A 53) dated 12/5/2008

SECTION 7 – EXPENSES AWAY FROM BASE

- Incorporate Tentative Agreements
    - 4/8/2008 – Hotel / Transportation OSO
    - 5/18/2010 – Crew Meals
    - 5/19/2010 – Hotels
    - 2/15/2011 – Passports / International On Duty expenses

SECTION 8 – MOVING EXPENSES:

- Tentative Agreement dated 01/20/2011 and contract language dated 10/25/2011

SECTION 12 – SUPERVISORY PILOTS, CHECK AIRMAN AND TULE

- Tentative Agreement on Check Airmen dated 09/2/2011
- Tentative Agreement on Flight Test dated 09/14/2011

SECTION 13 – SENIORITY

- Tentative Agreement dated 02/07/2008

SECTION 14 – PROBATION:

- Tentative Agreement dated 02/03/2010

SECTION 15 – HOURS OF SERVICE:

- Tentative Agreement dated 01/13/2011 - Extended Sit Times
- Tentative Agreement on Telephonic Recording dated 6/22/2010

SECTION 16 – CERTICIATES AND RATINGS:

- Tentative Agreement dated 02/07/2008

SECTION 17 – FILLING VACANCIES, DISPLACEMENTS, REINSTATEMENTS, FURLOUGHS AND RECALLS

- Tentative Agreement dated 03/12/2008 - Reinstatement Rights
- Tentative Agreement dated 03/03/2009 - Qualify in Turn and Deferral
- Tentative Agreement dated 06/24/2009 - Failure To Qualify
- Tentative Agreement dated 10/20/2011 - Moving Expenses – Displacements
- Tentative Agreement dated 10/27/2011 - Lock-ins and Withholds

SECTION 18 – TRIP SELECTIONS

- Tentative Agreement dated 05/07/2009 - Intra base TDY

SECTION 20 – PHYSICAL EXAMINATIONS:

- Tentative Agreement dated 10/12/2010

SECTION 21 – DISCIPLINE, GRIEVANCES, HEARINGS AND APPEALS:

- Tentative Agreement dated 05/19/2010

SECTION 22 – PRE-ARBITRATION CONFERENCE:

- Tentative Agreement dated 02/04/2010

SECTION 23 – SYSTEM BOARD OF ADJUSTMENT

- Tentative Agreement dated 04/06/2010

SECTION 24 – GENERAL:

- Tentative Agreement dated 02/23/2010 – Electronic P-file
- Tentative Agreement dated 05/29/2008 – Copies of Agreement

SECTION 25 – AGENCY SHOP AND DUES CHECKOFF:

- Tentative Agreement dated 02/07/2008

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MISCELLANEOUS and SUPPLEMENTS

- Verbal Tentative Agreement - Long Haul Agreement
- Verbal Tentative Agreement - new Profit Sharing plan, 15% of first dollar earnings; replaces current AIP and Profit Sharing provision
- Tentative Agreement dated 3/3/2009 – Uniforms
- Tentative Agreement dated 6/22/2010 – Commuter Policy

Company Comprehensive Proposal
Executive Summary – Option B

Date: 11/14/2011

SECTION 3 – COMPENSATION

- Establish equipment groupings for pay purposes:
    - 12 year book rates of pay DOS per attached table
      *Groups I, II, and III rates held constant until DOS + 24 months
    - Neither party shall seek at any time, without the express consent of the other party, to modify the pay relationship between Groups I – III and Groups IV – VII through the major dispute provisions of the Railway Labor Act and the pay relationship shall not be amendable for two contract cycles or 10 years, whichever is later
    - DOS + 12 mo. – above rates increase by 4%
    - DOS + 24 mo. – above rates increase by an additional 2%
    - DOS + 36 mo.– above rates increase by an additional 3%
    - First year pay – $40.00/Hr.
    - Second year pay – $55.00/Hr.
    - Replace 2nd year pay percentage with second year rate applicable to all equipment groups
    - Night Pay redeployed into TAFB
    - International Premium redeployed into base rate
    - Replace pay formula components (e.g. weight, speed/mileage) with chart pay rates
    - Premium pay (Based on end of month lookback):
        - 1.25 X the base rate; applicable to premium sequences designated by the Company; pay applies to premium hours up to the MALV
        - 1.50 X the base rate; applicable to premium sequences designated by the Company; pay applies to premium hours between the MALV and the MALV plus the LCW
        - 2.0 X the base rate; applicable to premium sequences designated by the Company; pay applies to premium hours greater than the MALV plus the LCW
        - Premium sequences designated by the Company on Christmas, New Year's Day and Thanksgiving will be paid at a minimum of 1.5 X the base rate (no compounding)

    - Pay for Distance Learning at a rate of 1:3 hours

Work Rules and Productivity – Option B

- Phased in based on Growth Metrics per Company proposal dated 11/09/2011

RETIREMENT Option B:

- AA proposal dated 11/14/2011
- A Plan hard freeze for all pilots
- Company contribution to B plan:
    - DOS = 14%
    - DOS + 24 mo. = 15%
    - DOS + 36 mo. = 16%
- New shares (following DOS) in the B Plan would not be eligible for a lock-in
- In service distribution to B Plan allows pilot to cash in B Plan shares at any time after age 60

BENEFITS (Option B):

- Company proposal dated 11/09/2011
- Revise plan design – 2 plans, 4 tiers; $300 deductible plan in contract and HDHP as offered to all AA employees – 19% contribution rate DOS; capped at 12% annual inflation
- Pre-65 Retiree Medical
    - Pre-1983 hires: no change
    - Post-1983 hires: Management plan – 25% contribution rate
    - New hires: pay 100% (access only)
- Post-65 Retiree Medical
    - Access only; pay 100%
- LTD – provide enhanced benefit with offsets for outside earnings (60% up to $9,000); one year waiting period for eligibility; all claims must be filed within one year of disability commencing. TPA selection process as proposed by company