ARTICLE 1 – SCOPE

TWU

- Available Seat Mile (ASM) Percentage that Commuter Airlines can fly versus AA Available Seat Miles increase from 6% to 10%.
- Protection for Class II Station Title I, II members from being adversely impacted by increase of ASM percentage.
- Para (e) adds language to strengthen scope coverage.
- Incorporate current Letter of Agreement (LOA) on Title II Work Commitment.

AA Management

- Available Seat Mile (ASM) Percentage that Commuter Airlines can fly versus AA.
 Available Seat Miles increase from 6% to 10% with other exclusions which would add ~2.4% more, for a total of ~12.4% increase.
- Company is not proposing any new protection for Class II Stations Title I, II members from being adversely impacted by increase of ASM percentage because they claim that they anticipate no impact on Maintenance locations resulting from this change.
- Proposes lifting annual departures to maintain staffing of TWU represented employees
 at current cities from present annual departure requirement of 1460 to 2555 and above.
 For those cities not currently staffed by TWU represented employees, Company
 proposes to increase the present requirement of 3650 annual departures and above to
 5475 and above. Increase the annual departure requirement to re-staff former TWU
 staffed cities from1460 annual departures and above to a proposed 2555 and above.
- Proposes to add language to Article 1 paragraph (e) sub (2) stating: The Company may return equipment, parts, materials or assemblies to the manufacturer or to a manufacturer-approved repair station for warranty repair or replacement. (They claim they are formalizing an existing practice.)
- Authorize AA overseas maintenance stations to perform more aircraft maintenance work e.g. aircraft scheduled checks, up through and including "A" checks. Also introduce international Customer Focus Package "CFP" and Interior "I" checks. (They claim this is necessary to efficiently utilize available ground time.)
- Bring work in house letter that states: The parties agree that the Company may bring work "in house" which has customarily been "contracted out", or work which has not been customarily performed by TWU employees, without losing its characterization as work which has historically been contracted out, or work which has not been customarily performed by TWU employees. If the Company, in its sole discretion, later decides to contract out the work after bringing it in house, the Company may do so as long as it does not directly result in a Reduction in Force of the employees previously performing that work. It is the Company's intent to only contract out such work to address economic, operational or capacity concerns. The Company agrees to notify and discuss this decision, in accordance with Article 1 and associated letters, with the appropriate TWU officials before contracting out the work.

ARTICLE 6 – OVERTIME

TWU

Daily Overtime:

5/8 Work Schedule

- One and one-half times (1.5X) his base hourly rate for each hour, or fraction thereof, actually worked in excess of eight (8) hours and less than twelve (12) hours.
- Two times (2X) his base hourly rate for each hour worked in excess of twelve (12) hours.

4/10 Work Schedule

- One and one-half times (1.5X) his base hourly rate for each hour worked in excess of ten (10) hours.
- Two times (2X) his base hourly rate for each hour worked in excess of fourteen (14) hours.

Weekly Overtime:

5/8 Work Schedule

- One and one-half times (1.5X) his base hourly rate for the first eight (8) hours worked on an employee's first scheduled day off and two times (2X) his base hourly rate thereafter.
- Two times (2X) his base hourly rate for time worked on an employee's second scheduled day off, provided he has worked his first scheduled day off.

4/10 Work Schedule

- One and one-half times (1.5X) his base hourly rate for the first ten (10) hours worked on an employee's first scheduled day off and two times (2X) his base hourly rate thereafter.
- Two times (2X) his base hourly rate for time worked on an employee's second and/or third scheduled day off, provided he has previously worked one (1) scheduled day off at the rate of one and one-half times (1.5X) his base hourly rate.

Penalty Hour:

• When an employee works overtime in conjunction with his regular shift, he will be entitled to a minimum of one (1) hour of overtime.

AA Management

AA Management has agreed to the TWU Proposal (above) provided the TWU would agree to the following attached letter to Article 6:

During the course of the current round of bargaining, the Company has agreed to
certain provisions proposed by the TWU in Article 6 regarding overtime rates of pay.
This agreement is made with the understanding that all local overtime guidelines are
considered <u>null and void ninety</u> (90) days following date of ratification pending new
guidelines to be established locally in compliance with the spirit and intent of Article 6
(c).

ARTICLE 7 – HOLIDAYS

TWU

10 Paid Holiday's per year

5/8 Work Schedule

- Employees who work on the Holiday get paid two and a half times (2.5X) pay for each hour worked.
- If the employee works more than eight (8) hours on the holiday, will receive two and one-half (2.5X) his base hourly rate for all hours in excess of eight (8) hours.

4/10 Work Schedule

- Employees who work on the Holiday will receive two and one-half (2.5X) his base hourly rate for the first eight (8) hours and one times (1X) his base hourly rate for the remaining two (2) hours of his scheduled shift.
- If the employee works more than ten (10) hours on the Holiday, he will receive two one and one-half times (1.5X) (2.5X) his base hourly rate for all hours in excess of ten (10) hours.

Other Holiday Language proposed:

- The observance of the Holiday will not move or change, except in those stations where designated Holidays are recognized on the eve, in accordance with local guidelines.
- Employees on a 4/10 work schedule who are regularly scheduled to work the Holiday and are granted the Holiday Off [HO], will be paid for the Holiday at the base hourly rate for ten (10) hours.

AA Management

AA Management has agreed to the TWU Holiday Proposal with the exception of the Holiday pay rate which they have proposed:

 Employees who work on the Holiday get paid two times (2.0X) pay for each hour worked.

ARTICLE 8 – VACATIONS

TWU

Add one week vacation for all employees.

AA Management

• Add 1 week vacation to employees on the lowest tier. "Company seniority of less than ten (10) years would receive 2 weeks' vacation".

(Current language Co. seniority less than five (5) years has one-week vacation and five (5) years but less than ten (10) years has two weeks vacation).

ARTICLE 34 - SICK LEAVE

TWU

- Accrue twelve (12) sick leave days per year (12 day accrual needed for TWU proposal on Retiree Medical).
- 100% pay for sick leave.
- Total sick leave bank 1200 hours (150 days).
- Sixty (60) Injury on Duty days.
- Letter FMLA Recognition.

AA Management

- Accrue eight (8) sick leave days per year.
- 100% pay for sick leave.
- Total sick leave bank 1200 hours (150 days).
- Ten (10) Injury on Duty days.

ARTICLE 40 - PENSION

TWU

 Maintain current pension plan (TWU willing to discuss a Defined Benefit/Defined Contribution plan option for new hires).

AA Management

- Defined Contribution Plan for new hires with a match not to exceed 5.5%.
- Defined Contribution amount of 2.5% with a match of 3% additional percent for total not to exceed 5.5%.
- Employee will have to contribute 5.5 percent to reach 5.5% total.

ARTICLE 41 – BENEFITS

TWU

Active Medical

- New hires automatically default to new Core Plan (High Deductible Plan).
- Active contractual medical plan as today (but, with added pilot me-too language which would re-impose pilot cap).

Retiree Medical

- Current Retiree Prefunding Plan stays in place for active employees age 30 and older at DOS. Covers from age 55 through 65 and post age 65.
- New hire employees, along with active employees at age 29 and younger at DOS, would go to a sick leave funded retiree medical plan (similar to CAL and SWA with the exception their plans only cover ages 60 to 65). New hires and active employees at age 29 and younger at DOS would have coverage from age 55 to 65.
 - Post 65 (Medicare eligible) employees will have option to purchase a Medigap plan from a third party.

ARTICLE 41 – BENEFITS CONT.

AA Management

Active Medical

- New Hires automatically default to new Core Plan (High Deductible Plan).
- Active contractual medical plan as today.

Retiree Medical

- Current Retiree Prefunding Plan will cease and transition to a post funding plan- those
 enrolled in Retiree Health Care Plan will receive their prefunding amounts (plus interest)
 back from the Company. Those employees will have coverage from age 55-65 and will
 post-fund retiree medical at active rates (currently ~65.00 per month for employee and
 ~130.00 per month for employee and spouse *Rates subject to increase YOY with
 active plan).
 - Post 65 (Medicare eligible) these employees will have option to purchase a Medigap plan from a third party.
- New Hire employees (after DOS) will have retiree medical coverage from age 55-65 and will post fund retiree medical and will have to pay 100% of the cost.
 - Post 65 (Medicare eligible) employees will have option to purchase a Medigap plan from a third party.

ARTICLE 42 – JOB SECURITY

TWU

System Protection date would be DOS.

AA Management

 Current System Protection Date 9-24-98.
 (Company verbalized that they would agree to change the system protection date for Title I to 6/6/2000 predicated on Article 1 ASM percentage letter is agreed to by all TWU groups).

<u>ARTICLE 47 – DURATION OF AGREEMENT</u>

TWU

- Amendable date of May 01, 2013.
- 6 month early section six opener.
- If there is no agreement 6 months after amendable date (May 01, 2013) an automatic 3% pay raise will be implemented and again every 6 months thereafter.
- Bankruptcy protection language.

AA Management

- DOS plus 3 years (DOS 2014).
- 6 month early section six opener.

LETTERS OF MEMORANDUM

TWU

Base Closure letter to include DWH.

AA Management

Base Closure letter to not include DWH.

LETTERS OF AGREEMENT

TWU

All Letters of Agreement have been reviewed and their disposition has been determined per Letter of Memorandum 11 "Disposition of Letters of Agreement".

AA Management

Would like to continue discussing the disposition of some of the letters of agreement.

<u>ARTICLE 4 – COMPENSATION</u>

TWU

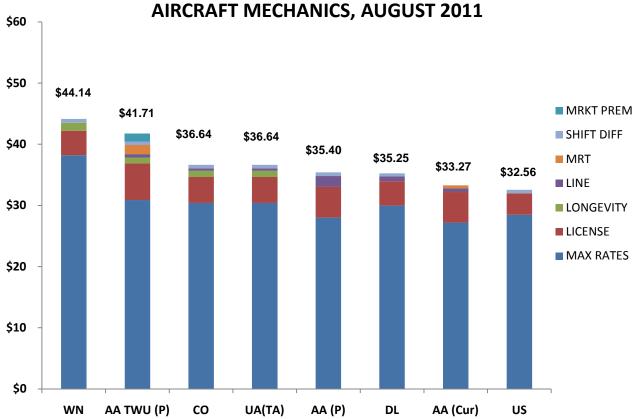
- Base Pay Increase 5/1/08- 0%, 5/1/2009- 6%, 5/1/2010- 4%, 5/1/2011- 3%, 5/1/2012- 6%.
- Higher Capacity Pay (C/C, TCC, Insp.) \$2.75.
- Line pay .55 (includes DWH).
- Midnight Retention Premium MRT \$1.50 AMT and PMM.
- Weekend Premium Bases .55.
- AMT License and Skill Premiums \$6.00 and \$3.00 for AMT no Lic/Skill.
- PMM License \$3.00.
- PMM Skill \$2.70.
- Longevity .55-.95.
- Market Skill Premium (GEO) Pay .25-\$1.25.
- Title II Master Mechanic License Pay \$6.00.
- Retroactive Pay Calculation letter.
 (Retroactive pay from 2008 on all premiums, holidays, overtime etc. Retroactive pay on base pay percentage increases 5-1-2009 to present)
- Union proposed Early out Package as offset to retroactive pay.

AA Management

- 7% lumpsum (DOS) all Title I and II Base and Line employees.
- Base Pay Increase 5/1/08- 0%, 5/1/2009- 0%, 5/1/2010- 0%, 3% DOS, 1.5% 12mo, 1.5% 24 months after DOS.
- Higher Capacity (C/C, TCC, Insp.) \$2.75.
- Line Pay \$1.80 for Title I and II.
- Weekend Premium Bases .55.
- AMT License and Skill Premiums \$5.00.
 (Includes Machinists/Bench Avionics/Composites/Platers and Aircraft Welders.)
- Title II Master Mechanic Skill Pay \$5.00.
- The Company is willing to engage in further discussion relative to an early out incentive program as was proposed by the TWU as an alternative to retroactive pay.

*See attached slides on proposed pay increases max rates for Aircraft Maintenance Technicians and Plant Maintenance Mechanics— with industry comparisons.

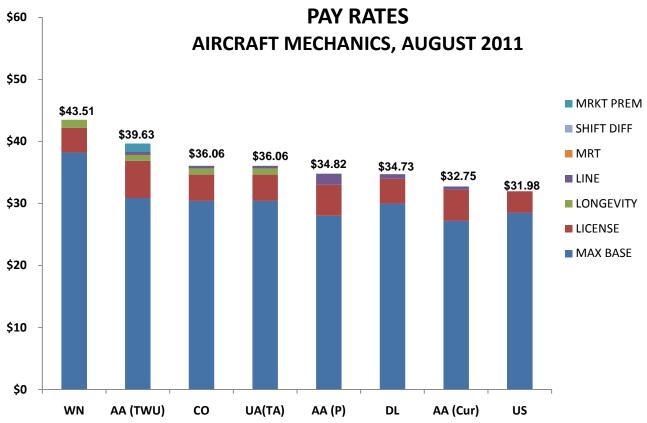
MAX TOTAL LINE MIDNIGHT SHIFT COMPENSATION HOURLY PAY RATES



		AA TWU						
	WN	(P)	CO	UA(TA)	AA (P)	DL	AA (Cur)	US
MAX BASE	38.21	30.88	30.41	30.41	28.02	29.98	27.20	28.48
MRKT PREM		1.25						
LICENSE	4.00	6.00	4.25	4.25	5.00	4.00	5.00	3.50
LONGEVITY	1.30	0.95	1.00	1.00	0.00	0.00	0.00	0.00
LINE	0.00	0.55	0.40	0.40	1.80	0.75	0.55	0.00
MRT	0.00	1.50	0.00	0.00	0.00	0.00	0.50	0.00
SHIFT DIFF	0.63	0.58	0.58	0.58	0.58	0.52	0.02	0.58
TOTAL	\$44.14	\$41.71	\$36.64	\$36.64	\$35.40	\$35.25	\$33.27	\$32.56
Rank'	1	2	3	3	5	6	7	8

^{*} MRKT PREM IN HIGH COST STATIONS ONLY

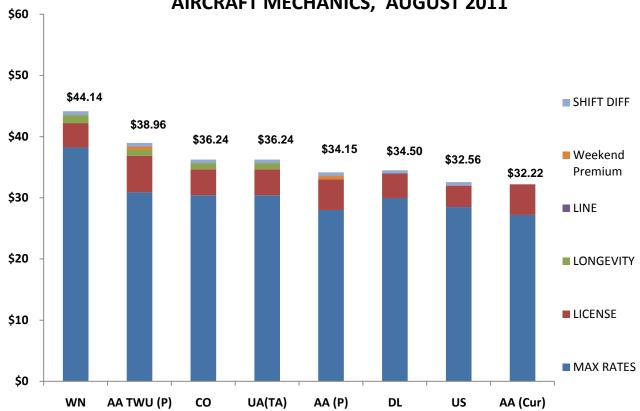
MAX TOTAL LINE DAY SHIFT COMPENSATION HOURLY **PAY RATES**



	WN	AA (TWU) (P)	СО	UA(TA)	AA (P)	DL	AA (Cur)	US
MAX BASE	38.21	30.88	30.41	30.41	28.02	29.98	27.20	28.48
MRKT PREM	00.21	1.25	••••	••••	_0.0_	_0.00	0	_0
LICENSE	4.00	6.00	4.25	4.25	5.00	4.00	5.00	3.50
LONGEVITY	1.30	0.95	1.00	1.00	0.00	0.00	0.00	0.00
LINE	0.00	0.55	0.40	0.40	1.80	0.75	0.55	0.00
MRT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SHIFT DIFF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	\$43.51	\$39.63	\$36.06	\$36.06	\$34.82	\$34.73	\$32.75	\$31.98
Rank'	1	2	3	3	5	6	7	8

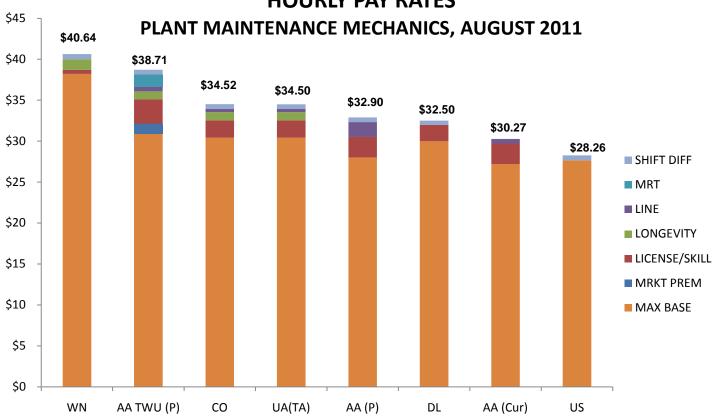
^{*} MRKT PREM IN HIGH COST STATIONS ONLY

MAX TOTAL BASE COMPENSATION HOURLY PAY RATES AIRCRAFT MECHANICS, AUGUST 2011



		AA TWU						
	WN	(P)	CO	UA(TA)	AA (P)	DL	US	AA (Cur)
MAX BASE	38.21	30.88	30.41	30.41	28.02	29.98	28.48	27.20
LICENSE	4.00	6.00	4.25	4.25	5.00	4.00	3.50	5.00
LONGEVITY	1.30	0.95	1.00	1.00	0.00	0.00	0.00	0.00
LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Weekend								
Premium	0.00	0.55	0.00	0.00	0.55	0.00	0.00	0.00
SHIFT DIFF	0.63	0.58	0.58	0.58	0.58	0.52	0.58	0.02
TOTAL	\$44.14	\$38.96	\$36.24	\$36.24	\$34.15	\$34.50	\$32.56	\$32.22
Rank'	1	2	3	3	6	5	7	8

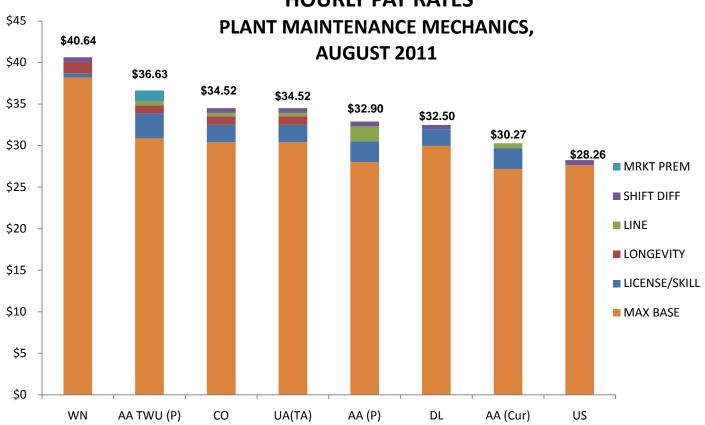
MAX TOTAL LINE MIDNIGHT SHIFT COMPENSATION HOURLY PAY RATES



	WN	AA TWU (P)	СО	UA(TA)	AA (P)	DL	AA (Cur)	US
MAX BASE	38.21	30.88	30.41	30.41	28.02	29.98	27.20	27.65
MRKT PREM		1.25						
LICENSE/SKILL	0.50	3.00	2.13	2.13	2.50	2.00	2.50	0.00
LONGEVITY	1.30	0.95	1.00	1.00	0.00	0.00	0.00	0.00
LINE	0.00	0.55	0.40	0.40	1.80	0.00	0.55	0.00
MRT		1.50						
SHIFT DIFF	0.63	0.58	0.58	0.56	0.58	0.52	0.02	0.61
Max Wages	\$40.64	\$38.71	\$34.52	\$34.50	\$32.90	\$32.50	\$30.27	\$28.26
Rank	1	2	3	4	5	6	7	8

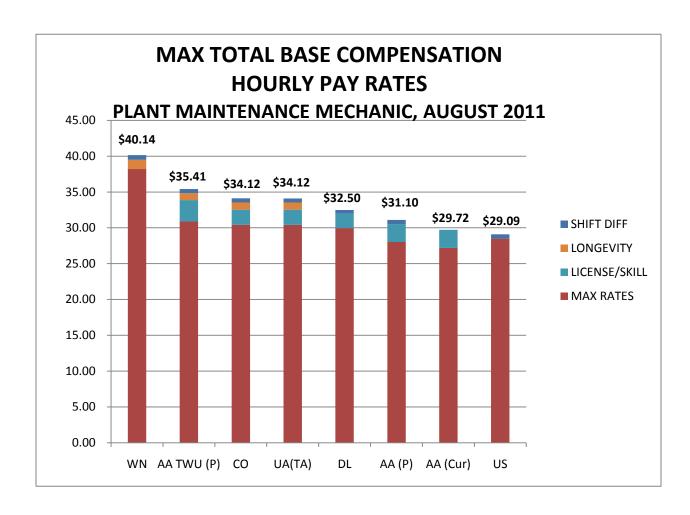
^{*} MRKT PREM IN HIGH COST STATIONS ONLY

MAX TOTAL LINE DAYSHIFT COMPENSATION HOURLY PAY RATES



	WN	AA TWU (P)	СО	UA(TA)	AA (P)	DL	AA (Cur)	us
MAX BASE	38.21	30.88	30.41	30.41	28.02	29.98	27.20	27.65
MRKT PREM		1.25						
LICENSE/SKILL	0.50	3.00	2.13	2.13	2.50	2.00	2.50	0.00
LONGEVITY	1.30	0.95	1.00	1.00	0.00	0.00	0.00	0.00
LINE	0.00	0.55	0.40	0.40	1.80	0.00	0.55	0.00
MRT								
SHIFT DIFF	0.63	0.00	0.58	0.58	0.58	0.52	0.02	0.61
Max Wages	\$40.64	\$36.63	\$34.52	\$34.52	\$32.90	\$32.50	\$30.27	\$28.26
Donk	1	2	2	2	_	0	7	0
Rank	1	2	3	3	5	6	/	8

^{*} MRKT PREM IN HIGH COST STATIONS ONLY



	WN	AA TWU (P)	со	UA(TA)	DL	AA (P)	AA (Cur)	US
MAX RATES	38.21	30.88	30.41	30.41	29.98	28.02	27.20	28.48
LICENSE/SKILL LONGEVITY	0.00 1.30	3.00 0.95	2.13 1.00	2.13 1.00	2.00 0.00	2.50 0.00	2.50 0.00	0.00 0.00
SHIFT DIFF Max Wages	0.63 \$40.14	0.58 \$35.41	0.58 \$34.12	0.58 \$34.12	0.52 \$32.50	0.58 \$31.10	0.02 \$29.72	0.61 \$29.09
Rank	1	2	3	3	6	5	7	8

		WN	AA(TWU PROP)	СО	UA(TA)	AA(PROP)	DL	UA(CUR)	AA(CUR)	US
	Holidays (pay rate)	12(2.5x)	10 (2.5x)	10 (2.5x)	10 (2.5x)	10 (2.0x)	10 (2.0x)	8 (2.0x)	5 (1.5x)	8 (2.0x)
Jays	VC Days, min- max	10-25	10-35	5-35	10-35	10-30	10-20	10-35	5-30	10-20
Personal Days	SK Day (avg pay rate) Sick Bank	12(1.0x) Bank 2000 hours	12 (1.0x) Bank 1200 hours	12 (1.0x) Bank 1600 hours	12 (1.0x) Bank 1600 hours	8 (1.0x) Bank 1200 hours	7 (1.0x) Bank 1200	12 (0.76x) Bank 800 hours	5 (0.61x) Bank 1200 hours	10 (1.0x) Bank 1600 hours
ā	IOD Policy	Full salary continuance for 15 weeks of injury	Full salary continuance for first 80 days of injury/each injury	8 hours per month accrued IOD time to a max of 700 hours or 87.5 days /7	8 hours per month accrued IOD time to a max of 700 hours or 87.5 days	Full salary continuance for first 10 days of injury/ each injury	None	None	Full salary continuance for first 10 days of injury	None
ment	Defined Benefit	No Plan	1.67% X FAE X YOS/1	1.19% X FAE X YOS + 0.45 X FAE over SS wage base X YOS based on regular pay /2	Terminated	1.67% X FAE X YOS/3	Frozen	Terminated	1.67% X FAE X YOS	No plan
Retirement	Defined Contribution	Match up to 8.5%	No plan	Match varies by YOS; max match is 50% to 6% of pay	6.0% of pay to DC plan /4	Automatic 2.5% plus 100% match up to 5.5% /5	Automatic 2% plus 100% match up to add'l 5%	5.0% of pay to DC plan	No plan	\$1.60 per worked hour (est. 5.21%)
Retiree Medical	Retiree Cost Sharing Percentage	100% (may use sick bank to offset premiums)	<10% through pre-funding /6	100% (may use sick bank to offset premiums)	40% to 80% based on seniority	Refund Active Employees Prefunding Money / pay active rates ~25% New Hires pay 100% of cost	100%	40% to 80% based on seniority	<10% through pre-funding	80% to 100% based on plan (may use sick bank to offset premiums)
iree	Age 55 eligible?	No	Yes	No	No	Yes	No	No	Yes	No
Ret	Over 65 eligible?	No	Yes	No	Yes	No	Yes	Yes	Yes	No
	Sick trade available?	Yes	No	Yes	No	No	No	No	No	Yes

^{1/} FAE determined by highest non-consecutive 48 months of service

^{2/} Regular pay does not include Overtime, Shift Premiums, Profit Sharing, or any special forms of pay 3/ Current employees keep DB plan; New employees move to DC plan

^{4/} Transitional unit merged with CO

^{5/} New hires only have this option

^{6/} Company estimate of 2009 TWU draw down as a percentage of retiree medical expenses

^{7/} Rapid re-accrual for catastrophic illness/injury

Membership Reasons for Previous Tentative Agreement Rejection (Status)

- > Inadequate wage increases and no retro (In Discussions)
- >SMA: Creation of new sub class of mechanics (Language removed)
- ➤ Doubling of ASM Caps (In Discussions)
- ➤ Retiree Medical Prefunding Plan transition to Retiree

 Medical Post Funding Plan- Pay Active Rates (In Discussions)
- ➤ Elimination of Defined Benefit Pension Plan for New Hires (In Discussions)
- → Crew Chief Evaluation/Demotion Procedure (Language removed)
- → Permanent letters of discipline (Language removed)
- → Elimination of 1/7th Rule at the bases (Language removed- excpt DWH)
- ➤ Reduced MRT Window (In Discussions)
- ➤ New "Drop In language" to circumvent 7 day notice requirement (Language removed)
- ➤ Medical Benefits still not capped like other workgroups (In Discussions)

3