

**AMERICAN AIRLINES 1113(c) PROPOSAL TO
 THE TRANSPORT WORKERS UNION
 RE: MECHANICS & RELATED
 March 22, 2012
 TERM SHEET**

OBJECTIVE	<p>This Term Sheet sets forth the basic terms of the Company's Section 1113(c) Proposal on necessary modifications to the parties' existing Collective Bargaining Agreement between the Transport Workers Union and American Airlines (the "Basic Agreement") in light of what the Company has determined is necessary to its successful reorganization. The parties will amend the Basic Agreement and related side letters of agreements, and execute such other documents as may be needed to accomplish the following modifications.</p> <p>Items marked with an asterisk (*) in this Term Sheet are contingent upon a consensual collective bargaining agreement, i.e. they will become effective as described only upon the effective date of a new collective bargaining agreement between American and the Transport Workers Union.</p>
I. DURATION	Modify Article 47 to provide duration of six (6) years from date of signing (DOS).
II. COMPENSATION Hourly Pay Rates Midnight Premium Profit Sharing	<ol style="list-style-type: none"> 1. *Modify Article 4 to provide Base Pay Rate increases for all Classifications on the following scale: <ul style="list-style-type: none"> -effective DOS + 12 months– 1.5% -effective DOS +24 months – 1.5% -effective DOS + 36 months – 1.5% -effective DOS + 48 months – 1.5% -effective DOS + 60 months – 1.5% 2. Adjust Plant Maintenance Mechanic pay scale in Article 4(b) from 5 years to 9 years for new employees only. 3. Modify Article 4(c) to eliminate the Midnight Retention premium. 4. *Implementation of the Enhanced Profit Sharing Plan (See Attachment A, "Enhanced Profit Sharing Plan"). <ul style="list-style-type: none"> • Current Profit Sharing plan and the Annual Incentive Plan (AIP) would be eliminated.

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III. SCOPE	<ol style="list-style-type: none">1. Modify Article 1(d) to provide for staffing with TWU represented employees at stations with 7300 or more annual AA departures. (Title II only)2. Modify Article 1 to permit the outsourcing of the following Title II work:<ul style="list-style-type: none">• Outsource all cabin cleaning, eliminate Cabin Cleaner classification.• Outsource all existing building cleaner work, and eliminate Building Cleaner classification.• Outsource Ground Service Equipment work at Bases, and create a "Hot Shot" crew to provide support/emergency GSE support.• Outsource High Voltage Electrical Maintenance at Bases.• Outsource Fire Extinguisher Maintenance at Bases.• Outsource Central Plant Operation and Maintenance at Bases.• Outsource Waste Water treatment Operation and Maintenance at Bases.• Outsource painting projects at Bases.• Outsource concrete, fencing, and carpentry projects at Bases.• Outsource all Ground Service Equipment work on non-powered equipment at Line Stations.• Outsource Lock and Key functions.• Outsource all Ground Service Equipment and Facility Maintenance work related to the Cargo facilities.• Outsource all Facilities Maintenance work at HDQ, FSU, GSW, AFW, and SOC.• Outsource Terminal and Hangar Facilities Maintenance work, except for bag systems, carousels and jetbridges (including PCA and KVA).3. Modify Article 1 and all other applicable sections and Attachments to the Agreement and all other LOA's related to this provision to permit
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	outsourcing of up to 40 % of aircraft-related maintenance work currently done in house.
IV. WORK RULES Hours of Work Overtime Holidays Vacation Promotions and Jobs to be Posted	<ol style="list-style-type: none"> 1. Modify Articles 3 and Article 21 to permit management to establish work week, work cycles, and frequency of shift bids. Eliminate all local letters of agreement connected to Article 3 & 21. 2. Modify Article 3(i) to permit management to establish work schedules that include Saturdays and Sundays without restriction (eliminate 1/7th rule). 3. Modify Article 6: <ul style="list-style-type: none"> • to provide for weekly (day off) overtime after an employee has worked in excess of 40 hours in a work week • to permit the Company to distribute overtime within the crew or appropriate work group as equitably as practicable • to eliminate all local letters of agreements connected to overtime 4. Eliminate all local letters of agreement concerning holidays. 5. Modify Article 8 to provide Flex vacation language stating that bidding will be completed no later than December 15. Employees must bid regular vacation first and then bid vacation weeks. Flex weeks will be available after number of weeks purchased are identified. 6. Reduce maximum vacation accrual from 30 days to 25 days. 7. Eliminate Paid Personal Vacation Days (PV). 8. Eliminate all local letters of agreement concerning vacations. 9. Modify Article 12 consistent with language from the May 5, 2010 AA/TWU Maintenance and Related Tentative Agreement, with following exceptions: <ul style="list-style-type: none"> • Add process for selection of Crew Chiefs using existing Tech Crew Chief process. • Remove SMA Classification.

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Reductions in Force	<ul style="list-style-type: none"> • Modify language on transfers to state that once a transfer has been accepted, the employee cannot refuse and the Company cannot rescind the transfer. • Modify language in 12(m) to provide for upgrade transfers to pass qualifications test prior to reporting for the new position. • Modify 12.1 labor loan provision to provide a broader definition of a business unit which will allow for greater flexibility of manpower within the defined area and eliminate all local letters of agreement concerning Labor Loans and manning. <p>10. Eliminate Article 14 (b) and modify Article 15 as follows:</p> <ul style="list-style-type: none"> • Crew Chief, Tech Crew Chief, and Inspector will be surplusd back to basic classification at their location. • Employees identified as being subject to RIF or displacement will be given 15 days to complete an online option form. The RIF will be conducted virtually, the forms will be processed with vacancies being filled first then bump options, after which employees will be given 14 days to report.
Recall	<p>11. Modify Article 15(i), l(4) to provide that if an AMT or PM Mechanic, as a result of a reduction in force, elects to fill an OSM or PMM position he will not carry his classification and chart rate as an AMT or PM Mechanic into the OSM or PMM position.</p> <p>12. Substitute Article 16 from the May 5, 2010 AA/TWU Maintenance and Related Tentative Agreement with the exception of 16(a), which shall be modified to reflect 5 year recall rights.</p>
Leave of Absence	<p>13. Modify Article 17 – Leaves of Absence to reduce the duration of a SLOA and IDLOA from 5 years to 3 years.</p>
Training	<p>14. Clarify that, pursuant to Article 23, training will be assigned to those that will perform the work, without regard to occupational seniority.</p>
Field Work	<p>15. Modify Article 26 to provide that Management will develop Field Trip Procedures to include distribution and utilization procedures, eliminate all local agreements concerning Field Trips and Man for Man letters.</p>

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<p>Sick Leave</p> <p>One Station Agreements</p>	<p>16. See Attachment B – "Sick Leave"</p> <p>17. Eliminate DFW Hangar 5 (DWH) letter and DWH Title II License/Testing Requirement letter. DWH will be a stand-alone base whether in its current location or at another location at DFW Airport.</p>
<p>V. CLASSIFICATION</p>	<ol style="list-style-type: none"> 1. Modify Article 11(e) and (f) to permit management to establish qualifications and to implement changes to the Qualifications Administration Manual, and eliminate all attachments to Article 11. 2. Eliminate restrictions on OSM utilization in Base operation. OSM's will be allowed to perform semi-skilled work in the hangar and shop operations. 3. Eliminate Avionics Crew Chief and Avionics AMT position at Line Stations, and all Avionics local letters of agreements. 4. Clarify that Tech Crew Chief and Crew Chief can assist crews as necessary to insure completion of assignments. Also, confirm Tech Crew Chief may perform the duties of a regular Crew Chief on a non-regular basis. 5. Consolidate Aircraft Cleaners and Parts Washers classifications; group will be identified as Cleaners. 6. Modify Job descriptions to encompass the changes in Article 1 and Article 12.
<p>VI. BENEFITS</p> <p>Pension</p> <p>401(k)</p>	<ol style="list-style-type: none"> 1. Amend the Basic Agreement so that the company is not required to provide for future benefit accruals under the defined benefit pension plan. 2. Amend the Basic Agreement to provide that that the Company is not required to maintain or fund or provide benefits under a defined contribution pension plan, except as provided below. 3* Amend the Basic Agreement to provide that the Company will offer a replacement benefit through the Super Saver 401(k) Plan. Employees will be automatically enrolled (with an option to opt out) at an employee pre-tax contribution of 3% of eligible earnings per payroll period, with a

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<p>Active Medical Plan</p> <p>Retiree Medical and Life</p>	<p>Company match of up to 5.5% of eligible earnings.</p> <ol style="list-style-type: none"> 1. See attachment C – “Active Medical” 2. See attachment D – “Retiree Medical & Life”
<p>VII. JOB PROTECTION</p> <p>System and Station Protections</p>	<ol style="list-style-type: none"> 1. Eliminate Article 42 and Attachment 42.1, which currently limit the Company’s ability to layoff protected employees.
<p>VIII. MISCELLANEOUS</p> <p>ASM Cap</p> <p>Moving Expenses/Optional Severance</p> <p>Union Business Pay</p>	<ol style="list-style-type: none"> 1. Eliminate Attachment 1.5 2. Eliminate Article 44, which provides for a supplemental moving allowance of \$12,500 to each employee who moved base stations during a layoff, or a special severance allowance of \$12,500 to a laid off employee who relinquishes recall and re-employment rights. 3. Eliminate Baker Union Business Letter for elected representatives.

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ATTACHMENT A

PROFIT SHARING

Implementation of the Enhanced Profit Sharing Plan:

1. Current profit sharing plan and the Annual Incentive Plan (AIP) would be eliminated.
2. Beginning at the first dollar of pre-tax income, the new Profit Sharing plan would pay awards equal to 15% of all pre-tax income, prorated to take into account any groups of frontline employees who do not participate in the plan. Pre-tax income for the purposes of these awards will be calculated prior to the effects on income of any special, unusual, and non-recurring items or incentive pay.
3. The Enhanced Fund would be distributed equitably to all eligible employees based on each employee's eligible earnings. Profit sharing awards are not considered compensation for purposes of determining Company contributions or other benefits under any retirement plan.
4. Individual Enhanced Awards will be distributed no later than March 15 of the following year for employees who meet the eligibility requirements as long as minimum funding provisions are met.

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ATTACHMENT B

SICK LEAVE

The Company proposes the following changes and clarification to sick pay:

1. Employee sick bank caps and accruals will remain unchanged.
2. **Incidental Sick**, defined as any sick occurrence with a duration of 7 or less consecutive calendar days, will be paid from the employee's available sick bank at the following rates:
 - a. For full time employee, the first 24 hours of Incidental Sick taken each year will be paid at 100% of regular hourly rate,
 - b. For part time employees, the first 15 hours of Incidental Sick used each year will be paid at 100% of regular hourly rate,
 - c. Any subsequent Incidental Sick hours/occurrences will be paid at 60% of regular hourly rate
3. **Managed Care Sick**, which is defined as any sick occurrence with duration greater than seven calendar days, must be medically substantiated by the Absence Management Vendor (AMV).
 - a. Hours missed for days 1 through 7 of Managed Care Sick will be paid as Incidental Sick in accordance with paragraph 2 above.
 - b. Hours missed on or after day 8 will be paid from the employee's available sick bank at 100% of regular hourly rate provided employee complies with the Managed Care program.
4. Managed Care Sick pay will end on the earliest of the following dates:
 - a. The date the employee is released by the AMV
 - b. The date the employee's sick bank is exhausted
 - c. The date the employee is determined to have failed to appropriately comply with the care and/or treatment instructions that are:
 - i. prescribed by a Physician whose medical training and clinical specialty are appropriate for treating the illness or injury;
 - ii. consistent in type, frequency and duration of treatment with relevant guidelines of national medical research, health care coverage organizations and governmental agencies;
 - iii. consistent with a physician's diagnosis of the illness or injury, and
 - iv. intended to maximize employee's medical and functional improvement.
 - d. The date employee fails to provide required proof of initial or continuing illness or injury, or compliance with Managed Care program
 - e. The date employee fails to have a medical exam as required absent an appropriate excuse, or

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- f. The date employee fails to return to work once released by the Absence Management Vendor (AMV) and the Company (if required)
- 5. Paid hours for any sick absence will not exceed regular shift hours.

Medical Substantiation and Managed Care

An Absence Management Vendor (AMV) will be responsible for determining employee eligibility for the use of his or her sick bank and administer a Managed Care program as follows.

- 1. **Medical Substantiation for Pay** - Employees will be eligible to use their sick bank if the Absence Management Vendor (AMV) determines the employee is unable to perform major and substantial duties of his or her job due to illness or injury. Required medical substantiation may include, but is not limited to:
 - a. A statement signed by the employee's actual medical provider(s) documenting the existence of a medical need for the period of the requested sick leave, the existence of a recommended course of treatment given to the employee and the projected recovery date;
 - b. A signed authorization and release so that employee's medical provider(s) will supply substantiating documentation and information directly to the Absence Management Vendor (AMV); or
 - c. A medical exam performed by a medical professional(s) of the Absence Management Vendor (AMV)'s choosing
- 2. **Managed Care** – Absence Management Vendor (AMV) will monitor ongoing treatment compliance and recovery progress, refer the employee to medical/wellness programs if appropriate and provide estimated return to work dates to employee's supervisor.

Unauthorized Absence

- 1. If one of the following occurs 1) Absence Management Vendor (AMV) does not approve the absence, 2) the employee refuses or fails to timely medically substantiate, or 3) the employee refuses or fails to appropriately participate in AMV-approved managed care, the employee will not be eligible for sick pay and will be placed on an unauthorized absence.
- 2. The following conditions will apply during the unauthorized absence:
 - a) No seniority, sick or vacation accruals
 - b) Full premium rates will apply for medical coverage
 - c) Attendance policy applies
 - d) Employee will be separated from company if not returned to active duty
 - e) Employee must follow return to work clearance procedures as outlined in CBA

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Unpaid Sick

1. Upon depletion of employee's sick bank, and if the employee is denied Long-Term Disability, the employee will be placed on an Unpaid Sick LOA for up to three (3) years
 - a. Company reserves the right to define the 3 year leave
 - b. Continuous medical substantiation is required to remain on a 3 year leave
2. The employee will be administratively terminated at the expiration of the leave if he or she does not return to work

Injury on Duty

1. Employees may use accrued sick time to supplement workers' compensation benefits provided they are treated by a network physician
2. Employee will be placed on an Unpaid Injury on Duty LOA for up to three (3) years upon depletion of employee's sick bank

Attendance Control Policy

Attendance Control Policy will apply

Active Medical while on Paid or Unpaid Sick or Injury

1. Employees may remain on active medical coverage paying active medical contributions for up to 12 months per injury/illness as defined below:
 - a. On the 8th day of a continuous absence due to injury/illness, employees' 12 months of active medical coverage will begin. Employees will pay their monthly active medical contributions through the direct bill process established by the company. If payment is not received, medical benefits will terminate and the employee will be solicited for COBRA continuation if eligible at the normal COBRA rates.
 - b. An employee who continues with the same absence due to illness/injury beyond 12 months, will be solicited for COBRA continuation, if eligible at the normal COBRA rates.

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ATTACHMENT C

ACTIVE MEDICAL

1. With the exception of the Standard plan design features in the chart below, all other plan provisions are subject to change at Company discretion. Plan design features and other plan provisions in the Core medical option may change at Company discretion and advance notice of any changes will be provided prior to implementation. To the extent the Company is offering the Value medical option in any Plan Year to employees, employees enrolled in the Standard and Core medical options will be eligible to enroll in the Value option; the Company, at its discretion may change plan design and contributions in the Value option.
2. Aggregate employee contributions in 2012 will be 21% of the total projected cost of 2012 healthcare expenses (which include medical/Rx and administrative expenses) for the Standard and Core medical options. Contributions for the Standard and Core medical options will increase with inflation for these two (2) medical options. The Value medical option inflation will be calculated separately.
3. Current coverage tiers for contributions will be replaced, as follows:

Current Coverage Tiers	New Coverage Tiers
Employee Only	Employee Only
Employee + 1	Employee + Spouse/Domestic Partner
	Employee + Child(ren)
Employee + 2 or more	Employee + Family

4. The \$150 and \$1000 standard medical options in the current CBA will be eliminated including the elimination of the current inflation formula used to determine future contributions.
5. Part-time employees will be offered the same medical options as full-time employees. Contributions for medical options for Employee Only coverage will be the same as full-time employees. Part-time employees' contributions with dependents will be two (2) times the FT contributions for employees enrolled in the same medical option and coverage tier.
6. New employees eligible for healthcare coverage will default to the Core option, which is the Health Savings Account-compatible medical option, for Employee Only coverage on their eligibility date, should another option or level not be elected during their initial enrollment.

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7. To the extent the Company is offering incentives in any Plan Year to employees for participating in the Healthmatters wellness program, employees enrolled in the Standard and Core Plans will be eligible for those incentives provided they meet the criteria (as established by the Company at its discretion) for earning the incentive.

Active Medical Chart

	Value	Standard	Core
Plan Design Features	Non-contractual	Contractual	Non-contractual
Spending Accounts	N/A	HRA	HSA Compatible
Spending Account Funding (2012 only)	\$0	\$500 employee/\$500 spouse	\$0
In Network Deductible (Single/Family)	\$300/\$900	\$1,000/\$3,000	\$2,000/\$4,000**
Out of Network Deductible (Single/Family)	\$1500/\$4500	\$3,000/\$9000	\$4,000/\$8,000**
Coinsurance (In/Out)	20%/50%	20%/50%	30%/50%
In Network Out of Pocket Max (Single/Family)	\$2,750/\$8,250	\$4,000/\$12,000	\$6,000/\$12,000**
Out of Network Out of Pocket Max (Single/Family)	Unlimited	Unlimited	\$12,000/\$24,000**
Primary Care Physician Copay (In/Out)	\$20*	\$30*	30%/50%
Specialist Copay (In/Out)	\$40*	20%/50%	30%/50%
Retail Clinics Copay (In/Out)	\$40*	20%/50%	30%/50%
Preventive Care*	\$0	\$0	\$0
Emergency Room	Ded/Coins/\$100 CoPay	Ded/Coins/\$100 CoPay	Ded/Coins
Pharmacy (Retail)			
Generic	\$10	20% (\$20 min/\$40 max)	subject to

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Formulary Brand	30% (\$20 min/\$75 max)	30% (\$30 min/\$100 max)	deductibles and
Non-Formulary Brand	50% (\$35 min/\$90 max)	50% (\$45 min/\$150 max)	coinsurance***
Pharmacy (Mail)			
Generic	20% (\$0 min/\$80 max)	20% (\$10 min/\$80 max)	subject to
Formulary Brand	30% (\$40 min/\$150 max)	30% (\$60 min/\$200 max)	deductibles and
Non-Formulary Brand	50% (\$70 min/\$180 max)	50% (\$90 min/\$300 max)	coinsurance***
2012 Monthly Contributions			
EE Only	\$115.00	\$67.59	\$58.06
EE + Spouse/DP	\$345.00	\$202.78	\$174.17
EE + Child(ren)	\$207.00	\$121.67	\$104.50
EE + Family	\$460.00	\$270.37	\$232.23
2012 PT Monthly Contributions			
EE Only	\$115.00	\$67.59	\$58.06
EE + Spouse/DP	\$575.00	\$337.97	\$290.29
EE + Child(ren)	\$299.00	\$175.74	\$150.95
EE + Family	\$805.00	\$473.15	\$406.41

*Not subject to deductible

** Core - each deductible (single/family) is an aggregate that needs to be satisfied in total before coinsurance applies

** Core - the deductible is calculated as satisfying a portion of the OOP Max

** Core - each (single/family) OOP Max is an aggregate that needs to be satisfied in total before receiving 100% coverage

***Preventive Rx not subject to deductible, coinsurance still applies

Value, Standard, and Core coinsurance amounts (Medical and Rx) apply towards OOP maximums

OOP amounts do not include the deductibles for Value or Standard

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ATTACHMENT D

RETIREE MEDICAL & LIFE

Retiree Medical

The Company proposes the following changes to the retiree medical and life coverage:

1. Amend the collective bargaining agreement, any letter agreements and any ancillary documents so that the Company is not required to maintain, fund, or provide for retiree medical or retiree life benefits, including elimination of the retiree medical and retiree life insurance references.
2. Early retirees age 55 – 64 will have access to a company sponsored retiree medical option. Contributions for this coverage will be 100% of projected annual expenses (which includes administrative expenses) using data, assumptions, and methodologies for calculating future retiree healthcare costs. For 2012, the Company will offer the pre-65 plan design (which includes a provider network) offered to management employees.
3. Retiree medical option for age 65 and over will cease. Retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator, to the extent available.
4. A participant who currently prefunds for retiree medical will be refunded the employee's prefunding account (which reflects investment experience). Excluding groups that have already received prefunding refunds.
5. Although it is the Company's intention to continue to make available access to early retiree medical coverage (age 55 – 64), the Company will reserve the right to modify, amend, or terminate the plan at any time.
6. Retiree life insurance benefit will be discontinued.