

Stores

March 22, 2012 Term Sheet

vs.

July 10, 2012 Tentative Agreement

Explained



July 10, 2012 Tentative Agreement

How we got here

American Airlines entered in to bankruptcy on November 29, 2011

- Each major employee group union and non-union were required to make cost cuts that would equate to \$1.25 billion annually.
- The five major groups were each targeted to be responsible for 20% of the \$1.25 billion. Stores was responsible for \$18.1 million. Because of the recent APA T/A, the Stores 'ask' has been reduced 15%. This, along with changes in profit-sharing plan has reduced the Stores 'ask' to \$13.59 million.
- TWU Stores was hit especially hard with not only freezing the pensions and terminating the retiree medical plans but also an increase in aircraft maintenance outsourcing in M&R from ~10% of total maintenance spend to 35% of total maintenance spend.

Under the very restrictive conditions of bankruptcy, the TWU has worked diligently to come up with an alternative to the 3/22 Term Sheet. The July 10, 2012 Tentative Agreement captures improvements from the company's last offer such as enhanced 401k, lower insurance premiums, 10.5% in wage increases, a .45 cent MLS skill premium effective DOS, an automatic wage adjustment to industry comparators average after 36 months, maintained 6 weeks of vacation and a twenty four month early opener.

July 10, 2012 Tentative Agreement

Before you vote, information to consider

We are not in the collective bargaining process

- During the normal collective bargaining process, the contract remains status quo. In the 1113 process, the contract can be rejected by the Bankruptcy Judge if he finds that statutory requirements have been met (as has been found in nearly all cases).

What if the TA is rejected and the Court denies the motion to reject the CBA?

- Even though the TWU presented its best case, none of the experts believe that any union will prevail in preventing rejection of the CBAs. But even in the extremely unlikely event that the Judge denies the motion to reject the CBA, the picture will not be all rosy at the end of the exclusivity period the creditors would be free to propose their own plans of reorganization which could include merger or break-up.

July 10, 2012 Tentative Agreement

Before you vote, information to consider

What if the TA is rejected and the Court rejects the CBAs?

- Under this scenario, the Company will impose rates of pay, rules and working conditions. AA's position is that these rates of pay, rules and working conditions will remain in effect until a successor agreement can be reached. However, we have the following concerns:
 - These issues are plagued with legal uncertainty, and it is not definitively clear what RLA procedures govern negotiations and their aftermath following abrogation of a CBA.
 - If negotiations are not successful, we will follow a strategy that leads to self-help. However, because of the legal uncertainties it is not at all clear how--let alone when--we reach the point of being able to legally resort to self-help. The best we may realistically hope for is that we will be following RLA procedures which may eventuate in a release from negotiations by the National Mediation Board. Even in that case, however, as this membership knows, the NMB does not grant such releases quickly; in fact, many groups have been held in mediation for years.
- Even if we are released at some point in the future, the US President could put in place a PEB. It is impossible to know what a PEB would recommend, particularly if the Company remains financially weak.
- We do not know what terms will be imposed. The company has indicated they would impose the March 22, 2012 term sheet.
- The possibility of a merger is high following emergence from BK. The Tentative Agreement provides job and seniority provisions. Without an agreement in place, a merger unfavorable to TWU members would pose significant problems for our members seniority and employment rights.

July 10, 2012 Tentative Agreement

Before you vote, information to consider

What if the TA is accepted?

- Understanding all the choices - this is the best alternative
 - It captures the significant differences between the Last Best Offer and the Tentative Agreement such as enhanced 401k, lower insurance premiums, 10.5% in wage increases, a .45 cent MLS skill premium effective DOS, an automatic wage adjustment to industry average after 36 months, maintained 6 weeks of vacation.
 - With the 24 month early opener, contract negotiations can begin at DOS + 48 months.
 - Eliminates the inevitable risk of a lengthy RLA delay in Section 6 bargaining- with minimal chance of self help.
 - With a successor clause in place in the Agreement, the TWU membership are in the best position to weather a merger or hostile takeover.
 - With a consensual agreement the TWU would be entitled to equity in the new company. However, such equity is contingent upon court approval and membership ratification of a consensual agreement. The equity is designed to recognize some of our concessions. AA has agreed to extend to the TWU the basic terms and formula of the APA equity arrangement agreement.

Tentative Agreement

The 1113c and Abrogation

Consequences of a NO Vote, Rejecting Tentative Agreement

Will the unchanged terms of our current contract stay in place?

- No. If the judge rules to reject the contract, it is completely terminated.

Do we lose all of our benefits and rights contained in the current contract?

- If the judge rules to reject our CBA, it will be completely abrogated. We will have no contract going forward. We expect AMR to only change our work rules and benefits consistent with their March 22nd 1113 ask filed with the court.

Will we have to restart negotiations?

- Yes. If the judge rules to reject our CBA, we would have to go back to the table, but in the meantime we would be without a contract. There have been several court rulings that have held that if there is no collective bargaining agreement there is no RLA status quo requirement. This creates a risk that the Company could unilaterally impose further concessions

Will the judge still be issuing a final ruling on American's 1113 motion to reject our CBA?

- Yes. The judge will have to determine whether to reject our CBA.

Does this vote have any impact on the possible US Airways merger?

- No. That is a separate path that has nothing to do with this vote.

Tentative Agreement

The 1113c and Abrogation

Consequences of a YES Vote, Accepting Tentative Agreement

Will the unchanged terms of our current contract stay in place?

- Yes. All of the changes that we vote on will take effect. The remaining unchanged terms will continue as part of a new successor contract.

Do we lose all of our benefits and rights contained in the current contract?

- No. All of the changes we approve will become part of our contract going forward. All other terms that were not changed will remain in full force and effect.

Will we have to restart negotiations?

- No. We will have approved a successor six-year contract with the right to reopen twenty-four months early.

Will the judge still be issuing a final ruling on American's 1113 motion to reject our CBA?

- No. But the judge will still have to approve the new CBA.

Does this vote have any impact on the possible US Airways merger or any other airline?

- No. That is a separate path that has nothing to do with this vote.

Tentative Agreement

Reject or Accept – Quick Overview

Consequences of a NO Vote, Rejecting Tentative Agreement

Those over 45 years of age with 15 years of service wanting to separate from the Company

- No early out
- Retiree prefunding returned with no Company match – this would be challenged in court
- No raises for six years
- Layoffs increase to ~4,300 employees

For those continuing employment

- Employee portion of retiree prefunding returned with no Company match – this would be challenged in court
- No raises for six years per Company's term sheet
- Layoffs increase to ~4,300 M&R members
- After contract rejection will start contract negotiations - again

For those within the possible RIF group of ~4,300

- No involuntary mitigation options available

Consequences of a YES Vote, Accepting Tentative Agreement

Those over 45 years of age with 15 years of service wanting to separate from the Company – **do not need to be affected by RIF**

- Early out provision available that pays regular severance, \$12,500 (if eligible) and \$10,000 – maximum of \$33,659

For those continuing employment

- 3.5% raise DOS
- 2.0% DOS+ 12, and DOS+ 24 months
- 1.5% raise at DOS+ 36 and DOS+ 48 months
- No raise at DOS+ 60 months
- Retiree medical prefunding– employee portion refunded after 120 days of DOS. Company match – see details in this document

For those within the possible RIF group of ~2,000

- Early out and Stand in Stead options will mitigate involuntary layoff numbers

Term Sheet vs. Tentative Agreement

Duration of CBA

AA Position at 1113(c) filing 3/22/12

Effective with a "NO" Vote and Contract Abrogation

Terms apply for 6-year period from Date of Signing

- AA moves forward with motion to reject CBA
- Company proposal seeks six year duration. TWU position is that a No vote leads to continued negotiations and no duration.
- AA will implement items in the Term Sheet *(listed in the March 22, 2012 document excluding items that were dependant on a consensual agreement)* upon granting of motion by US BK Court Judge
- The TWU continues with contract negotiation per the Railway Labor Act

AA/TWU Tentative Agreement

Effective with a "Yes" Vote

Agreement covering 6 year period from Date of Signing (with twenty-four (24) month early opener)

- Judge grants AA Motion to accept terms approved by membership
- AA withdraws motion to reject CBA
- The TWU and AA sign new CBA and administer terms accordingly
- TWU can initiate early contract negotiations within twenty-four (24) months of amendable date.

Term Sheet vs. Tentative Agreement

Compensation – Title V Rates of Pay

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

Title V Hourly Rates of Pay

- Per the Company’s March 22nd Term Sheet No increases will apply if membership rejects Final Best Offer

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Title V Hourly Rates of Pay

- Modify Article 4 to provide Base Pay Rate increases for all Classifications on the following pay scale
- Effective DOS 3.5%
- Effective DOS+ 12 months 2.0%
- Effective DOS+ 24 months 2.0%
- Effective DOS+ 36 months 1.5%
- Effective DOS+ 48 months 1.5%
- Effective DOS+ 60 months 0.0%

Material Logistics Specialist Premium

- **\$0.45 per hour DOS**

Material Logistic Specialist Market Rate Adjustment

- Pay rates will be adjusted per the Legacy Airline average (United, Delta, and US Airways) at 36 months after DOS

Term Sheet vs. Tentative Agreement

Compensation – Profit Sharing

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

Profit Sharing Plan

- No Profit Sharing

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Profit Sharing Plan

- Implementation of the enhanced profit Sharing Plan which pays 5% of pre-tax profits. This plan pays after the first dollar of profit as opposed to previous plans where a base profit must be made prior to a payout.

Term Sheet vs. Tentative Agreement

Scope – Title V Scope

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

Modify Article 1 to align with M&R

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Modify Article 1

- Delete Article 1(e) reference to limiting outsourcing to the current practice
- *New language Article 1 Paragraph (e) added*
- Vendor Management Inventory Letter
 - Vendors will store inventory at AA locations and maintain the storage equipment
- New letter for new electronic parts ordering process for use with new M&E tablet technology

Term Sheet vs. Tentative Agreement

Scope – Title V Job Classifications

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract
Abrogation***

No changes

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

**Change job title from Stock Clerk to Material
Logistics Specialist**

Tech Crew Chief can periodically work as Crew Chief

Term Sheet vs. Tentative Agreement

Work Rules – Hours of Work

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

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
- Modify Article 3(i) to permit management to establish work schedules that include Saturdays and Sundays without restriction
- Eliminate 1/7th rule

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Modify Articles 3 and Article 21 for Base and Line 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
- Article 3(i) to permit management to establish work schedules that include Saturdays and Sundays without restriction
- Eliminate 1/7th rule

Term Sheet vs. Tentative Agreement

Work Rules – Overtime

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

Modify Article 6

- Permit the Company to distribute overtime within the crew or appropriate work group as equitably as practicable
- Eliminate all local letters of agreements connected to overtime

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Modify Article 6

- Eliminate all local letters of agreements connected to overtime. Company and TWU will meet and confer for 30 days following DOS to resolve and reach agreement on procedures. If no agreement is reached, the dispute will be mediated/arbitrated at the next scheduled Maintenance System Board.
- Removed the weekly (day off) overtime provision. Where an employee has to work in excess of 40 hours in a work week before receiving overtime rates

Term Sheet vs. Tentative Agreement

Work Rules – Vacation

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

Vacation changes

- 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 flex vacation weeks
 - Flex weeks will be available after number of weeks purchased are identified
- Reduce maximum vacation accrual from 30 days to 25 days

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Vacation changes

- 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 flex vacation weeks
 - Flex weeks will be available after number of weeks purchased are identified
- Maximum vacation accrual 30 days

Term Sheet vs. Tentative Agreement

Work Rules – Sick Leave

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

Sick Leave

- See Attachment B – “Sick Leave” Utilize ‘Health Vendor Management System’. Similar to using Short Term Disability.
- For full time employee, the first 24 hours of Incidental Sick taken each year will be paid at 100% of regular hourly rate
- Any subsequent Incidental Sick hours/occurrences will be paid at 60% of regular hourly rate
- More than a 40 hrs out sick - in order to get paid sickness/ Illness has to be certified by the Health Management Vendor

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Sick Leave

- No change from current CBA

Term Sheet vs. Tentative Agreement

Work Rules – One Station Agreements

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

One Station Agreements

- 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

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

One Station Agreements

- Eliminate DFW Hangar 5 (DWH). DWH will be a stand-alone base whether in its current location or at another location at DFW Airport

Term Sheet vs. Tentative Agreement

Job Classification – QAM Changes

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

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

- Eliminate all attachments

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Modify Article 11(e) and (f) to permit management to establish qualifications, review changes with TWU, and to implement changes to the Qualifications Administration Manual, and provide for a dispute resolution procedure.

Term Sheet vs. Tentative Agreement

Benefits – Pension & 401(k)

AA Position at 1113(c) filing 3/22/12

Effective with a “NO” Vote and Contract Abrogation

Defined Benefit Pension Plan

- Amend the Basic Agreement so that the company is not required to provide for future benefit accruals under the defined benefit pension plan – **Currently Hard Freeze however may be changed in bankruptcy court**
- 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

401(k) Plan

- 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 Company match of up to 5.5% of eligible earnings.

AA/TWU Tentative Agreement

Effective with a “Yes” Vote

Defined Benefit Pension Plan

- Amend the Basic Agreement so that the Company is not required to accrue future service benefits in the defined benefit pension plan – **Hard Freeze**
- Amend the Basic Agreement to provide that that the Company is not required to maintain or fund or provide a defined contribution pension plan, except as provided below

401(k) Plan

- Amend the Basic Agreement to provide that the Company will offer a replacement benefit through a Super Saver 401(k) Plan. Employees that aren't enrolled in super saver will be automatically enrolled (with an option to opt out) at a pre-tax contribution of 3% of eligible earnings per payroll period, with a Company match of up to 5.5% of eligible earnings **(inclusive of all wages, overtime, CSW, etc.)**

Term Sheet vs. Tentative Agreement

Benefits – Active Medical & Retiree Medical

AA Position at 1113(c) filing 3/22/12
*Effective with a “NO” Vote and Contract
Abrogation*

Active Medical Plan

- Standard Plan in the Contract
 - Deductible \$1,000/\$3,000 (single/family) in network
 - Out of Pocket in network Max \$3000/\$9000 (single/ family)
- All other plans Value and Core can be changed at the discretion of the Company

Retiree Medical Plan

- Prefunding eliminated with all employee funds refunded within 120 days of DOS

AA/TWU Tentative Agreement
Effective with a “Yes” Vote

Active Medical Plan

- Employee contributions for the Standard and Core medical options for 2013 will be 18%, 2014 will be 19%, 2015 will be 20% and 2016 and thereafter will be 21% of the total projected cost of each forecasted year of healthcare expenses (which include medical/Rx and administrative expenses).

Retiree Medical Plan

- Pre-funding eliminated with all employee funds refunded within 120 days of DOS
- Upon completion of the 1114 process, Company matching funds will also be refunded from the Trust
- Early retirees age 55 – 64 will have access to a Company sponsored retiree medical plan option. Contribution rates for this coverage will be 100% of projected annual expenses

Term Sheet vs. Tentative Agreement

Job Protection, ASM Cap, and Moving Expenses/Special Severance

AA Position at 1113(c) filing 3/22/12
**Effective with a “NO” Vote and Contract
Abrogation**

Job Protection

- Eliminate Article 42 and Attachment 42.1, which currently limit the Company’s ability to layoff protected employees

ASM Cap

- Eliminate Attachment 1.5 “Seat Miles Scheduled by Commuter Air Carriers”

Moving Expenses/Special Severance

- 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

AA/TWU Tentative Agreement
Effective with a “Yes” Vote

Job Protection

- Eliminate Article 42 and Attachment 42.1, which currently limit the Company’s ability to layoff protected employees

ASM Cap

- Eliminate Attachment 1.5 “Seat Miles Scheduled by Commuter Air Carriers”

Moving Expenses/Special Severance – Early Out

- Eliminate the provision in Article 44, which provides for a supplemental moving allowance of \$12,500 to each employee who moved base stations during a layoff
- Retain, on a one time basis, the special severance allowance of \$12,500 to a previously protected laid off employee who relinquishes recall and re-employment rights for the purposes of the reductions in force associated with the restructuring agreement. One time designation of previously protected employees.

Term Sheet vs. Tentative Agreement

Severance/Early Out Incentive

AA Position at 1113(c) filing 3/22/12
**Effective with a “NO” Vote and Contract
Abrogation**

Severance – per contract

No Early Out

AA/TWU Tentative Agreement
Effective with a “Yes” Vote

- Regular Severance per Article 37 Maximum of 13 weeks pay
- **Establish Early Out Incentive Allowance – all employees requesting early out will be granted early out.**
- *Eligibility - Employees subject to a reduction in force in connection with implementation of the restructuring agreement:*
 - Provide regular severance
 - 12,500 special severance payment under Article 44. (If eligible)
 - Must relinquish recall and re-employment rights
- *For all employees, whether affected by a reduction in force or not, who are willing to voluntarily separate from the Company to reduce the involuntary reductions at that station or on the system and who are 45 years of age or older and have 15 years or more of Company seniority, the Company will:*
 - Provide regular severance
 - 12,500 special severance payment under Article 44. (If eligible)
 - \$10,000 separation allowance/\$5000 for part time employee.
 - Must relinquish recall and re-employment rights
- Based on the number of employees willing to choose the Early Out the Company will offer release dates based on operational requirements and occupational seniority will determine when employees can exit the company.

Term Sheet vs. Tentative Agreement

Union Business

AA Position at 1113(c) filing 3/22/12

***Effective with a "NO" Vote and Contract
Abrogation***

**Eliminate Baker Union Business Letter for elected
representatives**

AA/TWU Tentative Agreement

Effective with a "Yes" Vote

**Eliminate Baker Union Business Letter for elected
representatives**

Appendix – Headcount Reductions

Comparison March 22, 2012 versus July 10, 2012 Tentative Agreement

March 22, 2012 AA Proposal Filed in Court - Headcount Changes L / (H)	301 AMT	320 CC	303 Stock Clerk	301 Inspector	310 FAC MTX	313 PLT MTX	315 OSM	302 FSC	311 BLD CLNR	309 AC CLNR	301 PTS WSHR	Cabin Clnr/ Utility	301 MCT	Total TWU
TUL	1,712	159	155	153	204	(86)	(191)	124	79	(40)	89	0	0	2,358
AFW Non-TAESL	554	80	96	46	116	15	215	0	0	48	9	0	0	1,179
AFW TAESL	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DWH	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Base Maintenance M&E	2,266	239	251	199	320	(71)	24	124	79	8	98	0	0	3,537
Line Maintenance M&E	376	55	13	5	0	0	0	0	0	0	0	0	16	465
Domestic Airport Services (Title II)	0	0	0	0	581	0	0	0	0	0	0	57	0	638
Total Headcount Reductions (XX) Indicates Add	2,642	294	264	204	901	(71)	24	124	79	8	98	57	16	4,640
Outsourcing	2,118	239	258	204	812	18	369	0	79	89	9	57	0	4,252
Work Rules (XX) Indicates Add	523	55	6	0	89	(89)	(345)	124	0	(81)	89	0	16	387

Note: Red Brackets () indicate a net INCREASE in headcount. Black lettering indicates a DECREASE in headcount. For example, (345) OSM is a net increase in 345 OSM's

July 10, 2012 Tentative Agreement Offer - Headcount Changes L / (H)	301 AMT	320 CC	303 Stock Clerk	301 Inspector	310 FAC MTX	313 PLT MTX	315 OSM	302 FSC	311 BLD CLNR	309 AC CLNR	301 PTS WSHR	Cabin Clnr/ Utility	301 MCT	Total TWU
TUL	882	36	86	45	71	(20)	(334)	34	80	0	8	6	0	899
AFW Non-TAESL	524	80	156	46	116	15	215	0	0	48	9	0	0	1,179
AFW TAESL	135	0	0	0	(30)	0	(85)	0	0	0	0	0	0	20
DWH	(20)	(13)	(27)	0	0	0	(55)	0	0	0	0	0	0	(88)
Base Maintenance M&E	1,521	103	215	91	157	(5)	(259)	34	80	48	17	6	0	2,010
Line Maintenance M&E	410	29	2	0	0	0	0	0	0	0	0	0	12	451
Domestic Airport Services (Title II)	0	0	0	0	391	(230)	0	0	0	0	0	57	0	218
Total Headcount Reductions (XX) Indicates Add	1,931	132	217	91	548	(235)	(259)	34	80	48	17	63	12	2,679
Outsourcing	972	55	212	71	292	21	170	17	80	0	0	63	0	1,953
Work Rules (XX) Indicates Add	959	77	5	20	256	(256)	(429)	17	0	48	17	0	12	726

Note: Red Brackets () indicate a net INCREASE in headcount. Black lettering indicates a DECREASE in headcount. For example, (256) PLT MTX is a net increase in 256 PMM's

The Tentative Agreement saves 1,961 jobs from elimination and with the Early Out and SIS option, involuntary reductions will be lower.