



AA Proposal: Overview of all workgroups

BASED ON LAST, BEST, FINAL OFFERS, JULY 2012

Select items in proposal and term sheets

Workforce changes

- **~17% reduction in labor costs across all workgroups (Total of \$1.25B)**
- **6 year contracts, with various early openers**
- Eliminates 6-8k jobs (down from 13k in the original term sheets)
- Voluntary Early-Out incentive for >15 yrs: \$40k for Flight Attendants, \$12-22k for Fleet Svc
- Outsources a portion of maintenance and fleet service work
- Reduces management positions by ~15%

Compensation structure

- **Leaves wage scales largely unchanged except for Fleet Svs, even provides for 2%+ base pay increases for numerous groups**, including Pilots, Flight Attendants
- Replaces previous profit sharing plan with 1-4% payout, based on company earnings

Work rules

- **Significant changes to work rules and sick policies (total savings of \$200M+ for Pilots only by Year 6)**
- Allows more part time and reserve workers to replace overtime shifts
- Reduces or eliminates job security provisions
- Permits additional outsourcing for Fleet Service, Mechanics

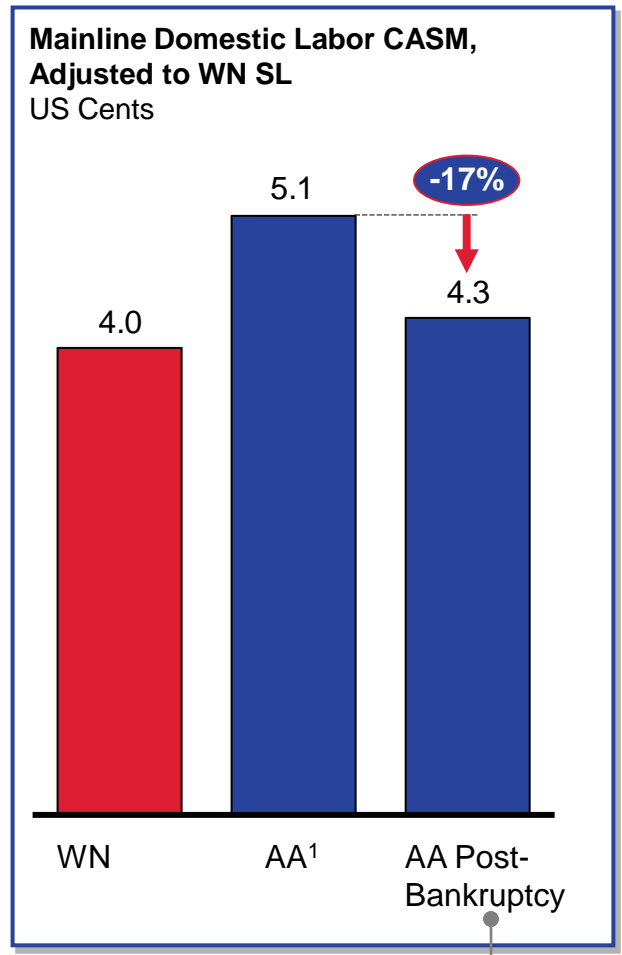
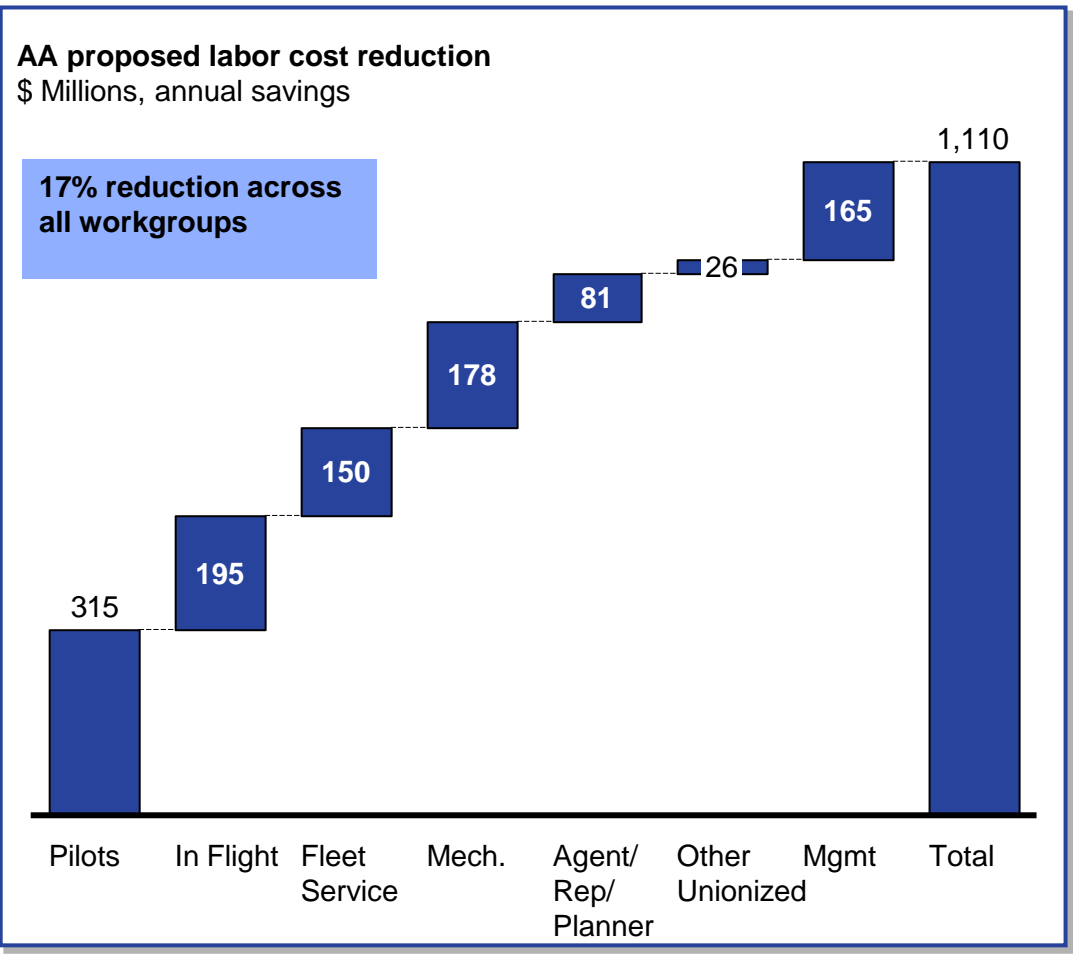
Benefits

- **Freezes defined-benefit pension plan for non-pilots, pursuing alternatives to freeze for pilots**
- **Increases employee contributions for medical plan (employed and when retired)**
- **Increases minimum work rules to qualify to maintain employment, earn health care**
- Reduces sick leave pay
- Caps vacation accruals and reduces vacation days
- Reduces long term disability payments
- Current retirees' medical benefits still being addressed by bankruptcy proceedings

American has proposed a 17% reduction in labor costs, which would bring it in line with Southwest's overall Labor CASM



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Assumes American reduces Labor CASM by the 17% proposed in LBFOs

¹ Trailing twelve months, 4Q 2010-3Q 2011
Source: AMR Restructuring website, Department of Transportation Form 41 Schedules T2 and P6



AA term sheet proposal: Pilots

BASED ON LAST, BEST, FINAL OFFERS, JULY 2012

Proposed changes to CBA

**Estimated
savings**
\$M, Year 1-6 Avg

Comparison to current WN contract

Compensation

- **4% increase at DOS, 2% increase for next 5 yrs**
- Calculate hours paid by lines, not legs
- Other reductions
- Replace profit sharing & annual incentives¹

- -
- 11
- 14
- -
- 44

- Variable rate increases in 2012²
- Line guarantee of 87 TFP
- 15% profit sharing on pretax income

Work rules

- **Increase Schedule Max/Work rules**
- **Sick Bank changes (Split banks)**
- Combine domestic & international ops
- Online training
- Hotels largely limited to airport vicinity
- Reduce max vacation from 44 to 35 days
- Other reductions

- **58**
- **35**
- 4
- 4
- 2
- 4
- 10
- 128

- -
- Pay 100% of sick bank accrual at max of 1600 TFP
- Online training
- Hotel Committee, with Purchasing oversight
- 14-35 day vacation accrual

Benefits

- **Replace pension with 401(k) at 14%**
- **Eliminate retiree medical coverage**
- **18-21% EE medical contribution**
- 60% LTD salary, \$8k max/month for 1 year

- **120**
- **40**
- **29**
- 8
- 199

- 401(k) at 9.3%; no pension plan
- Retiree medical until 65
- EE: \$50 plan cost; 20% PPO contrib.
- LTD plan until 67

Scope

- Greater flexibility for Regional Flying and Codeshare

- 2.25% restriction on Codeshare, limited to Volaris

**TOTAL: \$315,
grows to \$400 by
Year 6**

¹ Eliminate current and Annual Incentive Plan. Pay 15% of all pretax income, prorated against nonparticipants

² 2% increase in 2011, but variable rate increases in base in 2012

Source: AMR Restructuring website



AA term sheet proposal: Flight Attendants

BASED ON LAST, BEST, FINAL OFFERS, JULY 2012

Proposed changes to CBA

Compensation

- Provide \$40k Early-Out incentive for more than 15 YOS
- Wage increases: 3% at DOS, 2%, 1.5%, 1%, 1%, 1% (*with industry rate clause after 3rd year*)
- Eliminate incentive pay above 70 hours
- Eliminate pay for ramp and de-icing delay
- Eliminate domestic aft galley pay at \$0.63/hr
- Replace profit sharing and annual incentive¹
- International override of \$3, depending on seniority

Work rules

- Increase schedule max from 77 to 100 hours (saves \$31M)
- Eliminate domestic flight caps of 30 hrs/week
- Eliminate duty rigs and pay 25% for 29+ hr layovers
- Implement preferential bidding system
- Minimum hrs for employment at 420 hrs/yr or 35 hrs/m

Benefits

- Maintain sick bank accrual and caps
- Sick pay not to exceed 85 hrs/month
- Reduce personal vacation pay to 3 hrs/day
- Replace pension with 401k at 5.5%
- 18-22% employee medical contribution
- Eliminate Retiree medical/life insurance

Comparison to current WN contract

- -
- Variable rate increases in 2011
- Overfly/productivity premium pay
- Special assignment, charter, deadhead, and training pay
- Stock option grants
- 15% profit sharing on pretax income
- No Intl flights/premiums
- Max 28 legs in 7 days; 90/month
- No flight caps
- No min pay – monthly release
- Traditional bidding system
- No minimum hours
- 1 TFP accrual for 10 flown
- Sick bank max of 1600 TFP
- 1 1/6 vacation days per month
- 401k with 9.3% match
- EE: \$50 plan cost; 20% PPO contrib.
- Retiree medical until 65

¹ Eliminate current and Annual Incentive Plan. Pay 15% of all pretax income, prorated against nonparticipants
Source: AMR Restructuring website



AA term sheet proposal: Fleet Service

BASED ON LAST, BEST, FINAL OFFERS, JULY 2012

Proposed changes to CBA

Comparison to current WN contract

Compensation

- 2% decrease at DOS, followed by 1% increase at 3 yrs and 3% increase at 5 yrs
- Replace profit sharing and annual incentive¹

- 3% increases prior to 2010
- 15% SWA profit sharing on pretax income

Work rules

- Reform overtime system to reduce hours
- Eliminate job security clause
- Increase greater part time flexibility, including part time crew chief

- No part time override of overtime
- Job security provisions intact; restrictions based on seniority
- Part time vacancy restrictions
- No lead agent role

Benefits

- Reduce vacation from 30 to 25 days max
- Reduce leave of absence limit from 5 to 3 years
- Eliminate pension plan
- Replace pension with 401(k) at 5.5%
- Eliminate moving expense/severance of \$12.5k
- 18-22% employee medical contribution
- Eliminate retiree medical/life benefits

- 14-35 day vacation
- 90 day leave of absence outside illness/disability
- No pension plan; 401(k) at 8.3%
- Moving/severance (16 wk max)
- EE: \$50 plan cost; 20% PPO contrib.
- Retiree medical until 65

Scope

- Outsource staffing for stations with <15 flights/day
- Permit other outsourcing, including daytime cabin cleaning, fueling, cargo handling
- Eliminate ASM cap to better utilize regional network
- Eliminate Control/Assignment Crew Chief

- Potential outsourcing for stations with <12 flights/day
- No outsourcing at stations opened before 2001
- Supervisors manage crew

¹ Eliminate current and Annual Incentive Plan. Pay 15% of all pretax income, prorated against nonparticipants
Source: AMR Restructuring website