



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 Svcs, 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

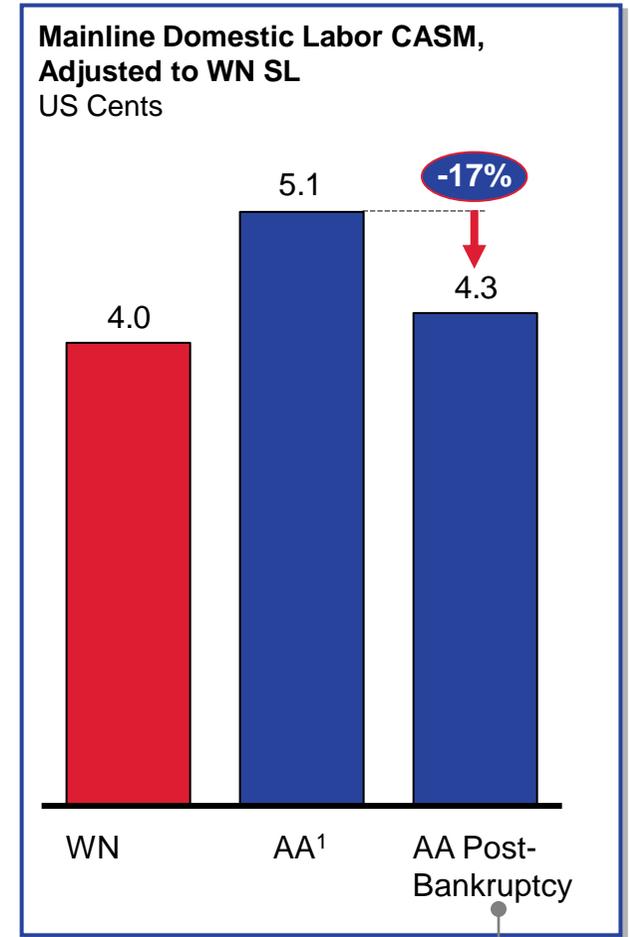
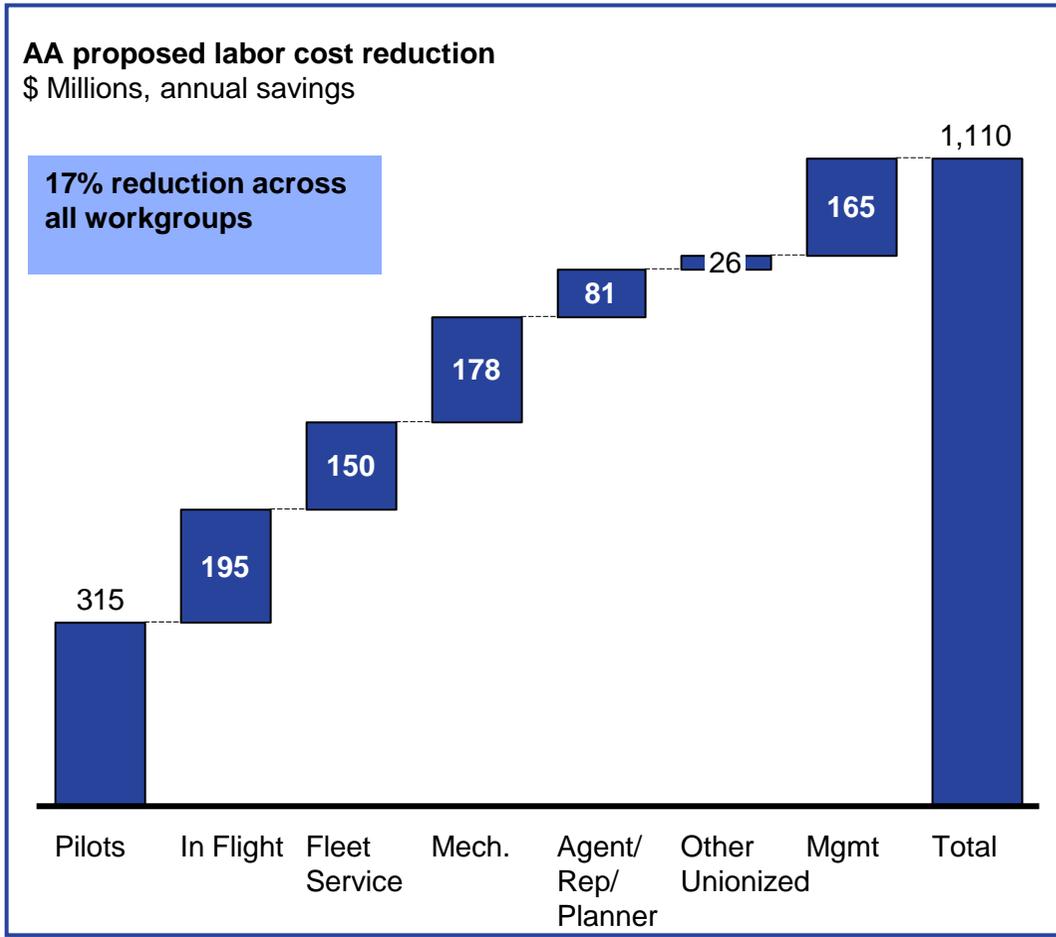
Benefits

- **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



AA term sheet proposal: Pilots

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	Proposed changes to CBA	Estimated savings \$M, Year 1-6 Avg	Comparison to current WN contract
Compensation	<ul style="list-style-type: none"> ▪ 4% increase at DOS, 2% increase for next 5 yrs ▪ Calculate hours paid by lines, not legs ▪ Other reductions ▪ Replace profit sharing & annual incentives¹ 	<ul style="list-style-type: none"> ▪ - ▪ 11 ▪ 14 ▪ - <li style="border-top: 1px solid black;">▪ 44 	<ul style="list-style-type: none"> ▪ Variable rate increases in 2012² ▪ Line guarantee of 87 TFP ▪ 15% profit sharing on pretax income
Work rules	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 58 ▪ 35 ▪ 4 ▪ 4 ▪ 2 ▪ 4 ▪ 10 <li style="border-top: 1px solid black;">▪ 128 	<ul style="list-style-type: none"> ▪ - ▪ Pay 100% of sick bank accrual at max of 1600 TFP ▪ Online training ▪ Hotel Committee, with Purchasing oversight ▪ 14-35 day vacation accrual
Benefits	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 120 ▪ 40 ▪ 29 ▪ 8 <li style="border-top: 1px solid black;">▪ 199 	<ul style="list-style-type: none"> ▪ 401(k) at 9.3%; no pension plan ▪ Retiree medical until 65 ▪ EE: \$50 plan cost; 20% PPO contrib. ▪ LTD plan until 67
Scope	<ul style="list-style-type: none"> ▪ Greater flexibility for Regional Flying and Codeshare 		<ul style="list-style-type: none"> ▪ 2.25% restriction on Codeshare, limited to Volaris
		<p>TOTAL: \$315, grows to \$400 by Year 6</p>	

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

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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
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- 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



AA term sheet proposal: Fleet Service

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Proposed changes to CBA

Compensation

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

Work rules

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

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

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

Comparison to current WN contract

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

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

- 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

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