

AMERICAN AIRLINES LAST BEST AND FINAL OFFER TO
THE ASSOCIATION OF PROFESSIONAL FLIGHT ATTENDANTS
JULY 19, 2012

The terms of this offer are contingent upon APFA's acceptance and membership ratification on or before August 19, 2012.

I. EARLY OUT

Provide an early out program for eligible flight attendants. Eligibility based on having 15+ years of Company service. Payout of program will be as follows:

\$40,000 for all acceptances

Company will have discretion to limit maximum number of acceptances and determine when flight attendant can separate based on operational requirements. Flight Attendants will provide preference for Company separation by quarter: 4Q2012, 1Q2013, 2Q2013, 3Q2013.

See Attachment A: "Voluntary Early Out Program"

DOS Lump Sum Payment II. COMPENSATION

1. :

Provide a lump sum payment of \$1,500 to every active Flight Attendant on the date of signing.

2. Hourly Pay Rates:

Eliminate International pay rates and replace with a single base rate for Domestic and International. The base rate will be the current Domestic hourly base rate of pay. Base Pay Rate increases:

DOS:	3.0%
DOS + 12 months:	2.0%
DOS + 24 months:	1.5%
DOS + 36 months:	1.0% or Industry Pay Rate Adjustment* whichever is greater
DOS + 48 months:	1.0%
DOS + 60 months:	1.0%

* See Attachment B: "Industry Comparable Pay Rates – Flight Attendants"

See Attachment C: "Base Pay Rates – Flight Attendants"

3. International Pay Rates:

Pay a \$3.00 hourly override only for International segments flown, including deadheading and pay & credit.

4. Expenses:

Amend Article 4 A. to reflect time away from base expenses as follows:

DOS:	Domestic:	\$1.65
	International:	\$1.90
DOS + 36:	Domestic:	\$1.80
	International:	\$2.00

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5. Incentive Pay Rates:

Discontinue the incentive rates of pay that apply to paid hours above 70.

6. ATC Hold/Code 59:

Current practice. No change.

7. Premium Pay:

Discontinue Domestic aft galley pay of 63-cents per hour.

8. Critical Coverage Pay:

Institute a premium pay provision with a single premium rate of fifty (50) percent (total is base rate plus 50% of base rate) on any Company designated critical sequences for Flight Attendants.

9. Profit Sharing:

Implement the New Profit Sharing Plan

See Attachment D: "Enhanced Profit Sharing Plan – Flight Attendants"

Current Profit Sharing Plan and the Annual Incentive Plan (AIP) are eliminated. Beginning at the first dollar of pre-tax income, the new Profit Sharing plan would pay awards equal to 5% 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.

10. Sequence Pay Protection:

- Protection to 100 hours (to commence upon implementation of PBS)
- Prior to PBS, implement an interim protection solution (70 hour guarantee for AVBL, bid line guarantee for lineholders)
- Replace current seventy (70) hour guarantee with sequence protection for value of line, including carry-in time from previous month, at time of bid initialization (guarantee will be pro-rated if mid-month return to work)
- Each flight attendant will have unique guarantee based on the trip sequences on his/her schedule
- Additional time picked up through trip trading and additional trips picked up from the Company will increase guarantee to a maximum of 100 hours
- Pay for involuntary loss of time up to 100 hours
- To qualify for protection, a flight attendant must bid and/or be assigned trip(s) that originate within the footprint of the original trip, but terminate within one (1) calendar day of original scheduled termination, unless assigned comparable days later in the month
- If Dual Qualified, a flight attendant may be awarded/assigned to Domestic or International flying
- If protected for turn-around, flight attendant may be assigned airport stand-by duty. Stand by assignment must be in open time at time of bidding
- This protection does not apply to Reserves (no change to reserve guarantee)
- Last 5 days protection will apply
- Current HVBL rules apply when above 100 hours
- All other Article 9.P. rules will apply

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III. WORK RULES

1. Schedule Max:

Produce a monthly line average of 80-90 hours by increasing the current monthly schedule max from 77:00 Domestic / 82:00 International to 100:00 hours for all regularly scheduled flight attendants.

Increase current monthly actual max from 80:00 Domestic / 85:00 International to 100:00 hours for all regularly scheduled flight attendants. Eliminate current option system. Flight attendants will have the option to exceed 100 hour max.

- Ten (10) 24-hour DFPs with FA option to waive 2 for a minimum of 8 24-hour DFPs.
- Over 85 hours - cap of 16 On-Duty periods scheduled; 18 in actual operation with FA option to exceed.
- Monthly line average at each Base must be a minimum of 80 hours with a maximum of 90 hours.

2. 30-in-7:

Eliminate 30-in-7 limitation.

3. On-Duty Limitations:

Modify current Domestic schedule on-duty maximum hours of 10:00, 11:00 and 13:00 hours (based on departure time diurnals). Increase scheduled on-duty maximum hours to 14:00 hours for trips departing 0600-2059 and 12:00 hours for trips departing 2100-0559.

Delete actual on-duty maximum hours of 12:00, 13:00 and 15:00 hours (based on departure time diurnals). Increase actual on-duty maximum hours to 16:00 hours for trips departing 0600-2059 and 14:00 hours for trips departing 2100-0559.

Departure	Scheduled/Rescheduled On-Duty Max	Operational On-Duty Max
0600-2059	14 hours	16 hours
2100-0559	12 hours	14 hours

Diurnal Restriction: Duty periods with a west to east coast all-nighter leg and trans-con turnaround sequences with an all-nighter leg (departures after 2100 local time) will be governed by the night time diurnal (12:00 hours scheduled / 14:00 hours maximum).

4. Duty Aloft:

Eliminate current duty aloft (scheduled flight hours) restriction of 8:59 hours for Domestic flight attendants. Hours aloft, plus sign-in and debrief, will not exceed on-duty limitations.

5. Minimum Pay and Credit:

Current book. No change.

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6. Preferential Bidding System (PBS):

Implement a preferential bidding system (PBS) to replace current company-built bid lines. A PBS builds individual custom work schedules based on crew member preferences, avoiding conflicts with carry-over trips, vacation, training and other known events.

The Company agrees to meet and confer with APFA prior to choosing a PBS vendor and will consider APFA's input prior to making a selection. The Company may require that any vendor be the same for both flight attendants and pilots. The Company will make the final determination.

The Joint Scheduling Committee (JSC) will meet and confer as needed during the development and implementation of the PBS. After implementation, the committee will continue to meet and review PBS performance.

Revise/eliminate all provisions of the Agreement that are inconsistent with preferential bidding, included but not limited to the following:

- Modify the requirement to provide five (5) separate forty-eight (48) hour duty free periods to ten (10) separate periods of twenty-four (24) hours free from all duty.
- Eliminate Regular Replacement (vacation relief) and Open Replacement (no pre-planned flying assignments plotted) flight attendant schedules. Replacement flight attendants are not necessary with a PBS system.

7. Combined Operations:

Combine the Domestic and International Operations, including a combined Reserve pool. A dual qualified flight attendant will be over water trained, may be required to be trained on all equipment flown, and all service requirements.

A dual qualified flight attendant may fly both Domestic and International trip sequences. Dual qualification training will be mandatory for all flight attendants subject to Reserve. All other dual qualification training will be provided as operationally necessary.

8. Reserve:

Maintain current Reserve rotation system for current flight attendants.

Accept 5/29/09 Article 10 TA and 1/6/2011 Outstanding Reserve Issues Agreement.

New hire flight attendants will have a block(s) of reserve days on monthly schedule. Reserve days may be a block(s) of 3-6 days. Total monthly R-days will be between 6 – 9 days. Reserve blocks will be awarded in a PBS system based on bid preference and in seniority order.

- An R-Day block will be treated as a sequence and will carry a guaranteed value, such that a flight attendant will be paid the greater of the R-Day block value or trips flown.
- Any unused R-Day block may be pay protected above the normal 70 hour guarantee, but no more than 85:00 hours.
- No value for an R-Day block that is dropped or traded.
- AM/PM preference will not apply to R-day blocks.
- Permit assignment of R-day Flight Attendants prior to full month reserves.
- Pay "R-Day" sick: Pay the greater of "R-day" block value or trips flown.

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- Percentage of pay according to proposed sick policy.
- Revise/eliminate all provisions of the Agreement that are inconsistent with new reserve system.

The Joint Scheduling Committee (JSC) will meet and confer prior to the implementation of Reserve R-days for new hires.

9. Staffing:

Eliminate current staffing language and replace with:

The Company will establish from time to time and make available to the APFA the standards being used to determine the number of flight attendants required on flights to which a variable complement will be applied. Prior to implementing any changes to these standards, the Company will advise the APFA President or his/her designee. Every reasonable effort will be made to monitor and staff consistent with these standards.

The Company agrees to meet with Union representatives at their request at mutually agreeable times to afford them the opportunity to make recommendations concerning the staffing of Company aircraft with flight attendants. If the APFA President brings to the Company's attention a situation where in his/her opinion, due to the type of service required, serving time and number of passengers, the crew complement creates a marginal service condition (i.e., if the flight attendant crew cannot complete their work assignments as per standard practices within the allotted times), the Company will act expeditiously to investigate the problems. If, in its investigation, the Company does not agree that the addition of a flight attendant is justified, the Company will provide the APFA President with the reasons therefore.

The APFA President may request a review of this determination by the Vice President-Flight Service. The decision made by the Vice President- Flight Service will be final and binding and not subject to the provisions of Article 28.

10. Sick Accrual:

Change minimum annual paid hour threshold for sick accrual from 420 hours to 600 hours.

11. Sick Leave:

See Attachment E: "Sick Leave – Flight Attendants"

Replace the maximum sick leave accrual methodology with a short-term / long-term split-bank concept.

12. Sick Clearance Time:

Establish 1200 local base time as the sick clearance time.

13. Vacation Pay:

Upon implementation of PBS, pay vacation at a daily rate of 3:00 hours/day instead of trips missed.

Upon implementation of PBS, a flight attendant may split his/her vacation provided the vacation award is fourteen (14) days or greater (net PVDs). And in no case shall a split result in a vacation period of less than seven (7) days. For example:

- 8 days vacation – no split, would result in 7/1
- 14 days vacation – split, would result in 7/7
- 15 days vacation – no two splits, would result in 7/7/1
- 15 days vacation – split, would result in 7/8

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14. Personal Vacation Days (PVDs):

Effective DOS, pay PVDs at the daily rate of 3:00 hours/day instead of trips missed. Reduce PVDs from maximum accrual (based on vacation accrual rate) to a limit of six (6) per calendar year.

15. Vacation Accrual Threshold:

Change minimum annual paid hour threshold from 420 hours to 600 hours.

16. Hotels:

Eliminate the requirement to consider mutually acceptable facilities. Modify to give preference to airport hotels.

17. Copies of Agreement:

Eliminate requirement to distribute paper copies of the collective bargaining agreement and instead allow for electronic copies.

18. Minimum Hours to Maintain Employment:

In order to maintain employment, a flight attendant must be paid: 1) a minimum of 420 hours, or 2) be paid an average of 35 hours per active month if the flight attendant has been inactive due to unpaid status during the preceding 12 months. The annual look back period for employment will be consistent with the medical benefits look back.

19. 787 Crew Bunk Parameters:

Execute a letter of agreement - 787 crew rest parameters

IV. BENEFITS

1. Pension:

Amend the Basic Agreement so that the Company is not required to provide for future benefit accruals under the defined benefit pension plan.

Amend the Basic Agreement so that the Company is not required to maintain or fund or provide benefits under a defined contribution pension plan, except as provided below.

Amend the Basic Agreement to provide that the Company will provide a defined contribution plan benefit in the form of a 5.5% Company match of employee contributions, based on the employee's eligible compensation. Employees will automatically be enrolled (with an option to opt out) at an employee pre-tax contribution of 3% of eligible compensation per payroll period.

Eligible Compensation – for the purposes of determining any Matching Contribution or Company Contribution, eligible compensation will be the sum of all 401(k) deferrable compensation, except for the following:

- Approved expense allowances
- Benefit pay
- Company paid employee expenses
- Company paid life insurance premiums
- Co-Terminal Expenses
- Disability/Workers' Compensation payments
- Expense reimbursements

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- Gain Sharing payments
- Overtime Meal Allowance
- Pre-tax flexible benefit plan contributions
- Severance pay
- Sick Bank Payout
- Termination Vacation Pay
- Tips
- Uniform Cleaning Allowance
- Value of NRSA passes

2. Active Medical & Life:

Modify provisions of Article 35.

Change minimum annual paid hour threshold from 420 to 600 for active medical.

See Attachment F: "Active Medical & Life – Flight Attendants"

3. Retiree Medical & Life:

Modify provisions of Article 35.

See Attachment G: "Retiree Medical & Life – Flight Attendants"

4. Article 30:

Modify to eliminate retiree medical and life insurance.

V. DURATION

Six (6) years from date of signing (DOS). At any time following DOS plus forty-eight (48) months, but prior to DOS plus seventy-two (72) months, with sixty (60) days prior written notice by either party, the parties will commence negotiations in accordance with Section 6, Title I of the Railway Labor Act, as amended.

VI. SETTLEMENT CONSIDERATION

The Company will support before the Unsecured Creditors Committee a claim by the Flight Attendants in an amount of 3.0% of New Corporation equity or equivalent under the terms and conditions of Attachment I.

VII. TENTATIVE AGREEMENTS

The Company agrees to incorporate the Tentative Agreements listed in Attachment H subject to modifications due to terms or language outlined in and/or in conflict with this proposal.

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ATTACHMENT A
VOLUNTARY EARLY OUT PROGRAM – FLIGHT ATTENDANTS

July x, 2012

Laura R. Glading
President
Association of Professional Flight Attendants
1004 West Eules, TX 76040

Re: Voluntary Early Out Program (VEOP)

Dear Laura,

The following represents the understanding between the parties with respect to a one time offered "Voluntary Early Out Program" reached in conjunction with the consensual agreement dated July XXXX, 2012.

- 1) All Flight Attendants, including those on a leave of absence and those on the furlough list who have at least fifteen (15) years of Company seniority as of July 1, 2012, shall be eligible to participate in the VEOP.
- 2) Separation from the Company under this program shall be permanent. Those Flight Attendants on the furlough list who elect to participate in the VEOP shall forfeit any recall rights.
- 3) A lump sum pre-tax payment of \$40,000 shall constitute severance.
- 4) An election window shall open on August XX, 2012 and will close at midnight August XX, 2012
- 5) A Flight Attendant may not elect to take both this VEOP and Article 30.
- 6) Flight Attendants will be able to proffer for a specific separation period to include the fourth quarter, 2012; the first quarter 2013; the second quarter 2013 or the third quarter 2013, but the Company's acceptance is subject to paragraphs 8 below.
- 7) Once a Flight Attendant has elected to separate under the terms of the VEOP, such election shall be irrevocable.
- 8) Separation dates shall be at the discretion of Flight Service subject to operational needs.
- 9) This one-time, limited agreement shall not constitute a precedent for any purpose. Furthermore, it does not change, alter, or modify the provisions of the Collective Bargaining Agreement, except as provided herein. In addition, it will not be construed against either party nor will it prejudice the parties' respective positions for purposes of any other matter between the parties, including, but not limited to, any grievance, arbitration, and/or litigation.

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Sincerely,

Taylor M. Vaughn
Managing Director
Employee Relations

Agreed to and accepted:

_____ Date: _____

Laura R. Glading
President, APFA

Cc: Denise Lynn
Laura A. Einspanier
Lauri Curtis
Cathy Scheu
Marcus Gluth

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ATTACHMENT B
INDUSTRY COMPARABLE PAY RATES – FLIGHT ATTENDANTS

- 1) Effective the first day of the contractual month following DOS + 36 months¹, for the fourth year of the Agreement, domestic base pay rates shall receive an Industry Comparable Pay Rate Adjustment, to be determined according to the procedures and standards set forth in Paragraph 2 below. The comparators to be used in determining the Industry Comparable Pay Rate Adjustment are Delta Airlines, United Airlines, Continental Airlines, US Airways, and America West (or their successors) as long as their flight attendants continue to operate under separate flight attendant contracts (“the Industry Comparators”).

- 2) Industry Comparable Pay Rate Adjustment procedures and standards:
 - a) Industry Comparable Pay Rates shall be determined by calculating the simple average of the top of scale domestic hourly base pay rates (excluding premiums, per diems, etc.) that will be in effect on DOS + 36 months at the Industry Comparators.

 - b) After determining the average Industry Comparable Pay Rate, the parties or interest arbitration panel will calculate a percentage rate increase to be applied to the Company’s equivalent hourly base pay rate to bring it up to the determined average Industry Comparable Pay Rate (“Industry Comparable Pay Rate Adjustment”). This Industry Comparable Pay Rate Adjustment will then be applied to the hourly base pay rates for all of the Company’s Flight Attendants pay steps.

 - c) On or before DOS + 30 months, the parties shall meet and confer for a period of up to 30 days to determine if they can achieve a voluntary agreement for an Industry Comparable Pay Rate Adjustment.

 - d) If by DOS + 31 months, the parties are unable to achieve a voluntary agreement according to the procedures set forth in (2)(a) and (b) above, they shall submit the issue of an Industry Comparable Pay Rate Adjustment to interest arbitration under the procedures of Section 7 of the Railway Labor Act.
 - i) The parties shall mutually agree on or before DOS + 31 to the selection of three neutral arbitrators. In the absence of an agreement on the selection, the parties shall solicit the National Academy of Arbitrators for a list of fifteen (15) arbitrators. Using an alternate strike methodology, or any other agreed to by the parties, a panel of three neutral arbitrators will be selected from that list.
 - ii) In order to facilitate the interest arbitration, the parties may enter an interest arbitration agreement setting forth ground rules for the interest arbitration. In the absence of such interest arbitration agreement, the interest arbitration shall be conducted according to the provisions of this Agreement and whatever ground rules the panel shall deem appropriate.
 - iii) The parties shall share equally all costs of interest arbitration.
 - iv) The interest arbitration shall begin on or before DOS + 32 months and a hearing shall be concluded and a decision issued on or before DOS + 35 months.

¹ Company agrees if DOS is the first day of the month, the Industry Comparable Pay Rate Adjustment will be effective on DOS + 36 months.

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ATTACHMENT C
BASE PAY RATES - FLIGHT ATTENDANTS

	<u>DOS</u>	<u>DOS +12</u>	<u>DOS +24</u>	<u>DOS +36</u>	<u>DOS +48</u>	<u>DOS +60</u>
Increase:	3.0%	2.0%	1.5%	1.0%	1.0%	1.0%

Paystep	Current	DOS	DOS +12	DOS +24	DOS +36	DOS +48	DOS +60
1	\$ 20.24	\$ 20.85	\$ 21.26	\$ 21.58	\$ 21.80	\$ 22.02	\$ 22.24
2	\$ 21.98	\$ 22.64	\$ 23.09	\$ 23.44	\$ 23.67	\$ 23.91	\$ 24.15
3	\$ 23.81	\$ 24.52	\$ 25.01	\$ 25.39	\$ 25.64	\$ 25.90	\$ 26.16
4	\$ 25.04	\$ 25.79	\$ 26.31	\$ 26.70	\$ 26.97	\$ 27.24	\$ 27.51
5	\$ 27.97	\$ 28.81	\$ 29.39	\$ 29.83	\$ 30.12	\$ 30.43	\$ 30.73
6	\$ 32.32	\$ 33.29	\$ 33.96	\$ 34.46	\$ 34.81	\$ 35.16	\$ 35.51
7	\$ 34.95	\$ 36.00	\$ 36.72	\$ 37.27	\$ 37.64	\$ 38.02	\$ 38.40
8	\$ 36.83	\$ 37.93	\$ 38.69	\$ 39.27	\$ 39.67	\$ 40.06	\$ 40.46
9	\$ 38.37	\$ 39.52	\$ 40.31	\$ 40.92	\$ 41.33	\$ 41.74	\$ 42.16
10	\$ 39.89	\$ 41.09	\$ 41.91	\$ 42.54	\$ 42.96	\$ 43.39	\$ 43.83
11	\$ 41.20	\$ 42.44	\$ 43.28	\$ 43.93	\$ 44.37	\$ 44.82	\$ 45.27
12	\$ 42.65	\$ 43.93	\$ 44.81	\$ 45.48	\$ 45.94	\$ 46.39	\$ 46.86
13	\$ 43.83	\$ 45.14	\$ 46.05	\$ 46.74	\$ 47.21	\$ 47.68	\$ 48.15
14	\$ 44.90	\$ 46.25	\$ 47.17	\$ 47.88	\$ 48.36	\$ 48.84	\$ 49.33
15	\$ 46.00	\$ 47.38	\$ 48.33	\$ 49.05	\$ 49.54	\$ 50.04	\$ 50.54

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ATTACHMENT D
ENHANCED PROFIT SHARING PLAN – FLIGHT ATTENDANTS

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 5% 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-reoccurring 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 is eligible for 401K matching funds.
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 E
SICK LEAVE – FLIGHT ATTENDANTS

The Company proposes the following changes and clarifications to sick leave policy:

- Replace the maximum sick leave accrual methodology with a short-term / long-term split-bank concept.
- Accrual remains at three (3) hours per active month (maximum thirty-six (36) hours per year)
- A flight attendant's current bank will be distributed into a short term and long term bank.
- On January 1, 2013, the short term bank will be created using her/his existing sick balance or five (5) hours times the number of calendar months remaining in the year, whichever is less. Thereafter, the short-term bank will be capped at sixty (60) hours effective each January 1.
- Any remaining balance becomes the beginning balance of the flight attendant's long term sick balance. Thereafter, the long term bank will be capped at nine hundred forty (940) hours.
- At the beginning of each year, a flight attendant's prior years' sick accrual will be applied to the flight attendant's short-term bank, up to a maximum of sixty (60) hours.
 - Any remaining hours in excess of sixty (60) hours will be paid or applied to the long term bank in the following manner: 50% of hours will be applied to the long term bank and 50% will be paid out at the flight attendant's base rate. The payout will also apply those F/As who have a max sick bank.

Sick Verification/Proof of Illness:

- A flight attendant may only access her/his long-term sick bank in the event of an illness or injury that will exceed ten (10) consecutive calendar days, and is authorized by the Corporate Medical Director or a company approved Absence Management Vendor (AMV), as applicable.
 - A flight attendant's long-term sick bank will be available to cover an authorized illness or injury that will exceed ten (10) consecutive calendar days at such time as the Company receives the authorization.
 - A flight attendant with a documented severe and recurring medical condition (i.e. cancer) may access his/her long-term bank for illnesses of less than ten (10) days with concurrence of the AA Medical Department or AVM, in the event the flight attendant's short term bank has been exhausted.

Attendance Policy

The Flight Attendant's Attendance Policy as determined by the Company, applies to all paid, unpaid, substantiated and unsubstantiated time away from work for illness or injury.

Active Medical while on Paid or Unpaid Sick or Injury

1. Flight attendants may remain on active medical coverage paying active medical contributions for up to 12 months per injury/illness as defined below:
 - a. On the 10th day of a continuous absence due to injury/illness, the flight attendants' 12 months of active medical coverage will begin. Flight attendants 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 flight attendant will be solicited for COBRA continuation if eligible at the normal COBRA rates.
 - b. A flight attendant, 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 F
ACTIVE MEDICAL & LIFE – FLIGHT ATTENDANTS

1. With the exception of the Standard plan design features in the chart and changes noted in #3 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 eligible to enroll 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 or otherwise amend or eliminate the Value option.
2. Aggregate 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). Contributions for the Standard and Core medical options will increase with inflation for these two (2) medical options with cost share set as explained above. The Value medical option inflation will be calculated separately.
3. The Standard medical option annual deductible will increase \$50 in 2015 and 2017 until the deductible reaches \$850 for employee only coverage, \$2,550 for family coverage.
4. Current coverage tiers for contributions will be replaced, as follows:

Current Coverage Tiers	New Coverage Tiers	Multiplier
Employee Only	Employee Only	1.0
Employee + 1	Employee + Spouse/Domestic Partner	2.6
	Employee + Child(ren)	1.8
Employee + 2 or more	Employee + Family	3.5

5. The \$150, \$250, \$500, \$1000 standard medical options in the current CBA will be eliminated including the elimination of the current inflation formula used to determine future contributions.
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.
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.
8. The letter of agreement between the Company and APFA regarding administration of benefits will be withdrawn.
9. Change minimum annual hour threshold of 420 hours to 600 hours with an annual twelve (12) months “look-back” from August 1st of the current calendar year to determine eligibility for Company paid health benefits for the following calendar year. Flight Attendants who do not meet the 600 hours threshold will have the option to maintain health benefits by assuming the Company’s applicable portion of the cost in addition to their applicable employee contributions. (35.B.). Medical premiums must be paid current (each month) to maintain active coverage.

Example: August 1, 2012 to July 31, 2013 is the look back period; the annual enrollment for the 2014 calendar year will be in the fall. Flight Attendants not meeting the minimum threshold during the look back period will be able to enroll in benefits for calendar year 2014 and pay the Company’s applicable portion of the health benefits cost in addition to their applicable employee contributions.

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	Value	Standard	Core
Plan Design Features	Non-Contractual	Contractual Features	Non-Contractual
Health Spending Accounts	N/A	HRA	HSA Compatible
Spending Account Funding (2013 only)	\$0	\$375 ee & \$375 sp	\$0
In Network Deductible (Single/Family)	\$300/\$900	\$750/\$2,250	\$2,000/\$4,000**
Out of Network Deductible (Single/Family)	\$1500/\$4500	\$3,000/\$9000	\$4,000/\$8,000**
Coinsurance (In/Out)	20%/40%	20%/40%	30%/50%
In Network Out of Pocket Max (Single/Family)	\$1,750/\$4,375	\$2,000/\$5,000	\$6,000/\$12,000**
Out of Network Out of Pocket Max (Single/Family)	\$6,000/\$15,000	\$6,000/\$15,000	\$12,000/\$24,000**
Primary Care Physician Copay (In/Out)	\$20*	\$30*	30%/50%
Specialist Copay (In/Out)	\$40*	20%/40%	30%/50%
Retail Clinics Copay (In/Out)	\$40*	20%/40%	30%/50%
Preventive Care (in network only)*	\$0	\$0	\$0
Emergency Room	Ded/Coins/\$100 CoPay	Ded/Coins/\$100 CoPay	Ded/Coins
Pharmacy (Retail)			
Generic	\$10	20% (\$10 min/\$40 max)	subject to deductibles and coinsurance***
Formulary Brand	30% (\$20 min/\$75 max)	30% (\$30 min/\$100 max)	
Non-Formulary Brand	50% (\$35 min/\$90 max)	50% (\$45 min/\$150 max)	
Pharmacy (Mail)			
Generic	20% (\$0 min/\$80 max)	20% (\$5 min/\$80 max)	subject to deductibles and coinsurance***
Formulary Brand	30% (\$40 min/\$150 max)	30% (\$60 min/\$200 max)	
Non-Formulary Brand	50% (\$70 min/\$180 max)	50% (\$90 min/\$300 max)	
2013 Monthly Contributions			
EE Only	\$112.50	\$70.69	\$57.40
EE + Spouse/DP	\$292.50	\$183.81	\$149.25
EE + Child(ren)	\$202.50	\$127.25	\$103.33
EE + Family	\$393.75	\$247.43	\$200.91

*Not subject to deductible if in network; deductible and co-insurance apply if out of network

** 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

For the Standard Option, pharmacy co-insurance is applied toward the out-of-pocket maximums but not the annual deductibles.

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ATTACHMENT G
RETIREE MEDICAL & LIFE – FLIGHT ATTENDANTS

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. Retiree 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).
5. Contingent on the successful resolution of the Section 1114 process, as soon as practicable after termination of the Trust Agreement for the Group Life and Health Benefits Plan for Employees of Participating AMR Corporation Subsidiaries (Union Employees), the balance of the Company prefunding contributions for each participating active employee, and investment earnings attributable thereto, will be allocated to a Health Reimbursement Account (HRA) in the name of the active employee (subject to applicable tax withholdings and/or excise tax, if any). The HRA funds may be used by employees, if enrolled in the Standard medical plan option for active employees, to cover out of pocket medical costs incurred and applied against the deductible and out of pocket maximum. The HRA funds may also be used if the employee subsequently retires to purchase retiree medical coverage from the Company or a third party provider of retiree medical insurance.
6. 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.
7. Retiree life insurance benefit will be discontinued.

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**ATTACHMENT H
TENTATIVE AGREEMENT SUMMARY**

Art Number	Tentative Agreement	Agreed to Date
1	Recognition & Merger/Acquisition Protection	7/24/09
5	Uniforms & Accessories	2/13/08
10	Reserve	5/29/09
11	Language	4/2/09
12	Filling of Vacancies	11/20/08
14	Seniority List	10/14/08
15	Period of Probation	10/8/08
16	Reduction in Force	7/24/09
17	Transfer to Non-Flying or Supervisory Duties	10/8/08
18	Moving Expenses	12/16/08
19	Leaves of Absence	12/16/08
20	Medical Appeals / Arbitration	4/2/09
22 (Old)	Joint Scheduling Committee	11/18/08
22 (New)	Training & Meetings	7/23/09
23	Emergency Assignments	11/18/08
24	Copies of the Agreement	12/12/08
25	Exchange of Trips	7/31/09
27	Bereavement	2/12/09
28	Dispute Resolution & Grievance	10/8/08
29	System Board of Adjustment	10/8/08
30	General	4/2/09
31	Union Security	2/11/09
32	Health & Safety Committee	4/2/09
33	No Strike, No Lock Out	10/14/08
34	Purser	4/2/09
37	Effect on Prior Agreements	7/23/09

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ATTACHMENT I

Laura R. Glading, President
Association of Professional Flight Attendants
1004 West Eules Blvd.
Eules TX 76040

July x, 2012

Subject: Settlement Consideration and Bankruptcy Protections

Dear Laura:

The modifications to the collective bargaining agreement between American Airlines, Inc. ("Company") and the Association of Professional Flight Attendants ("APFA") reached in connection with the Company's Chapter 11 Restructuring embodied in the Tentative Agreement dated July x, 2012 were agreed to in furtherance of the Company's effort to restructure its capital structure and operations, and in consideration of the terms of the Tentative Agreement and this Letter of Agreement. This Letter of Agreement will be binding on any Chapter 11 trustee that may be appointed in the Company's present bankruptcy cases, *In re AMR Corporation, et al.*, Chapter 11 Case No. 11-15463(SHL), or other entity operating with the equivalent authority of a Chapter 11 trustee.

The Company and APFA agree as follows:

1. Settlement Consideration. In full and complete satisfaction of any and all claims APFA has or might arguably have, on behalf of itself or the flight attendants represented by APFA pursuant to the Railway Labor Act ("RLA") and the terms of the CBA, against the Debtors (or any of them) in the jointly administered Chapter 11 Case No. 11-15463 (SHL) (hereafter "Bankruptcy Cases"), and subject to the approval of the Court, APFA will receive under a plan or plans of reorganization of the Debtors equity in the reorganized entity (the "APFA Settlement Consideration") equal to 3.0% of such equity issued to the holders of allowed prepetition unsecured claims (including APFA) against the Debtors (including any equity issued with respect to other unions) (collectively the "Unsecured Claims"). The APFA Settlement Consideration fully, finally, and completely extinguishes any and all claims, interests, causes or demands (including any and all pending grievances, excluding grievance SS-2006-APFA-003, and discipline and termination cases) APFA has or might arguably have, on behalf of itself or the flight attendants represented by APFA pursuant to the RLA and the terms of the CBA, against the Debtors arising prior to the effective date of this Letter of Agreement as described herein. The APFA Settlement Consideration will not be diluted by any subsequent events other than (1) equity consideration given to holders of interests in another entity in the event of a merger or consolidation as provided below; (2) an equity offering approved by the Bankruptcy Court in conjunction with confirmation of a plan of reorganization; (3) equity consideration granted to management in connection with incentive plans approved by the Bankruptcy Court; and (4) any post-emergence equity issuance.

Subject to the foregoing, in the event of a reorganization plan for the Debtors that provides for the consolidation of the Debtors with a third party, the APFA Settlement Consideration shall be equal to 3.0% of the total consideration distributed with respect to the Unsecured Claims, and shall be issued contemporaneously with the consideration distributed under the plan with respect to the other Unsecured Claims.

The APFA Settlement Consideration will confer upon APFA all statutory rights to vote on any plan or plans of reorganization presented by the Company or any other entity. In the event that the APFA Settlement Consideration has

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not yet been actually issued, it will be estimated for voting purposes as if the APFA held allowed unsecured claims in an amount that would entitle it to the APFA Settlement Consideration. Neither the APFA Settlement Consideration nor any rights under this Letter of Agreement may be assigned or transferred (including the granting of any participation) prior to the effective date of a plan of reorganization, except with the express written consent of the Company exercised in its sole discretion.

Debtors and APFA will discuss in good faith whether, and if so on what terms, a portion of the APFA Settlement Consideration shall be in the form of cash or debt (based on the value of the equity otherwise to be received).

The APFA agrees that it will recommend the Tentative Agreement and this Letter of Agreement to its membership for ratification.

2. Effective date. This Letter of Agreement shall not become effective until the last-occurring of these events:

- (1) The Tentative Agreement is ratified by the flight attendant membership pursuant to procedures determined by the APFA Board of Directors;
- (2) The Tentative Agreement and this Letter of Agreement are approved by a final order of the United States Bankruptcy Court for the Southern District of New York.

It is expressly understood and agreed that if the Tentative Agreement does not become effective, all of the terms contained in this Letter of Agreement are inapplicable and will be of no force or effect. At such time as the Tentative Agreement becomes effective, but prior to the approval of any Plan of Reorganization in these cases, this Letter of Agreement shall constitute a binding and enforceable post-petition agreement between APFA and the Company.

3. Administrative claim for fees and expenses. The Plan of Reorganization shall provide that subject to Court approval APFA shall have an allowed administrative expense claim which shall be paid in full on the effective date of the Plan of Reorganization (“APFA Allowed Administrative Expense Claim”). The amount of the APFA Allowed Administrative Expense Claim shall be equal to the amount sufficient to reimburse APFA for all reasonable fees and expenses incurred by APFA lawyers, experts, and financial advisors in the Bankruptcy Cases in connection with the negotiation and/or litigation related to the Tentative Agreement, this Letter of Agreement, and Plan of Reorganization. The APFA Allowed Administrative Claim for fees and expenses, however, shall not include any fees or expenses incurred with respect to any services rendered in connection with consideration or pursuit of any potential third party purchaser of the Company or merger partner (including but not limited to US Airways) and shall be capped at \$5 million.

4. Indemnification. The Company will indemnify and hold harmless APFA and its current or former (a) members, (b) officers, (c) directors, (d) committee members, (e) employees, (f) advisors, (g) attorneys, (h) accountants, (i) investment bankers, (j) consultants, (k) agents, (l) actuaries, (m) financial advisors, (n) professionals, (o) agents and (l) other representatives its officers, agents, employees, counsel, and representatives (each an indemnitee) from fifty percent of any liability, loss, damages, fines, penalties, taxes, expenses, and costs (not including any income or excise taxes or similar amounts imposed by any governmental agency) relating to, concerning or resulting from any and all third party claims, lawsuits, or administrative charges of any sort whatsoever, including fifty percent of the reasonable attorney’s fees and costs, arising in connection with matters relating to, concerning or connected to the negotiation or establishment of (a) the Tentative Agreement and this Letter of Agreement, (b) any amendment of any benefit plan or program concerning flight attendants or other participants in such plan made pursuant to or as a result of the Tentative Agreement and this Letter of Agreement, and (c) any other document or agreement forming part of the Tentative Agreement and this Letter of Agreement. This fifty-percent sharing arrangement will exist until APFA’s financial exposure reaches \$5 million. Any exposure exceeding \$5 million will be the responsibility of the Company.

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Such indemnification and hold harmless obligation will not apply to: 1) any claim, lawsuit or administrative charge resulting from the willful or intentional conduct of any indemnitee; 2) any claim, lawsuit or administrative charge asserting that APFA violated its By-Laws or other organizational requirements by entering into the Tentative Agreement and this Letter of Agreement; 3) any claim, lawsuit or administrative charge resulting from any statement made by any indemnitee that incorrectly describes the Tentative Agreement or Letter of Agreement or the modifications made thereby; 4) any claim, lawsuit or administrative charge related to allocation among American flight attendants represented by APFA of any claim or any proceeds or distribution received in connection with the APFA Settlement Consideration or 5) any claim, lawsuit or administrative charge related to any disposition by APFA or flight attendants represented by APFA to third parties of the APFA Settlement Consideration or any proceeds or distribution received in connection therewith.

An indemnitee seeking to be indemnified and held harmless pursuant to this paragraph must provide to the Company written notice within seven business days of the indemnitee learning of the claim, lawsuit or administrative charge as to which the indemnitee seeks to be indemnified and held harmless. The Company will have the right to conduct the defense of such matter with counsel of the Company's choosing and enter into a settlement of such matter. The Company will give reasonable consideration to the wishes of the indemnitee in connection with the matters described in the foregoing sentence.

5. Exculpation. The Company agrees that it will not propose or support any Plan of Reorganization that does not contain an exculpation or release provision for APFA and each of their current or former members, officers, directors, committee members, employees, advisors, attorneys, accountants, actuaries, investment bankers, consultants, agents and other representatives at least as favorable as any exculpation or release provisions provided for the Company's officers, directors, employees, advisors, attorneys, accountants, actuaries, investment bankers, consultants, agents and other representatives.

6. Bankruptcy protection. From the date of this Letter Agreement until a date three years from the date of this Letter], the Debtors will not file or support any motion ("Motion") pursuant to 11 U.S.C. Sections 1113, 1113(e), or any other relevant provision of the Bankruptcy Code, seeking rejection or modification of, or relief or interim relief from, the Tentative Agreement or this Letter of Agreement and the finalized documents implementing the Tentative Agreement or this Letter of Agreement. The Debtors will actively oppose any such Motion if filed by another party.

Notwithstanding the foregoing, the Debtors reserve the right to file or support any Motion if there is a material deterioration in the Company's financial condition or financial prospects, whether because of general economic conditions or otherwise. All requirements and provisions of section 1113 will also remain applicable to any such Motion. APFA reserves its right to object to such Motion and nothing in this Letter Agreement shall be construed as an agreement by the APFA to such modifications or relief.

7. Court approval. With the full and active support of APFA, the Company will file and prosecute a motion for approval and assumption of the CBA as modified by the Tentative Agreement and this Letter of Agreement under sections 363 and 1113 of the Bankruptcy Code and any other applicable sections thereto if the conditions set forth in Paragraphs 2(1) and 2(2) are satisfied. Both the motion and the proposed order attached thereto (the 363 Order) shall be in form and substance reasonably acceptable to APFA. Both the Company and APFA will use their reasonable best efforts to obtain the support of the Official Committee of Unsecured Creditors and other parties and stakeholders for the Tentative Agreement, including this Letter of Agreement, and to seek entry of the 363 Order.

9. Issuance of equity. Subject to the foregoing, APFA agrees not to object to or contest the issuance of equity or other consideration in the Bankruptcy Cases to the Company's non-union and management employees, in respect of the sacrifices made by them in furtherance of the Company's effort to restructure or as incentive for the non-union and management employees' future service to the Company.

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10. Damages. Other than the APFA Settlement Consideration and the claims reserved in Section 1 above, the APFA shall not have any claims as a result of the Company's requests for relief under Section 1113 of the Bankruptcy Code or the parties' entry into the Tentative Agreement or this Letter of Agreement.

Very truly yours,

Laura A. Einspanier
Vice President
Employee Relations

Agreed:

Laura Glading
President
Association of Professional Flight Attendants