

LBFO Q & A – Voluntary Early Out Program (VEOP)

updated 8-17-12

Q. I am already eligible to retire. Can I take the Early Out (VEOP) it even though I wouldn't be an "early retiree?"

A. Even though it's called an "early" out, it does include those who are already at retirement age. Providing incentive for our more senior members to retire addresses both expected overages and the current seniority stagnation for those who remain. Everyone who meets the minimum 15 years company service as of the date of the closing of the election window can accept the VEOP -- neither pay seniority nor bidding seniority affect your eligibility. You may take the VEOP even if you are on a paid or unpaid absence or leave, including sick, IOD and furlough. The company has clarified and confirmed that they will not limit the number of VEOP awards. The date that you would be allowed to exit with the VEOP will be bid by occupational seniority and will be determined on manning needs. AA's letter confirming the unlimited granting of VEOPs - provided all qualifications are met – is posted on the LBFO page of APFA.org. [8-17-12]

Q. Are Domestic Partners eligible for the Article 30 Pass Benefits?

A. Domestic Partners will be eligible for pass benefits for any FA who takes Article 30 with an effective date after September 1, 2012. [8-17-12]

Q. Will Flight Attendants awarded the VEOP or 5/10 year Travel Separation Program be bidding for separation date by quarter?

A. All Flight attendants who elect to take the VEOP or the 5/10 year Travel Separation Program will bid by seniority for the preferred month they wish to separate during 4Q2012 – 3Q2013. In each quarter, at least one month will be offered for separation. Flight Attendants unable to hold one of their choices will be assigned a separation month based on operational needs. *[prior text reprinted from Flight Service Q&A 8/16/2012]* ** No flight attendant will be involuntary separated in 4Q2012. ** [8-17-12]

Q. Will my seniority be violated for separation date bidding in order to allow Flight Attendants to delay departure in order to become 50 years old prior to separation under the VEOP?

A. AA has committed that they will not violate anyone's seniority in order to accommodate the need to reach age 50.* The Flight Attendants affected are equally spread out enough throughout 2013, that it will not create a staffing problem.

* Note: This affects only those turning 50 within the separation period and who wish to separate under the "50-55 rule." There is no minimum age requirement to take the VEOP. See the following question. [8-17-12]

Q. I am interested in taking the VEOP, but I won't turn 50 until February 2013. What if I don't hold a separation date that allows me to turn 50 and secure my "50-55 Rule" retiree travel?

A. APFA has confirmed that any Flight Attendant taking the VEOP who will reach age 50 prior to 9/30/2013 will not be separated before turning 50.

Q. I would like to take the VEOP, but I have already submitted my request for Article 30 and am in the final three month period during which it is contractually irrevocable. Is there any chance of an exception?

A. Yes. A one-time exception will be made allowing Flight Attendants to convert to the VEOP.

Q. Are Domestic Partners eligible for the Article 30 Pass Benefits?

A. Domestic Partners will be eligible for any Flight Attendant who takes Article 30 with an effective date after 9/1/2012.

Q. In the LBFO Section I. Early Out it states the Company will have the discretion to limit the maximum number of acceptances. Does APFA have it in writing that the number of eligible Flight Attendants is unlimited?

A. Yes, please see the link "AA Confirmation of Unlimited Early Out (VEOP) Acceptances" on the LBFO page of APFA.org to see Taylor Vaughn's letter to Laura Glading confirming that the VEOP will not be limited.

Q. I understand that if I elect the VEOP (Early Out) I am eligible to pay for medical benefits under COBRA. Would I also be eligible for unemployment benefits?

A. AA has confirmed their intention to contest unemployment claims from the voluntary programs (which includes the VEOP). It is up to each state to determine if they will pay unemployment benefits. [8-13-12]

Q. If a Flight Attendant electing the VEOP later decides to leave AA employment prior to the awarded departure date, what are the ramifications?

A. The Flight Attendant in this case would forfeit the \$40,000 lump sum. There would be no impact to the retirement, pension start, or retiree pass privileges that s/he is otherwise entitled to according to those plan rules. [8-13-12]

Q. With the voluntary Early Out Program (VEOP), how many Flight Attendants per quarter will be allowed to leave? Do we have to leave at the end of the quarter or the beginning of the quarter?

A. Though no one who meets the eligibility requirements will be denied the VEOP, the number of people that will be released *in each quarter* will be determined by the number of people that take the VEOP and manning requirements for the four quarters in question. If you proffer to take the early out, you will be required to bid for the exit quarters according to your preference and it will be awarded by seniority. The company has yet to determine how they will release Flight Attendants within a given quarter, it may be at the beginning, end or spread out over the quarter. [8-8-12]

Q. How does the VEOP bid work?

A. A Flight Attendant must first agree to accept the VEOP before the quarter of the year in which they are to actually take the severance and leave the Company is determined. After accepting the VEOP a Flight Attendant will bid for and list the order of preferred quarters. The quarters from which a Flight Attendant can choose are the 4th quarter of 2012 and the 1st, 2nd and 3rd quarters of 2013. [8-8-12]

Q. How will the VEOP payment be taxed and distributed? Could I leave in the 4th quarter 2012 but take the \$40,000 payment in 2013 to lower my taxes?

A. It will be paid as a check, as a single lump sum. The withholding will be at the lump sum rate. Your ultimate tax rate when filing your annual return will depend on your income for the year. The company will pay you in the quarter that you leave the company; they cannot defer your payment into another tax year. You could however bid for the first quarter of 2013 to have the same effect. [8-8-12]

Q. Can we put the \$40,000 into our 401(k)?

A. No, it is considered a severance payment and cannot be put into a 401(k). [8-8-12]

Q. Will my accrued VC be paid out if I take the VEOP? How about unused SK hours?

A. Yes, SK time and VC will be paid out per the CBA. [8-8-12]

Q. Do you have to be 50 to take the early out and then take 50-55?

A. You must have 15 years company seniority by the close of the proffer of the VEOP to qualify be eligible for the program. You must turn age 50 before your separation date to qualify for the "50-55 rule." [8-8-12]

Q. Should I wait for the US Airways Bridge VEOP? Is the VEOP the same with US Airways? Would someone under 50 qualify for the US Airways VEOP?

A. There are at least two problems with waiting. It is inaccurate to think it will have a VEBA (Voluntary Employee Beneficiary Association), and the eligibility is a bit different. Whereas the AA VEOP covers all Flight Attendants with at least 15 years company seniority, the US Airways VEOP only covers actives, furlougees and Overage Leave Flight Attendants – not those on sick leave – with at least 15 years pay seniority. There is no minimum age requirement for either. [8-8-12]

Q. I am intending to elect the VEOP should this LBFO be ratified. I have 23+ seniority and will turn 50 on in December 2012. Will the 50-55 rule apply to me if I were to be awarded VEOP after the first quarter of 2013? I am concerned that my age at date-of-signing of the LBFO will affect my ability to exercise the 50-55 rule. Please confirm that the age I am on my last day worked will dictate whether or not I qualify for 50-55 rule. The bottom line is I want to retain my retiree pass benefits.

A. The last day worked will dictate your benefits. As long as you are 50 prior to your separation date, you will qualify for the 50-55 year rule. Please note, though, that while most of the separations will be in 2013, by requesting the VEOP, you are accepting it, regardless of the date assigned. [per the Trip Book: "... if you are at least 50 years of age, but not yet 55 years of age and have 15 years of company seniority at the time you leave the Company, you will be eligible for retiree travel privileges at age 55. If you leave the Company before meeting these age and service requirements, you will not receive retiree travel privileges even though you may be eligible for pension payments or other types of retirement benefits at a later date. You must contact HR Services once you meet the age requirement in order to receive retiree travel. By electing the 50-55 Age Rule, you will be separated from the Company and not considered a retiree until age 55 at which time you will need to contact HR Services."] [8-8-12]

Q. What are the travel privileges for the 18 month period (24 months if applicable) for those electing the VEOP (and not attaining retiree travel eligibility during that period?)

A. As detailed in the trip book for under: Furlough or Reduction-in-Force (RIF)

Boarding Priority, first 90 days: D2

Boarding Priority, after 90 days (subject to imputed income charges): D2P

D1 Passes: No

Travel on OAL: No

A9: No

D3 Passes: No

Parents Allowed: Yes

Eligible for RC*: Yes (*RC option available only if single.)

AA20:Yes

[8-8-12]

Q. I am confused about the VEOP and retiree pass benefits. Is there a change to retiree passes in the LBFO?

A. There has been some confusion about the VEOP and Retiree Passes. To be clear: there is no change in the 1113 Term Sheet or the LBFO to Retiree Passes. If you are eligible to retire you may elect to take the VEOP lump sum and retire with no change to the pension and passes that you would otherwise be entitled to receive.

For example if you have:

- ⤴ Fifteen years of company seniority and are age 55+: VEOP Lump Sum/Full Retiree Pass Travel/pension
- ⤴ Fifteen years of company seniority and between ages 50 – 54: VEOP Lump Sum/18-24 months of pass travel until 55 then pop up at 55 to get full retiree passes /pension (50 to 55 Rule)
- ⤴ Fifteen years of company seniority but less than 50: VEOP Lump Sum/18-24 months of pass travel. Less than 50 years old the “50 to 55 Rule” does not apply. With 15 years of credited service in Retirement Plan, Flight Attendant is eligible to begin pension at 55 but not considered a retiree/no retiree passes.

[7-23-12]

Q. How many years of service must I have to be eligible for the VEOP?

A. You must have 15 years of company service as of the date of the closing of the election window to be eligible for the program. [7-23-12]

Q. What will the payout be?

A. \$40,000.00 minus applicable taxes. [7-23-12]

Q. Are there healthcare benefits included with the VEOP?

A. No, however the LBFO provides that the amounts Flight Attendants paid for pre-funding of retiree health benefits will be returned. Assuming that a Flight Attendant began pre-funding when it was first established in 2001 and has been paying the initial rates (as compared to the age-based rate) he or she will have accrued approximately \$2300 plus interest. The LBFO also provides that if the Section 1114 process is successfully resolved the Company contributions will be deposited in an individual Health Retirement Account (HRA) established for each Flight Attendant. 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.[7-23-12]

Q. What if I am between 50 and 54 years old?

A. If you are at least 50 years old, you may take advantage of the company's "50 to 55 Rule". This company-wide rule allows you to leave the company once you are at least 50 years old, without benefits, but once you turn 55 you can retire with the retirement benefits to which a Flight Attendant at that age is entitled including Retiree Pass Benefits. [7-23-12]

Q. What if I am not yet 50 years old?

A. If you are less than 50 years old the "50 to 55 Rule" does not apply. [7-23-12]

Q. Do I get any travel benefits if I take the VEOP?

A. The company is offering travel benefits as follows: provided you were eligible for travel privileges on your last day worked, travel privileges will continue on American, American Eagle, or AmericanConnection for 18 months after your employment for you, your spouse, domestic partner, registered companion, your dependent children and your parents. Employees who report to work on time during the last 90 calendar days prior to the VEOP will receive 6 months of travel in addition to the current 18 months of travel, for a total of 24 months. Employees with an attendance occurrence during the last 90 calendar days prior to this Offer will receive 18 months of travel. An attendance occurrence includes, but is not limited to any time missed for Injuries on Duty, Missed Trip, Report Late, Sick, Maternity Sick, No Call/No Show, Personal Other and Unpaid Absence. Absences recoded to FML or CASK do not break perfect attendance. [7-23-12]

Q. Why do you need to have 15 years of service, why can't this program be open to everyone?

A. The only Early Out considered by either American or US Airways is one that requires 15 years. It was limited to the Flight Attendants at top pay in order to justify the cost and to give seniority relief to those Flight Attendants who will continue to fly. [7-23-12]

Q. Will I be eligible to get the date of signing bonus if I take the VEOP?

A. Yes, so long as you are active on the Date of Signing (DOS). [7-23-12]

Q. What if I am on a leave, will I be able to take the VEOP?

A. Yes, the VEOP will be open to all Flight Attendants, including those on a leave of absence and those on the furlough list who have at least 15 years of company seniority as of the date of closing of the election window. [7-23-12]

Q. If I take the VEOP, when will I have to leave?

A. There will be 4 windows available to leave and they will be bid for by seniority. They will be by quarter as follows: 4Q2012, 1Q2013, 2Q2013, 3Q2013. Separation dates shall be at the discretion of Flight Service subject to operational needs. [7-23-12]

Q. Can I take the leave under the condition that I hold a certain exit slot?

A. No, if you take the VEOP, it is not revocable! You will only be afforded the ability to choose your departure slot according to seniority and operational needs. [7-23-12]

Q. Am I eligible for COBRA? If so, for how long?

A. Yes, for 18 months. [7-23-12]

Q. Will there be a limit to how many Flight Attendants can participate in the VEOP?

A. No. We have written confirmation from the Company that they will not limit the number of acceptances. [7-23-12]