

LBFO Q & A – General

updated 8-13-12

Q. Does the LBFO eliminate all of the current letters of agreement, specifically regarding the restrictions on South American flying by foreign nationals and the foreign national cap?

A. Under the LBFO, all provisions of the current contract that are not specifically addressed, including letters of agreement, remain unchanged and in full force. [8-13-12]

Q. I currently average fewer than 420 paid hours yearly by dropping most of my trips. When will the threshold for maintaining employment be implemented? If bid leaves are offered, will any month(s) where I take a bid leave be exempt from the minimum required hours?

A. Just as today for insurance and SK/VC accrual, inactive months will not be included in the threshold requirement. If you are inactive due to bid leave for more than 15 days in a month, that month will not count. If you bid and drop, those months are active and will count. You will have all of 2013 to be paid the necessary hours to meet the threshold in January 2014, the first time it will apply. [8-13-12]

Q. Why are we giving up our right to challenge the claim of management's equity?

A. We are not giving up our right to challenge management's equity claim, but only the right to challenge the claim in a separate legal, court action. Importantly, this agreement does not restrict our rights to picket, leaflet, etc. [8-13-12]

Q. What is the 3% claim?

A. If AA emerges as a stand alone company, these would be shares of stock in the new post-bankruptcy company as determined by the value of the new company and totaling 3%. We also have negotiated a claim with US Airways if they emerge in control, but that claim amount has not been negotiated yet with US Airways and the Unsecured Creditors' Committee (UCC). The claims for each given group is proportionate to the amount of value each has given up in the bankruptcy. [8-8-12]

Q. What is the reason that our claim is so much less than the pilots'?

A. Pilots lost a great deal with their pension and scope clause; they were very valuable. [8-8-12]

Q. Do we maintain a seat on the UCC regardless of what we do? US Airways bought debt. Do they have a position on the UCC?

A. Yes, we are there because we have a claim, and our claim remains intact. US Airways does not have a position on the UCC. [8-8-12]

Q. Does APFA believe that our bargaining leverage would be better if all three unions reject their LBFOs?

A. We do not believe so. AA has a lot of cash. If the contracts are abrogated, it will cease all alternatives because there will be no contracts. They would impose the 1113 terms and furloughs. This could go on for a year. Then AA may offer terms worse than these terms. US Airways would be forced to make a hostile takeover. The LBFO is a back up. It levels the playing field for US Airways, and gets us to where we need to be. [8-8-12]

Q. If we ratify the LBFO, and a US Airways-sponsored plan of reorganization which provides for a merger with AA is approved by the court, what contract would apply after AA's exit from bankruptcy?

A. The APFA-US Airways Bridge Agreement would be in effect. We would then apply for "single carrier" and within 4 - 6 months we would be negotiating for a single contract with US Airways. It would result in an agreement within 60 days or binding arbitration, with the agreed upon result being a market rate contract in the aggregate, i.e. United and Delta. [8-8-12]

Q. Did US Airways actually get the NDA (Non Disclosure Agreement) that they needed?

A. Yes. [8-8-12]

Q. Is the US Airways bridge in writing? Did it have a VEBA (Voluntary Employee Beneficiary Association)?

A. Yes, this Agreement is a written, signed agreement which is conditioned on US Airways merging with AA based on a plan of reorganization which US Airways submits and the bankruptcy court approves. The US Airways deal did have a VEBA for future retirees, but APFA has determined that the VEBA is not an option under the LBFO or the Bridge Agreement. [8-8-12]

Q. How many Flight Attendants are at US Airways? How will the seniority merge work?

A. US Airways has about 7000 Flight Attendants. The seniority merge would be determined by the unions. [8-8-12]

Q. If the pension is frozen, will we get what we have achieved up to this point? Will my pension grow if I continue to work after the freeze date? How will my pension be calculated?

A. With a frozen pension, you will get the benefit you have earned to date. After the freeze date, your Final Average Earnings and your Years Credited Service will not grow. (The LBFO does not alter the reduction rate in your final benefit for starting your pension after age 55 but before age 60.) For pension calculation, any month past the freeze date is treated as inactive. 120 active months back from 2012 will be the snapshot for calculation. Future flying does not change the amount. [8-8-12]

Q. Would we lose retiree passes under US Airways?

A. No, they also offer retiree passes. [8-8-12]

Q. Will anyone in the APFA organization receive any reward or financial benefit for participating?

A. The fees for our advisors/professionals such as The Jefferies Group, our bankruptcy attorneys, APFA's Financial Analyst, and so on by the court are customary in bankruptcy proceedings and our outside advisors such as The Jefferies Group, our attorneys, and our Financial Analyst. These will all be made public. APA and TWU will also be receiving recovery for their fees. Recovering fees is common in bankruptcy cases and will be awarded by the court. No one at APFA will benefit financially. Period. [8-8-12]

Q. If this is voted down, and they are looking at furloughing Flight Attendants, are they going to offer leaves?

A. Yes. The 1113 term sheet didn't eliminate the provision for overage leaves. [8-8-12]

Q. Can you change your vote if you have already voted?

A. Yes, your last vote prior to 10:00 a.m. Central Time on August 19, 2012, is the one that counts. [8-8-12]

Q. Is the vacation accrual -- how many vacation days we get to bid for each year -- going to change under the LBFO?

A. No, we will continue to accrue at the rates we do today. However, you will be able to split your vacation multiple times as long as each "block" is at least 7 days long. So someone accruing the maximum of 28 days can split into four 7-day blocks. [8-8-12]

Q. I am confused over what I hear about paying out unused sick time. What's that all about?

A. There are two issues: one is an annual payout of sick hours accrued during the year, and the other is a payout of unused sick hours upon retirement. For the first: the sick hours you accrue during a calendar year – 36 hours assuming you get your full accrual – are added to your short-term bank at the start of the new year up to its maximum of 60 hours. Anything that puts the short-term bank over 60 hours goes half into your long-term bank, up to its maximum of 940 hours, and half to you as extra pay at your hourly rate. For the retirement payout, we have that now in our contract and that won't change. All of your unused sick bank hours are turned into a company 401k contribution when you leave, at the rate of \$3.75 per hour to a maximum of \$3,750. [8-8-12]

Q. What will this LBFO do for currently furloughed Flight Attendants?

A. We hope it will do at least one of two things: (1) Allow those on furlough with the required seniority who wish to leave with a severance payment the opportunity to take \$40,000 as they leave; (2) Allow those who wish to return to flying the chance to come back to work due to the high numbers of Flight Attendants who will retire with the severance or leave with the severance due to the changes that include things like an increased requirement of flight hours to be eligible for health benefits and a new requirement to fly a minimum of 420 hours to maintain employment, as well as the higher line averages between 80-90 hours a month. [8-8-12]

Q. Under the LBFO will there still be furloughs? Initially, the company stated there would be 3,300 flight attendants furloughed. Does that still apply?

A. Actually, the company said there would be 2,300 furloughs and has now lowered that to 2,100. We are hopeful that enough Flight Attendants will take the Voluntary Early Out Program (VEOP) so that no furloughs would be necessary. There are also a number of Flight Attendants who drop their trips and haven't flown for awhile. The LBFO would require a minimum number of hours annually to maintain employment, which could motivate some of our members to take the VEOP offer. [8-8-12]

Q. Is there anything in the LBFO that guarantees recall rights of furloughed Flight Attendants?

A. The February 17, 2011 letter from Taylor Vaughn to Laura Glading remains in effect. This letter can be found on the APFA website and basically grants unlimited recall rights to all current AA Flight Attendants whose names are on the System Seniority List or Recall List. [8-8-12]

Q. Will the language of the signed-off (previously TA'd) articles referenced in Attachment H (Tentative Agreement Summary) be made available before we vote?

A. The pre-1113 TA's in their outline form are now posted on APFA.org. Inasmuch as we never reached an overall TA for the entire contract, the pre-1113 TA outlines were never converted into final contract language. [8-8-12]

Q. I am a low time flier. Why does the LBFO set the annual threshold for vacation accrual, sick accrual and Company paid health benefits at 600 hours per year while the 1113 Term Sheet (3-22-2012) set these annual thresholds at 540 hours?

A. The current threshold is set at 50% of the monthly guarantee (420 hours on an annualized basis). The 1113 Term Sheet set a more arbitrary number of 540 (50% of 1080 annual hours). The Team chose to focus on getting the maximum dollar amount out to all members, like higher pay raises, and much improved pay protection (totally absent in the term sheet). These benefit high and low time flyers alike and have been a long-stated, high priority of our membership. We opted for 50% of the monthly maximum (600 hours on an annualized basis) which we felt best balanced the needs of both groups. [8-8-12]

Q. What does it mean the company will give preference to airport hotels? Does that mean crews will always be at the airport regardless of length of layover?

A. Not always. But to reduce hotel and transportation costs many of the downtown layovers will move closer to the airport. [8-8-12]

Q. If our balloting period concludes on the 19th, but the judge is expected to rule on the 15th, will he withhold the decision for our work group until after our balloting is finished?

A. We have no doubt that the judge will grant an extension. His comments throughout the hearings were such that he wants nothing more than consensual agreements between the parties over his having to render a decision. We also do not anticipate any pushback from the company regarding our balloting timeline. Note: the judge's decision has been written since before June 22. [8-4-12]

Q. If the LBFO is voted down, I heard that the 1113 will be imposed but that it won't include the wage increases, 401(k) match or profit sharing. Why not?

A. Those three items in the Section 1113 Term Sheet are contingent upon reaching a consensual agreement, therefore, they will not be included in the Term Sheet if we reject the LBFO. [8-4-12]

Q. Why is there a clause in the LBFO stating the Company will give the Union \$5 million?

A. There is no grant of \$5 million, rather paragraphs 3 and 4 of Attachment I of the LBFO provide that the Company's Plan of Reorganization will provide, with court approval, at least partial coverage of, or reimbursement for, expenses incurred by APFA in fighting for our membership's interest in the Bankruptcy and 1113 proceedings. AMR went into Chapter 11 with a large cash reserve, funded on the backs of its workers. Our members' union treasury

should not have to suffer further for AA's mismanagement, though only a portion of our advisors' bills will be covered. All unions are receiving the same consideration. The Unsecured Creditors' Committee's expenses are similarly covered. This is a standard and accepted feature of bankruptcies. [7-28-12]

Q. If we vote yes on the LBFO, how will that affect the US Airways term sheet should US Airways acquire AA?

A. If US Airways acquires AA, a yes vote on the LBFO would have no adverse effect on the US Airways Term Sheet. The merger is going to take some time to become effective. If we vote yes we will live under the terms of the LBFO until AA emerges from bankruptcy. We will then be under the US Airways Term Sheet until we negotiate a joint agreement with the Flight Attendants from US Airways and former America West. [7-20-12]

Q. What happens if the LBFO is voted down?

A. If the LBFO is voted down, Judge Lane will act to either approve or deny American's 1113 petition to abrogate our contract. Approving the petition results in the abrogation of the contract which means there is no longer an agreement. AA can then impose terms and conditions on our members. Though the law is uncertain as to what terms AA could impose, they have indicated an intention to impose those in the final, pretrial term sheet which was provided to APFA on March 22. It is also unclear whether AA could choose to implement terms either immediately or eventually that are worse than the March 22 Term Sheet. If AA's petition is denied, then the current contract would remain in place. It's expected in that case that AA would create a new proposal, one to satisfy what the judge found deficient in the 1113 petition. They could then refile their 1113 motion should APFA not accept the terms. [updated 7-28-12]

Q. What will it mean if the 1113 motion is granted and the CBA is abrogated?

A. Abrogation means that the CBA is no longer in force and AA may impose terms and conditions on Flight Attendants. The law is uncertain as to what terms AA could impose following abrogation. Judge Lane indicated his view during the 1113 trial that he does not have the authority to dictate what terms the Company may impose following abrogation. However, AA's on-going duties under the Railway Labor Act arguably limit the extent to which the Company can impose terms, particularly terms that go beyond the pretrial 1113 term sheet.

Most significantly, AA has indicated that it intends to impose the terms contained in its final pretrial term sheet. Under that term sheet, however, AA conditioned several items on APFA's agreement to 1113 relief. Specifically, AA took the position that wage increases, 401(k) contributions, and profit sharing would only be made available under a consensual agreement. Therefore, AA would presumably withhold these benefits if the CBA is abrogated.

AA's imposed terms would not constitute a new contract. Instead, both AA and APFA would still be obligated to negotiate for a new agreement under the Railway Labor Act. These talks would fall under the jurisdiction of the National Mediation Board. The NMB would have sole discretion to release the parties from mediated negotiations. [7-20-12]

Q. Could APFA strike if its CBA is rejected?

A. In the Northwest Airlines bankruptcy case, the court held that the flight attendants could not strike in response to the rejection of their agreement. Instead, flight attendants were

obligated to continue to negotiate under the Railway Labor Act, and could not strike unless released from negotiations by the NMB. The Northwest precedent applies to the AA bankruptcy case. Our situation is even more complicated in this election year, when the general political climate rarely strays from the status quo where it concerns labor and job actions. [updated 7-28-12]

Q. What would happen if the 1113 motion is denied?

A. If Judge Lane denies AA's 1113 motion, then the current CBA remains in place. The Court's decision denying 1113 relief would give the reasons why AA failed to meet its burden under 1113 and essentially provide a road map for AA to cure the defects in its 1113 proposal. Based on the ruling, AA could make a new 1113 proposal. If APFA did not agree to the new proposal, AA would file again for 1113 relief. There is no reason to believe that any new proposal following the court's road map would contain terms comparable to the LBFO. The difference between the dollar amount of AA's pretrial 1113 term sheet and the LBFO is quite significant and we have no assurance that any new proposal based on the Judge's decision would correspond to the dollar amount of the LBFO. [7-20-12]

Q. If we vote no on the LBFO, what are the odds the judge would rule against AA's 1113 motion?

A. Over the past decade, bankruptcy courts have rarely ruled against motions for 1113 relief. Even if a union wins the first 1113 motion, the company may win its second 1113 motion by curing the defects in its first 1113 proposal. Although each case is unique and APFA made strong arguments during the trial, the odds invariably favor the company in bankruptcy. [7-20-12]

Q. What happens if one or more of the other unions votes no on their last offer?

A. The process for all three unions is the same. If APA or the remaining TWU groups vote no, Judge Lane will issue his decision as it relates to them. [7-20-12]

Q. Does the outcome of our vote have any bearing on the ability of US Airways to submit a Plan of Reorganization during the bankruptcy?

A. No. [7-20-12]

Q. Doesn't AA have to get union contracts in order to emerge from bankruptcy?

A. There is no legal requirement to have contracts with all work groups in place before a carrier emerges from bankruptcy. In all prior airline bankruptcies, management has been able to obtain labor agreements for all work groups before exiting bankruptcy. In those cases, however, the airlines needed financing in order to exit bankruptcy and securing labor peace is generally considered necessary in order to gain the support of financiers. Here, AA has indicated that it probably will not need to obtain exit financing due to its strong cash position. [7-20-12]

Q. What does it mean that we can't object to management's bankruptcy "claim"?

A. [see answer updated on 8-13-12 earlier in this document]

Q. What Presidential Grievances must be withdrawn if we approve the LBFO?

A.

SS-11-2007-APFA-1

APFA vs AAL: AMR Event Reporting

SS-24-2007-APFA-6

APFA vs AAL: S80 Flight Attendant workload #1

SS-31-2007-APFA-7 **APFA vs AAL**: 2008 benefit year - changes to prescription drug benefits in the standard medical plan (ppo) for Active and Retired Flight Attendants

SS-1-2008-AAL-1 **AAL vs APFA**: For the production of certain documents pertinent to the Shirlene Leigh hearing held on August 30, 2007 in Los Angeles, California. The instant dispute arises directly from the result of the ruling rendered by Arbitrator Winograd

SS-53-2008-APFA-3 **APFA vs AAL**: Docking Guidance System (DGS)

SS-58-2008-APFA-4 **APFA vs AAL**: Unreasonable Workload

BC #2008-APFA-5 **APFA vs AAL**: PPC Guidelines

SS-7-2009-APFA-1 **APFA vs AAL**: unilaterally imposing an arbitrary exhaustion period upon return from leave ("90 day active") to restart the continuous 5-year maximum leave time period provided under Article 19.A.3.

SS-92-2009-APFA-5 **APFA vs AAL**: Awarding of Personal Vacation Days (PVDs)

SS-118-2009-APFA-4 **APFA vs AAL**: Standard Medical Plan for Specialty Drugs

SS-119-2009-APFA-6 **APFA vs AAL**: 777, 757-300/200 Staffing

BC#2010-APFA-1 **APFA vs AAL**: On Board Sale of Pillows & Blankets

SS-35-2010-APFA-2 **APFA vs AAL**: Social Media Policy

SS-63-2011-APFA-1 **APFA vs AAL**: Turndown Service

[7-20-12]