Explanation of the Memorandum of Understanding (MOU)

At the end of 2012 and the beginning of 2013, the Creditors' Committee began a process to bring clarity to a number of issues concerning the relationship between the work groups at American and US Airways if the two airlines merged. In addition, while each of the unions had entered into Bridge Agreements (also known as Conditional Labor Agreements or "CLAs") with US Airways, each had subsequently negotiated and ratified a new Collective Bargaining Agreement ("CBA") with American. As a result, the Bridge Agreements had to be clarified in light of those CBAs. The clarification process included numerous exchanges between APFA's lawyers and counsel for the Creditors Committee.

On December 31, 2012, US Airways sent a letter to APFA setting out the mutual understandings of APFA, US Airways, American Airlines and the Creditors' Committee concerning 10 points. This letter is referred to as the Memorandum of Understanding ("MOU"). A copy of that MOU is also available online at apfa.org. While the MOU is largely self-explanatory, the paragraphs below further describe the MOU's numbered paragraphs.

1. During negotiations with American over a new CBA, APFA obtained a "Me, Too" clause guaranteeing that if American and APA or TWU negotiated anything "better" than we had obtained from American in our negotiations, APFA's CBA would be modified to include these additional benefits. Since ratification of the APFA CBA, APA and TWU negotiated new CBAs with American and APFA's CBA was modified to include any better conditions APA and TWU negotiated. Paragraph 1 of the MOU both confirms that fact and makes clear that the "Me, Too" clause will not apply to regulate the labor relations between the New American and APFA in the event of a merger.

2. The Bridge Agreement (CLA) provided that, following any merger; US Airways and American flying would remain separate until the "Operational Flight Attendant Integration." The intent of this paragraph of the MOU was to keep these operations separate until there is a Joint Collective Bargaining Agreement ("Joint CBA") and a merged flight attendant seniority list. The MOU clarifies that this separation will remain in effect until 24 months after the effective date of the Plan of Reorganization or "Operational Flight Attendant Integration" – whichever comes first – and defines (in the next paragraph) the term "Operational Flight Attendant Integration," which was not specifically defined in the Bridge Agreement (CLA).

3. Paragraph 3 defines "Operational Flight Attendant Integration" as we had always intended it to be defined: the date after (a) a single carrier petition is filed with the NMB, (b) a Joint CBA is in place, either through negotiations or arbitration; and (c) seniority lists are integrated as required by federal law (the McCaskill-Bond Amendment).

4. Paragraph 4 makes clear what we believe was already clear under the Bridge Agreement (CLA): paragraph 3 of the Pension section of that document means that the maximum Company contribution to the defined contribution pension plan for new hires (Flight Attendants hired after the date of the Bridge Agreement (CLA) – April 12, 2012 – and for all Flight Attendants on the seniority list 5 years after American emerges from bankruptcy (the "Plan Effective Date"), is 5.5% (consisting of a 3% contribution and an additional 2.5% matching contribution).

5. At the time the Bridge Agreement (CLA) was negotiated, we did not have a new CBA with American. The Bridge Agreement (CLA) provided for wage increases of 2.5%/1.5%/1.5%/1.5%/1.5%/1.5% over 6 years. After the Bridge Agreement (CLA) was reached, APFA negotiated a CBA with American that called for a 3% increase on the date of signing. That increase was larger than the first year increase under the Bridge Agreement (CLA). Paragraph 5 of the MOU simply reflects that the first year increase called for by the Bridge Agreement (CLA) has been satisfied. Paragraph 5 also provides that on October 1, 2013, Flight Attendants will receive a pay increase of either the 1.5% increase in the Bridge Agreement (CLA) or the 2% in the CBA, based on whichever agreement is in effect at that time. Therefore, Flight Attendants have gotten the best of both worlds: the higher 2012 increase provided in the new CBA *and* a full increase in the fall of 2013 under whichever agreement is in effect. In exchange for this, we agreed to resolve the open issue of when the effective date for that increase would be: that date will be October 1, 2013. Future increases presumably will be governed by a negotiated or arbitrated Joint CBA.

6. In the Bridge Agreement (CLA), US Airways agreed to create a Variable Employee Benefit Association (a "VEBA") to provide for retiree health benefits that would be funded on a start-up basis by the money Flight Attendants had "pre-funded" under the American retiree health pre-funding program. Under our CBA with American, pre-funding contributions were returned to individual flight attendants. That left no money with which to seed a VEBA. Paragraph 6 of the MOU recognizes this fact and makes clear that the VEBA term of the Bridge Agreement (CLA) is no longer in force.

7. The Bridge Agreement (CLA) provides for an unspecified single company health plan. Paragraph 7 of the MOU clarifies that this single company health plan applicable to all American employees will be the AA Active Medical Plan implemented at American on January 1, 2013.

8. The Bridge Agreement (CLA) provided that APFA would have an allowed claim in the bankruptcy for at least its professional fees and investment banking fees. The CBA provided for the payment of those fees, and paragraph 8 of the MOU simply confirms that this condition has been satisfied.

9. Paragraph 9 of the MOU deals with the unlikely prospect that some tribunal might determine that the Bridge Agreement (CLA) is not enforceable. If that were to happen, paragraph 9 establishes, as a separate and independent promise, that the process for (a) maintaining separate operations until the flight attendant operations are integrated, (b) filing a single carrier petition, (c) integrating the seniority lists, and (d) negotiating a Joint CBA covering all Flight Attendants – all as set out in the Bridge Agreement (CLA) – will still be the processes applicable following American's emergence from bankruptcy.

10. Finally, paragraph 10 of the MOU is a "comfort" paragraph, advising that there are no other promises, side deals, or any other commitments between APFA and US Airways that are not reflected in the Bridge Agreement (CLA).