



**Explanation of Bridge Agreement (Conditional Labor Agreement, “CLA”) as modified by the December 31, 2012, Memorandum of Understanding (MOU)**

*APFA and US Airways met last spring in anticipation of a potential merger between US Airways and American. In a short, intense period of time, we negotiated a Conditional Labor Agreement, which is referred to as “the Bridge Agreement.” This original Bridge Agreement was modified by the MOU, dated 12.31.12. (We refer to the modified agreement as “the Bridge Agreement (CLA)”).* The Bridge Agreement (CLA) is not a long-term contract to replace the LBFO. Instead, it sets our terms and conditions of employment only until APFA negotiates a contract with US Airways. (The “New American” formed by the merger of US Airways and American is referred to in the Bridge Agreement (CLA) as “NewCo”).

*As stated in the first item of the Bridge Agreement, “Base Agreement”, the contract in effect during the transition period will be comprised of the CBA that was in place before the LBFO, as modified by the terms of the Bridge Agreement. The Bridge Agreement (CLA) also creates an expedited time frame for APFA and US Airways to negotiate a long-term contract. Simply put, the Bridge Agreement (CLA) is a **PATH TO A NEW CONTRACT**. As with all other aspects of the bankruptcy, this process will not happen overnight. But we are on our way.*



**Original Bridge Agreement (CLA)  
dated April 12, 2012, with any modifications by  
MOU highlighted in red.**

<b>SUBJECT</b>	<b>TERM</b>
<b>Base Agreement</b>	To the extent not modified by this Conditional Labor Agreement, the APFA/AA November 1, 1998 – November 30, 2004 Collective Bargaining Agreement together with the 2003 Restructuring Participation Agreement and any side letters now in effect (“CBA”) shall remain in effect.
<b>Term</b>	Subject to Point 3 in “Process” below, 6 years from Plan Effective Date (effective of Plan of Reorganization).

## Process

1. Prior to Operational Flight Attendant Integration, separate flying will continue, with each airline operating its own aircraft including those in its existing fleet and on order. **FROM THE MOU: Paragraph 1 of the Process section of the CLA will be amended to read as follows:**  
“Separate flying will continue, with each airline operating its own aircraft including those in its existing fleet or on order, until the earlier of twenty-four (24) months after the effective date of the Proposed Merger or Operational Flight Attendant Integration.”  
**FROM THE MOU: The term “Operational Flight Attendant Integration” as used in Paragraph 1 of the Process section of the CLA is intended to mean the completion of the processes described in Paragraphs 2 and 3 of that section, including the presentation of a final integrated seniority list to the Company for implementation.**
2. The parties will establish a procedure for the integration of seniority lists pursuant to McCaskill-Bond.
3. APFA will file for single carrier application with the NMB as soon as practicable, but no later than six months after the Plan Effective Date. If the single-carrier filing results in the certification of APFA, NewCo and APFA shall promptly engage in expedited negotiations to achieve a joint collective bargaining agreement. Those negotiations will begin no later than 30 days after certification.
  - a. If the parties reach agreement within 60 days of certification, APFA shall follow its internal procedures regarding membership ratification of a joint collective bargaining agreement. If the membership does not ratify the joint collective bargaining agreement, the parties shall immediately submit their dispute to final and binding interest arbitration.
  - b. If the parties do not reach agreement within 60 days of certification, the parties shall immediately submit their dispute to final and binding interest arbitration.
  - c. Interest arbitration pursuant to a. and b. above shall be for the purpose of achieving a joint collective bargaining agreement that is market-based in the aggregate. The award shall be issued no later than 30 days after the first day of the hearing and shall become effective upon conclusion of the seniority integration process including presentation of a final integrated seniority list to the Company for implementation. The procedures for the arbitration shall be mutually agreed between the parties.
4. NewCo agrees to reimburse APFA costs associated with the seniority integration process described in paragraph 2 and the arbitration process described in paragraph 3 in an aggregate amount not to exceed \$1 million.
5. Conditional Labor Agreement subject to approval of US Airways Board of Directors.

<p><b>Early Out</b></p>	<ol style="list-style-type: none"> <li>1. Award a minimum of 1500 FAs in seniority order; Company may offer to more FAs at its sole discretion.</li> <li>2. Eligibility Criteria <ol style="list-style-type: none"> <li>a. Top of pay scale</li> <li>b. In AA paid status, including “overage leaves” or on furlough from AA.</li> </ol> </li> <li>3. Timing – Release of FAs who accept Early Out subject to operational needs.</li> <li>4. Benefits <ol style="list-style-type: none"> <li>a. \$40,000 per FA</li> <li>b. Accrued vacation payout per CBA</li> <li>c. Medical <ul style="list-style-type: none"> <li>• Age 55 and above – access to VEBA</li> <li>• Age 50 to 55 – If FA pays monthly employee VEBA contribution, access to VEBA benefits at age 55</li> <li>• <b>FROM THE MOU:</b> As a result of the prior return by American of employee prefunding contributions pursuant to the New CBA, the provisions in the CLA under Retiree Health, Paragraph 2 relating to a VEBA will not be implemented and are deemed void. It is the intent of the parties to maintain the Retiree Medical program provided for in the New CBA.</li> </ul> </li> </ol> </li> </ol>
<p><b>Pension</b></p>	<ol style="list-style-type: none"> <li>1. Freeze current Plan</li> <li>2. Establish DC Plan for flight attendants on the AA seniority list as of Plan Effective Date (4/12/12) for a duration of five (5) years (or until new CBA) as follows: <ol style="list-style-type: none"> <li>a. Current FAs under 40 years old— Company contribution of 5.5% of pensionable earnings</li> <li>b. Current FAs 40-49 years old – Company contribution of 6.75% of pensionable earnings</li> <li>c. Current FAs 50 and older than 50 – Company contribution of 9.9% of pensionable earnings</li> </ol> </li> <li>3. New Hires at the Plan Effective Date (4/12/12) and Flight Attendants on the AA Seniority list as of the Plan Effective Date (4/12/12) after five (5) years – Company contribution of 3% if pensionable earnings plus a match to a maximum of 5.5% of pensionable earnings.</li> </ol>

<b>Retiree Health</b>	<ol style="list-style-type: none"> <li>1. Eliminate current provisions</li> <li>2. For FAs on the AA seniority list as of the Plan Effective Date only – VEBA seeded with current balance of FA and AA contributions per Pre-funding provisions of CBA. <b>FROM THE MOU:</b> As a result of the prior return by American of employee prefunding contributions pursuant to the New CBA, the provisions in the CLA under Retiree Health, Paragraph 2 relating to a VEBA will not be implemented and are deemed void. It is the intent of the parties to maintain the Retiree Medical program provided for in the New CBA.</li> </ol>
<b>Active Health</b>	<p>Single Company Plan.</p> <p><b>FROM THE MOU:</b> The Single Medical Plan referred to in the CLA under Active Health will be deemed to be the Active Medical plan implemented by American on January 1, 2013 (“AA Active Medical Plan”) pursuant to the New CBA along with all of its related provisions. This clarification is expressly based on the representation that the AA Active Medical Plan will cover all American employees as of January 1, 2013.</p>
<b>Bidding System</b>	<ol style="list-style-type: none"> <li>1. Lineholders and Reserves will adopt PBS consistent with the terms of AA 1113 proposal.</li> <li>2. Current system to remain in place until PBS established.</li> <li>3. Improve Reserve processes by incorporating an earlier Reserve assignment notification and incorporating am/pm Ready Reserve shifts.</li> <li>4. Allow Reserves to pick-up time on OFF days as pay-no-credit (pay in addition to Reserve Guarantee)</li> </ol>
<b>Line Build</b>	<p>Lines shall be constructed to create lines of flying containing a minimum of seventy (70) credit hours and a maximum of ninety (90) credit hours per bid period. The Company may flex the maximum line value by an annual amount of twenty (20) hours, but in no case more than five (5) hours during any given month. Flexes beyond twenty (20) hours in a year will require agreement of the Union.</p> <p>The Company may set a targeted line average between seventy-five (75) and eighty-five (85) hours. In months the Company flexes the maximum to ninety-five (95) hours, the targeted line average may be set to no more than eighty-seven (87) hours. The established monthly maximum will apply in actual operations.</p>

<b>Hourly Wage Rates</b>	APFA Domestic Basic Pay Table on Plan Effective Date as modified in "Profit Sharing" section below; out year increases per AA 1113 proposal (International Base Pay Table eliminated)
<b>Incentive Pay</b>	Eliminate
<b>International Premium</b>	\$3.00 for each hour or fraction thereof flown, prorated to nearest minute, on a leg-by-leg basis for each international leg. Deadhead, trip and duty rigs and trips "not flown" consistent with the CBA, will be calculated in accordance with this provision
<b>Sequence Pay Protection</b>	APFA Proposal (sent to US Airways)
<b>Per Diem (TAFB)</b>	\$2.00 Domestic/\$2.20 International
<b>Staffing</b>	AA 1113 proposal (subject to grievances per CBA; e.g. changes in level of service or introduction of new equipment)
<b>Combined Domestic and International Operations</b>	AA 1113 proposal
<b>Profit Sharing</b>	In lieu of profit sharing arrangement, the flight attendants shall receive a 2.5 percent pay increase as of the Plan Effective Date
<b>Claim</b>	The POR shall provide APFA with an allowed general unsecured claim (the "APFA Allowed General Unsecured Claim") in such amount as the APFA and Official Committee of the Unsecured Creditors shall agree, or, failing such agreement, as the Court shall determine. This Agreement shall continue in full force and effect in accordance with its terms without regard to the allowance or disallowance of any such APFA General Unsecured Claim
<b>APFA Fees and Expenses</b>	<p>NewCo will pay APFA's professional fees and expenses incurred in connection with the organization efforts including a usual and customary investment banking fee to Jefferies, Inc., which amount accrued as of the date hereof shall not exceed \$3M incurred in connection with prosecution of the Plan, and APFA will be allowed an additional claim for professional and expert fees reasonably incurred through the Plan Effective Date.</p> <p><b>FROM THE MOU:</b> The provisions of the CLA under Claims and APFA Fees and Expenses are superseded by the terms of the Settlement Consideration and Bankruptcy Protections Letter dated August 22, 2012.</p>

<b>Condition Precedent to Effectiveness</b>	NewCo access for APFA advisors sufficient for advisors to determine that NewCo business plan is satisfactory and that plan of reorganization is feasible and confirmable
<b>Furlough Protection</b>	<ol style="list-style-type: none"> <li>1. Prior to Operational Flight Attendant Integration, no FA employed as of the Plan Effective Date will be furloughed, subject to force majeure.</li> <li>2. Scheduling efficiencies, including but not limited to PBS, will not result in additional furlough of any FA employed as of the Plan Effective Date, subject to force majeure</li> </ol>
<b>§ 1113 Protections</b>	<b>1113 Waiver.</b> For a period of three years following the effective date of the Modified CBA (the “1113 Standstill Period”), the Company shall not file or support any motion pursuant to section 1113 of the Bankruptcy Code (or any other relevant provision of the Bankruptcy Code) seeking rejection, modification, relief or interim relief from the CBA (“1113 Motion”). During the 1113 Standstill Period, the Company (i) specifically waives the right to file or support an 1113 Motion, and (ii) agrees that it will actively oppose any such 1113 Motion if filed by another party. This provision shall be subject to a force majeure exception.
<b>Duration</b>	If the US Airways’ Plan of Reorganization is not approved or the Company provides notice to APFA that it has been determined that it is no longer appropriate to pursue the Plan, this Conditional Labor Agreement shall terminate.