In the Matter of the Interest Arbitration Between:

ASSOCIATION OF
PROFESSIONAL FLIGHT ATTENDANTS

Interest Arbitration

AND

AMERICAN AIRLINES INC.

Hearings held December 3 and 4, 2014

Before the Arbitration Board
Richard I. Bloch, Chair
Roberta Golick, Neutral Member
Joshua M. Javits, Neutral Member
Paul D. Jones, AA, Board Member
Cindi Simone, AA, Board Member
Joe Burns, APFA Board Member
Robert Clayman, APFA Board Member

APPEARANCES

For the Association
Jeffrey Freund, Esq.
Roger Pollak, Esq.

For the Company
Robert Siegel, Esq.
Mark Robertson, Esq.
Laura Walters, Esq.

OPINION

FACTS[1]

This arbitration is occasioned by the failure of the parties to resolve their differences over certain portions of a new Joint Collective Bargaining Agreement

[1] The following recitation of facts represent a distillation of the "Joint Fact Stipulation" submitted by the parties at the hearing and attached hereto as Appendix A.

(JCBA). By agreement of the parties, this Board's final and binding decision will constitute the American/APFA JCBA.

THE CONDITIONAL LABOR AGREEMENT

In April of 2012, contemplating a merger between American and US Airways, the Association of Professional Flight Attendants ("APFA" or, occasionally "Association") and US Airways Inc. constructed a so-called "Conditional Labor Agreement ("CLA").[2] The CLA established terms and conditions of employment to be applicable to American Airlines' ("AA" or "American") flight attendants following the merger.[3] Among other things, the CLA prescribed an expedited "Process" for moving the parties toward a Joint Collective Bargaining Agreement ("JCBA") in the event the National Mediation Board ruled that the combined US Airways/American operations amounted to a single transportation system.[4]

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[2] The "Duration" clause of the CLA establishes the genesis of its "Conditional" status.

> "If the US Airways Plan of Reorganization is not approved or the Company provides notice to APFA that it has been determined that it no longer appropriate to pursue the Plan, this conditional Labor Agreement shall terminate."

The CLA was subsequently modified by a December 31, 2012 Memorandum of Understanding and clarified by certain Letters of Clarification in 2013. See Joint Facts Stipulation, ¶1 (App. A) and Appendices C and D, *infra*.

[3] The full text of the CLA is set forth in the record as Joint Ex. 5. Appendix B, *infra*. Pursuant to a Merger Agreement between AA's parent corporation and US Airways Group, Inc., American acquired US Airways in December of 2013.

[4] APFA filed in July of 2014, and in September 2014, the NMB certified APFA as the collective bargaining representative for all flight attendants of the single carrier. See ¶1 of the Joint Fact Stipulation.

The CLA included an agreed to series of actions and timelines for achieving a comprehensive labor agreement. Among other things, APFA was required to file for single carrier status with the National Mediation Board and, assuming certification of APFA, it was agreed that the Association would "promptly engage in expedited negotiations to achieve a Joint Collective Bargaining Agreement," the negotiations to begin no later than 30 days following certification of single carrier status.[5] The CLA further provided that, should the parties reach agreement on a new JCBA within 60 days following certification, the Association would submit the JCBA for membership ratification, with the proviso that if the membership did not ratify the new Agreement, the parties would immediately submit their dispute to final and binding interest arbitration.

THE NEGOTIATIONS PROTOCOL AGREEMENT

In January 2014, American, US Airways, and the two collective bargaining representatives of the airlines' flight attendant groups, APFA for American and AFA for US Airways, executed a Negotiations Protocol Agreement ("NPA" or, occasionally, "Protocol") that codified various agreements among the four parties relative to JCBA negotiations. The NPA includes important elements relevant to this Board's authority.

[5] See Appendix B, "Process," ¶3.

Paragraph A of the Protocol Agreement[6] established specific time limits for commencement and duration of negotiations among the parties. A tentative agreement, to the extent one was reached, was to be submitted to a ratification vote of the combined flight attendant membership.[7] However, the parties also addressed the possibility that full agreement on an American JCBA might not be reached: Accordingly, they agreed to the mandatory submission of any remaining disputes to final and binding interest arbitration:

> ...if the tentative American JCBA is not ratified..., any outstanding disputes, including, but not limited to disputes regarding economic valuation, shall be submitted to final and binding interest arbitration in accordance with Paragraph B, below....The hearings shall begin within ninety (90) days of the submission. Prior to arbitration, the parties shall utilize mediation.[8]

Paragraph B of the Protocol specifies, among other things, the composition of the Arbitration Panel and, significant to the current dispute, the critical understanding that the American JCBA resulting from the arbitration procedures "shall" have a total economic value equal to a sum referred to by the parties as "market-based in the aggregate."[9]

> ...6.The American JCBA that results from the arbitration procedures herein shall have a total economic value that:
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> a. is equal to "market-based in the aggregate"...
> b. as applied to pre-merger American Flight Attendants, has a total economic value which is greater then the total economic value of the American Airlines CLA as

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[6] See Appendix D, *supra*.
[7] *Id.*, ¶(A)(5).
[8] *Id.*
[9] *Id.*, ¶B(6)(a).

applied to pre-merger American Airlines Flight Attendants; and

c. as applied to pre-merger US Airways Flight Attendants, has a total economic value which is greater then the total economic value of the USA CBA as applied to pre-merger American Airlines Flight Attendants. [10]

As drafted, this arbitral "fail safe" system responded to a possible failure of the bargaining process to achieve a final agreement (such as occurred here) by guaranteeing Flight Attendants overall enhanced compensation, above prior wage and benefit packages, but with a very clear benchmark, which cannot be exceeded or lowered, represented by the "market-aggregate" factor. Protocol ¶(B)(3) details the meaning of, and the process for determining, the aggregate Market-based standard.

> For the interest arbitration, "market-based in the aggregate" shall be based on Delta and United if an initial United-AFA Joint Collective Bargaining Agreement has been implemented at the time of the arbitration, and shall be based on Delta, United, and Continental if no

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[10] APFA Brief. at 5. The Union cites *Twin City Rapid Transit Co.* 7 Lab. Arb. Rep. (BNA) 845 (1947), There, the arbitrator noted: " In submitting this case to arbitration, parties merely extended their negotiations—they have left it to this Board to determine what they should, by negotiation, have agreed upon...[O]ur endeavor will be to decide the issues as, upon the evidence, we think reasonable negotiators, regardless of their social or economic theories might have decided them in the give and take process of bargaining." (At 848).

APFA also directs the Board's attention to Henry Farber & Harry Katz Interest Arbitration, Outcomes, and the Incentive to Bargain, Faculty Publications—Collective Bargaining, Labor Law, and Labor History, (1979), wherein the authors opine that "a second criterion often used to evaluate dispute settlement procedures is the extent to which the presence of the procedure creates an environment in which both the bargained and the arbitrated settlements do not differ significantly from those the parties would have reached in an environment that did not include the procedure. The implication is that a good procedure is one whose presence biases neither the negotiated nor the arbitrated settlements." (Cited in APFA Brief. at 5, n. 6.) These quotes reflect a commonly expressed aspiration in the context of interest arbitration. But the instant case is dramatically different in one important respect: Here, by explicit agreement of the parties, the arbitration process was specifically designed not to somehow replicate the parties' respective bargaining capabilities but, instead, to impose an alternative characterized most significantly by a mandated response on the overall cost of the bargain.

> initial United-AFA Joint Collective Bargaining Agreement has been implemented at the time of the arbitration.[11]

Paragraph B5a of the Protocol requires that a UAL JCBA, if subsequently agreed to, would trigger an adjustment to the AA JCBA.

It was also agreed that the total economic value of any JCBA resulting from the arbitration would have to be greater than the "total economic value of the American Airlines CLA as applied to pre-merger American flight attendants;[12] as well as greater than "the total economic value of the USA CBA as applied to pre-merger US Airways flight attendants." [13]

The "market-based in the aggregate" standard of B(6)(a), when taken together with the requirements of 6(b) and (c), serves as a definable (and, in this case, defined) roadmap for this Arbitration Board: As will be noted below, the parties agree that both their respective wage proposals in this case and other terms contained in what is referred to as the September 19. 2014 Tentative Agreement satisfy the mandates of 6(b) and (c). They divide on the issue of whether the Association's proposals at arbitration serve to increase the contract cost above the $112 million amount agreed to by both parties in 6(a), and, if so, whether this Board may award that request.

At the time binding arbitration was agreed to as a means to reach finality if mutual agreement was unattainable, the "market aggregate" Arbitration

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[11] *Id.,* Protocol ¶(B)(3)(App. D), *infra*..
[12] *Id.,*¶B(6)(b).
[13] Id., B(6)(c). Together, B(6)(a)(b) and (c) are, from time to time referred to by the parties as the "Arbitration Standard".

Standard[14] to be applied was acceptable , procedurally and economically. As it turned out, negotiations yielded a Tentative Agreement ("TA") on a labor contract valued at $193 million per year over the existing CBA's.[15] Even without an included profit sharing program sought by the Association, that tentative package was far above any calculated assessment of an "aggregate" industry market value. However, it was rejected. Pursuant to their earlier binding agreements to arbitrate their differences, the parties developed a valuation model to determine the market value and value of the arbitration standard.[17] American and APFA have stipulated for the record in this case that (1) they have reached agreement on all inputs and assumptions on the valuation model's calculations and that (2) the resulting annualized increased cost of the JCBA will be $112 million. Paragraph 12 of the Joint Fact Stipulation reflects that agreed upon sum.

> 12. The valuation of a JCBA proposal is then expressed as the incremental cost or savings to the Company relative to the Baseline. The Market Value is a $112 million annual incremental cost above the Baseline. The $112 million annual Market Value is comprised of $62 million (produced by the Model and excluding profit sharing), plus $50 million proposed by APFA as a substitute "market-based in the aggregate" value for the profit sharing plans at United, Continental, and Delta, and agreed to by the Company for purposes of this interest arbitration. Accordingly, per the NPA, the JCBA that the Arbitration Panel in this matter awards shall have a Market Value of $112 million annually over the Baseline for the five-year term of the JCBA and, while it disagrees with the $50 million profit sharing valuation, for purposes of this interest arbitration only, the

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[14] The term is supplied by the parties, see Joint Fact Stipulation.
[15] Tr., p. 39.
[17] See ¶10 and 11 of the Joint Fact Stipulation, (App. A) for details on the model's operation.

> Company will not dispute either that profit sharing valuation or the $112 million annual Market Value.[18]

Hearings were held December 3 and 4, 2014 before the Arbitration Board. At the hearings, documentary and testimonial evidence was presented, and witnesses were made available for examination and cross examination. A verbatim record was made of the proceedings. Following the hearings, the parties submitted closing arguments by way of written brief. The Board met in executive session in Washington, DC immediately following the hearings and on December 13, 2014.

ISSUE

Paragraph IV of the parties Procedural Rules establishes that the issue for the Panel is: What shall the JCBA between American and APFA be?[19]

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[18] Id.,¶12.

[19] The Joint Fact Stipulation (App. A, *infra*) describes this Board's charge:

> ...[T]he issues to be determined by this Arbitration Panel are whether the JBCA should: (a) contain the profit sharing Me Too provided for in Paragraphs 3(b) and 3(c) of the APFA Proposal; (b) contain the health insurance Me Too provided for in Paragraph 4(a) of the APFA Proposal; or (c) make the compensation rates set forth in Paragraph 2 of the APFA proposal retroactive to December 2, 2014.

POSITIONS OF THE PARTIES

Association Position

The Association requests that the JCBA incorporate all terms of the September 19, 2014 Tentative Agreement except Section 3 – Compensation, Paragraph A. The Association proposed a substitute Paragraph A, in accordance with the mandates of NPA Par. 6. As to that, it requests that the starting date for wage increases included in the new Paragraph A[20] be December 2nd, 2014. That date, the Association says, was anticipated by all at the time they reached the September 19, 2014 Tentative Agreement. Under the circumstances, it says, the original implementation date should remain in place. In addition, APFA proposes two "Me Too" clauses:

1. Health Insurance

The Association proposes the following language:

> If, during the term of the Collective Bargaining Agreement, the Company agrees prospectively to provide any work group with a health insurance plan other than the health insurance plan contained in the APFA Collective Bargaining Agreement, APFA shall have the option to replace the health insurance plan contained in the Collective Bargaining Agreement with such other health insurance plan commencing as of the next plan year.[21]

This "Me Too" provision would allow APFA to opt for a better plan in the event such plan is granted to any other American Airlines bargaining unit. The

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[20] See §3¶a of Joint Ex. 1, the December 3 , 2014 APFA Interest Arbitration Proposal.
[21] *Id.*

Association acknowledges the parties' agreement to a "market-based in the aggregate" standard, applicable both to negotiations and to this Interest Arbitration, but asserts its proposal honors that agreement. It directs the Board's attention, moreover, to what it contends is a separate and independent agreement by the Company to adopt a "Single Company Health" plan. The proposed "Me Too" option, the Association says, simply holds the Company to its commitment.

2. Profit Sharing

APFA's proposal[22] begins by acknowledging the parties' joint valuation of $112 million annually and it recites the undisputed component values, including $50 million attributable to the comparison carrier profit sharing plans (but which, at AA, has been allocated to Flight Attendant wage rates):

> a. APFA values this proposal as $112 million per year higher (on an average annual basis over the five year term of the Collective Bargaining Agreement) than the value of the current LAA and LUS Collective Bargaining Agreements, comprised of $62 million per year (on average over the five years of the Collective Bargaining Agreement) required to reach the "market based on the aggregate" value of the DAL wages and work rules and the UAL and CAL Collective Bargaining Agreements without regard to their respective profit sharing plans, and $50 million per year as a "market based in the aggregate" value substitute for the DAL, UAL and CAL profit sharing plans.

The Association seeks the option to, in essence, trade the wage rate allocations ($50 million) for a profit sharing plan in the event that plan is offered to any other bargaining unit.

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[22] *Id.*.

...b. If, between the effective date of this Collective Bargaining Agreement and the effective date of a successor Collective Bargaining Agreement, the Company agrees to provide any work group with a profit sharing plan, APFA shall have the option to reduce the value of the wage rates in this Collective Bargaining Agreement by $50 million per year (until the implementation of a successor Collective Bargaining Agreement) commencing in the year following the exercise of that option and to adopt prospectively commencing in the year following the exercise of that option and continuing until the implementation of a successor Collective Bargaining Agreement, the profit sharing plan agreed to between the Company and such other union. APFA shall have 30 days following the effective date of the collective bargaining agreement containing the profit sharing plan to exercise its option.

c. If, between the effective date of this Collective Bargaining Agreement and the effective date of a successor Collective Bargaining Agreement, the Company and such other union discontinue the profit sharing plan, APFA shall have the option either to

i. Maintain the profit sharing plan for Flight Attendants and the $50 million per year wage reduction (on average) until the implementation of a successor Collective Bargaining Agreement; or
ii. Discontinue the profit sharing plan and increase the wage rates in the Collective Bargaining Agreement by $50 million per year (on average) over the value of the wage rates then in effect until the implementation of a successor Collective Bargaining Agreement.[23]

This kind of parity, the Association argues, is essential to basic fairness: The Company has been public and unequivocal in its insistence that incentive based pay should not be a part of the future compensation system at American Airlines.

[23] Id., ¶3.

Should the Company abandon its announced intent, the Association wishes to be able to opt for that plan by trading the $50 million portion of the wage package.

Company Position

The Company claims the agreed $112 million average per year figure can be achieved and maintained over the 5-year contract term only if APFA's Profit Sharing and Health Insurance "Me Too" proposals are not awarded. It also contends that modified wage rates cannot be made retroactive to December 2nd, 2014. Rather, they must be implemented in accordance with the Tentative Agreement, which stipulates they shall be effective the first day of the bid month following the effective date of the JCBA. Any of APFA's proposed adjustments, says the Company, would necessarily push the proposed contract cost above $112 million average per year, contrary to the clear agreement of these parties. All other elements of the APFA proposal, it says, are acceptable to the Company.

ANALYSIS

GENERAL OBSERVATIONS

For the reasons that follow, the Board finds the Association's proposals in this case inconsistent with the jointly-negotiated limitation on an interest arbitration award. The existence itself of the negotiated dispute resolution process in this matter connotes the ability of the parties to request, and the Board to award, provisions that would shape the contours and contents of the economic

package, among other things. But, the price of that package, whatever its composition, is crystal clear and has been predetermined by the market-based in the aggregate standard as governed by the NPA: The cost is not to exceed an average of $112 million annually. This constraint is critical to the Board's response in the instant case: The market-based average of $112 million represents, substantively and procedurally, a strict prohibition on the Board's authority to enhance the economic terms of the prospective deal. Otherwise stated, we can change the shape of the pot, but, in accordance with the market-based standard, we cannot sweeten it.

Two of the Association's requests are for what amounts to contingent "reopeners" that would give APFA the option, in the event any other bargaining unit receives a health plan or profit sharing plan, to require that it be granted the same plan. Proceeding on the likelihood the Association would exercise that option only if the plans were somehow preferable, the conclusion that the plan would be more expensive is unavoidable. Whether it is, in fact, or not, however, is of no contractual consequence: The possibility alone of reopening the Agreement to accommodate what might amount to an added cost runs squarely contrary to both the NPA's market-based standard of $112 million and the concomitant restriction on this Board's authority to grant a request of that nature.

HEALTH INSURANCE

The Association acknowledges the negotiated $112 million cost limit. It maintains, however, that the cap should not apply to the request for the Health Plan option: The Company's obligation to provide it, says APFA, arises from AA's promise under a separate but equally binding agreement. The Company's promise, it is claimed, is "that all American Airlines employees would be covered by a single health insurance plan [which was] a promise separate and apart from the "market value in the aggregate" standard applicable to this arbitration, such that the Board could adopt APFA's Proposal for a "me too" clause regarding health insurance even if the Board concludes that awarding such a clause would increase the value of the agreement above the stipulated $112 million market value required by the Arbitral Standard in the Negotiations Protocol Agreement...."[24]. And, in any event, says the Association, the requested "Me too" option has no value.

For the following reasons, we cannot conclude that the premerger US Air/APFA CLA somehow requires "Me Too" accommodation by American Airlines in the event it grants any other bargaining units a Health Insurance plan differing from that contained in APFA's labor contract.

The CLA itself is a term sheet reflecting the drafters' intentions in the event the airline's plan of reorganization is approved by the Bankruptcy Court's

[24] APFA Brief, p. 1.

Creditor's Committee. Under the heading "Active Health"[27] the parties have entered a single cryptic reference: "Single Company Plan."[28] Later, in response to a request from a representative of the Creditor's Committee, APFA President Laura Glading and US Airways President Scott Kirby executed a December 31st, 2012 letter in which the parties expressed their "wish to clarify and acknowledge their understandings and intent with respect to how the New CBA and CLA are intended to modify or leave unchanged various provisions of either agreement."[29] Paragraph 7 of that letter directs itself to the Single Medical Plan.

> 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.[30]

Nothing in these terms, however, suggests an obligation on the part of American Airlines to extend a single health plan to all bargaining units during the term of the JCBA.[31] According to the testimony, the coverage at issue was limited to all pre-merger American employees, the letter assures they would be covered by the AA Active Medical Plan "as of January 1, 2013." We cannot read this as the Company's somehow extending a promise to grant a single health insurance plan

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[27] We assume this refers to Health Insurance plans applicable to active, as distinguished from retired employees.
[28] Joint Ex. 5.
[29] Letter from Scott Kirby to Laura Glading, Dec. 31, 2012, App.C, *infra.*
[30] Joint Ex. 5a ¶7.
[31] We do not question President Glading's assertions that, during the negotiations leading to the CLA, the Company expressed its preference to cover all employees with a uniform plan. Our conclusion is limited to the observation that this document doesn't achieve that.

to all post-merger groups in perpetuity. Moreover, inherent in the Association's proposal is the understanding that an APFA/US Airways term sheet should somehow override the unambiguous Negotiations Protocol Agreement between the American and US Airways groups and the two bargaining unit representatives that was unambiguous as to the upper limit cost of an arbitrated agreement. And, applying the term sheet and "clarification language" as here suggested by the Association would challenge both the intent and the language of the NPA, which, in the course of establishing the $112 million cap, premises the valuation process on reference to other industry Flight Attendant bargaining units.

Even assuming the CLA, as clarified by the December 31 MOU, does not rise to the level of a binding promise of a uniform Company health insurance plan, [32] says the Association, the Board should nevertheless include the clause in its Award: This will not, it is argued, result in exceeding the $112 million cap. APFA directs the Board's attention to the Tentative Agreement which, it says, is replete with "Me Too" clauses, none of which was valued, for costing purposes, by the parties.[33]

We cannot conclude, however, that the parties' decision not to cost various Me Too provisions, including the relatively minor (as contrasted with a healthcare program) benefits or even the decision not to cost savings attributable

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[32] See APFA Brief. at 4.

[33] *Id.*,, citing Union Ex. 1. The Union directs the Board's attention to ten "Me Too clauses" already agreed to by the Company and which, according to the record,(See Assoc. Ex.1) were assigned no cost value by the parties. The clauses referred to items such as Crew Meals, Positive Space Travel to TDY Crew Bases, Ground Time Transportation between co-terminals, Substances Testing and other items.

to excluding legacy US Airways/AFA Me Too health provisions from the Tentative Agreement[34] requires a contrary conclusion. Our charge as a Board is not to re-visit the various assumptions underlying the costing process. Rather, we are bound by the jointly rendered calculation. Moreover, whatever conceptual constructs led to the final approved costing, one cannot avoid the conclusion that the prospect of adding an enhanced health care system across the board will markedly increase the cost of this economic package. The potential impact of requiring enhanced health coverage throughout the entire bargaining unit clearly has a significant value and cannot be dismissed as *de minimis*; surely it would have a definable role in raising the contract cost above the $112 million maximum. The Board cannot reasonably view this provision, under these particular circumstances, as a term without cost.

PROFIT SHARING

The Association contends American Airlines has been insistent that it will not agree to incentive-based pay with other groups. The Association seeks to construct a means by which implementation of Profit Sharing would, by virtue of the "Me Too" arrangement, be available to it if offered to others. The cost of the system would be mitigated, according to APFA, by its willingness to reduce wages by as much as $50 million, if necessary.

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[34] See, generally, Tr.,p. 304 *et seq.*

The parties differ as to whether the *option* for a profit sharing plan should be attributed value, even if never exercised. But, even assuming some imputed value to the option itself, the fact that the "trade," if there be one, would be for a program some time down the road with no currently ascertainable price tag would leave this labor relationship in an unstable and potentially untenable position, all of which, we conclude, is directly contrary to the language and intent of the required $112 million annual incremental cost mandated by the NPA. Under its proposal, not only may APFA opt into a profit sharing plan if another bargaining unit has one,[37] but may subsequently opt out of such a plan if the other bargaining unit does so. Here, too, the Board would be ignoring the mandated economic frame of reference, utilizing the future value of a CBA term for a non-flight attendant group at American instead of obtaining the market-based in the aggregate's standard by reference to the value of the Flight Attendant contracts at listed comparator carriers.

ADOPTION DATE FOR NEW WAGE RATES

APFA requests that the Board make any and all wage rate increases effective retroactive to December 2, 2014. Were the Board to grant retroactive application, the effect would be to extend the wage increases beyond the five-year term of the labor agreement and thus necessarily raise the price tag above the $112 million maximum.

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[37] As indicated earlier, any such a trade of wages for profit sharing would clearly not be sought by the APFA unless profit sharing appeared of greater value than the wages that were substituted for it.

AWARD

1. The JCBA between American Airlines and the Association of Professional Flight Attendants shall be as follows:

   a. All terms of the September 19, 2014 Tentative Agreement except Section 3 (Compensation), Paragraph A.

   b. Compensation shall be in accordance with the table attached hereto as Appendix E, to be effective January 1, 2015.

   c. The effective date of the JCBA shall be December 13, 2014, the date of issuance of this arbitration award. The implementation of the provisions shall be as specified in a letter of implementation agreed upon by the parties consistent with the provisions of the implementation letter of the JCBA.

2. The Association's requests for Me Too provisions related to Profit Sharing and Health Insurance are denied, for the reasons stated herein.

3. In the event United implements an initial flight attendant joint collective bargaining agreement after the American JCBA is implemented, the company and the certified collective bargaining representative(s) of the flight attendants in the service of the Company shall determine how the initial United joint collective bargaining agreement affects the "market-based in the aggregate" analysis for the American JCBA. Such determination shall be conducted in accordance with Section B(5) of the 2014 Negotiations Protocol Agreement Among American Airlines, Inc., US Airways, Inc., The Association of Professional Flight Attendants, and the Association of Flight Attendants.

Richard I. Bloch, Chair

Roberta Golick, Neutral Member

Cindi Simone, AA Panel Member

Joshua M. Javits, Neutral Member

Joe Burns, APFA Panel Member

Paul D. Jones, AA Panel Member

Robert Clayman, APFA Panel Member

Dated: December 13, 2014

BEFORE RICHARD BLOCH, ROBERTA GOLICK AND JOSHUA JAVITS

In the matter of the interest arbitration between	:
THE ASSOCIATION OF PROFESSIONAL FLIGHT ATTENDANTS	:
AND	:
AMERICAN AIRLINES, INC.	:

JOINT FACT STIPULATION

The Association of Professional Flight Attendants ("APFA") and American Airlines, Inc. ("American" or the "Company") (collectively, the "Parties") hereby stipulate and agree as follows:

1. In April 2012, US Airways, Inc. ("US Airways") and APFA negotiated a Conditional Labor Agreement, which as modified by a December 31, 2012 Memorandum of Understanding and clarified by February 12 and April 11, 2013 Letters of Clarification (collectively the "CLA"), provided for the terms and conditions of employment that would be applicable to American's flight attendants following the merger between American and US Airways. (Joint Ex. 5.) The CLA prescribes an expedited process for achieving a joint collective bargaining agreement ("JCBA") and an integrated seniority list governing all flight attendants of the single carrier in the event that the National Mediation Board ("NMB") were to rule that the combined US Airways/American operation constitutes a single transportation system and then certify APFA as the collective bargaining representative for all flight attendants

of the single carrier (which as described below, occurred in July 2014, and September 2014, respectively).

2. On February 12, 2013, AMR Corporation (now known as American Airlines Group, Inc.) and US Airways Group, Inc. entered an Agreement and Plan of Merger (the "Merger Agreement"). On December 9, 2013, American Airlines Group Inc. and US Airways Group, Inc. implemented the Merger Agreement, resulting in the former's acquisition of the latter, including its wholly-owned subsidiary US Airways. American and US Airways have since been operating under the "American Airlines" name in numerous respects.

3. In January 2014, American, US Airways, APFA, and the then collective bargaining representative of US Airways' flight attendants, the Association of Flight Attendants ("AFA"), entered into a Negotiations Protocol Agreement ("NPA") to memorialize certain agreements and understandings concerning the negotiation of a JCBA applicable to all flight attendants of the single carrier. (Joint Ex. 3.) The NPA prescribes a specific bargaining process, and also provides for interest arbitration in the event that the parties are unable to reach agreement on the terms of a JCBA or in the event that a tentative JCBA is reached but not ratified.

4. On July 29, 2014, the NMB found that American and US Airways were operating as a single transportation system under the Railway Labor Act for the Flight Attendants craft or class. *See American Airlines/US Airways*, 41 NMB 145 (2014).

5. On September 2, 2014, the NMB extended APFA's certification to include all of the employees in the Flight Attendants craft or class for the combined carrier. *See American Airlines/US Airways*, 41 NMB 237 (2014).

6. On September 19, 2014, the Parties reached agreement on a tentative JCBA (the "Tentative Agreement"). (Joint Ex. 2.)

7. On November 7, 2014, the Parties reached agreement on certain procedural rules to govern the interest arbitration (the "Procedural Rules") in the event that the Tentative Agreement was not ratified. (Joint Ex. 4.) In the Procedural Rules, at the request of APFA, the interest arbitration scheduled to commence on November 11, 2014 in the event that the Tentative Agreement did not ratify, was rescheduled to commence on December 3, 2014.

8. On November 9, 2014, the combined flight attendant membership failed to ratify the Tentative Agreement by 16 votes out of more than 16,000 valid votes cast, and as a result, the Parties are now proceeding with this interest arbitration.

9. As required by the NPA, the JCBA that results from this interest arbitration shall have a total economic value that:

a. is equal to "market-based in the aggregate,"[1] and

b. as applied to pre-merger American Flight Attendants, has a total economic value which is greater than the total economic value of the American Airlines CLA as applied to pre-merger American Flight Attendants; and

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[1] As set forth in Section B.3 of the NPA: "For the interest arbitration, 'market-based in the aggregate' shall be based on Delta and United if an initial United-AFA joint collective bargaining agreement has been implemented at the time of the arbitration, and shall be based on Delta, United, and Continental if no initial United-AFA joint collective bargaining agreement has been implemented at the time of the arbitration." Because no initial United-AFA joint collective bargaining agreement has been implemented at this time, the February 28, 2012 United Airlines/AFA Collective Bargaining Agreement and the July 13, 2012 Continental Airlines/AFA Collective Bargaining Agreement are the controlling documents for United and Continental, Joint Exs. 8 and 9, respectively. For Delta, the Delta Air Lines flight attendant terms and conditions of employment contained in the Delta Air Lines Flight Attendant Work Rules effective April 1, 2014 are controlling (Joint Ex. 10). This economic valuation is referred to in this joint stipulation as "Market Value."

c. as applied to pre-merger US Airways Flight Attendants, has a total economic value which is greater than the total economic value of the USA CBA as applied to pre-merger US Airways Flight Attendants.

(Collectively, these economic valuation requirements are referred to in this joint stipulation as the "Arbitration Standard").

10. To determine the Market Value and the value of the Arbitration Standard, the Parties developed and agreed upon a valuation model (the "Model"), which consists of several subordinate models (which in turn consist of Excel spreadsheets that were developed to compute a large number of calculations efficiently and simultaneously). The primary purpose of the Model was to calculate the estimated annual "Baseline" (defined in Paragraph 11.a. below) costs to the Company for total Flight Attendant salary and benefits (excluding profit sharing) under the existing legacy US Airways and legacy American Flight Attendant contracts and compare this value to the estimated annual cost to the Company of both a "market-based in the aggregate" contract, as well as the proposed JCBA to cover the combined flight attendant workgroup. From these calculations the Baseline costs of the existing contracts (the "Legacy Contracts") could be compared to proposed JCBAs to determine if such proposed JCBAs satisfy the three components of the Arbitration Standard.[2]

11. After reaching agreement on all the inputs and assumptions for the Model, the Model performs the following functions:

a. Projects the anticipated salary and benefit expenses each year under the Legacy Contracts, which are a function of, among other things, the expected

[2] The Legacy Contract for American is the CLA (Joint Ex. 5), and the Legacy Contract for US Airways is the February 29, 2013 collective bargaining agreement between US Airways and AFA (Joint Ex. 7).

level of flying, the number and longevity distribution of flight attendants, and productivity drivers such as work rules. These projected salary and benefit expenses are referred to as the baseline cost (the "Baseline");

b. Calculates the Market Value cost to the Company through the comprehensive application of the average of components contained in current Flight Attendant contracts of United and Continental, and the Delta Work Rules, to the combined Flight Attendant demographics and flying operations of legacy US Airways and legacy American;

c. Identifies the proposed changes to the specific contract items in the JCBA relative to the Legacy Contracts that are anticipated to have an economic impact on the Baseline. These changes can be the result of altering a specific compensation rate (such as wages rates or a premium), or by altering a work rule that may change the number of required flight attendants due to, among other things, changes in productivity;

d. Calculates the additional expense or savings that result from the changes to these items in the JCBA; and

e. Combines the individual items to determine the overall cost impact to the Company of the JCBA.

12. The valuation of a JCBA proposal is then expressed as the incremental cost or savings to the Company relative to the Baseline. The Market Value is a $112 million annual incremental cost above the Baseline. The $112 million annual Market Value is comprised of $62 million (produced by the Model and excluding profit sharing), plus $50 million proposed by APFA as a substitute "market-based in the aggregate" value for the profit sharing plans at

United, Continental, and Delta, and agreed to by the Company for purposes of this interest arbitration. Accordingly, per the NPA, the JCBA that the Arbitration Panel in this matter awards shall have a Market Value of $112 million annually over the Baseline for the five-year term of the JCBA and, while it disagrees with the $50 million profit sharing valuation, for purposes of this interest arbitration only, the Company will not dispute either that profit sharing valuation or the $112 million annual Market Value.

13. On November 27, APFA provided the Company with its interest arbitration proposal (the "APFA Proposal"). (Joint Ex. 1.) APFA proposes that the Tentative Agreement be adopted as the JCBA by the Arbitration Panel with the following modifications: (a) a "me too" to other employee groups at American for profit sharing plans subject to a reduction in wage rates equal to $50 million per year (as set forth in Paragraphs 3(b) and 3(c) of the APFA Proposal); (b) a "me too" to other employee groups at American for health insurance plans (as set forth in Paragraph 4(a) of the APFA Proposal); and (c) modified wage rates retroactive to December 2, 2014 (set forth in Paragraph 2 of the APFA Proposal).

14. The Company asserts that the value of the APFA Proposal is $112 million annually above the Baseline and is also above the value of the Legacy Contracts for American and US Airways and therefore satisfies the Arbitration Standard *only* if: (a) the profit sharing me too is not included; (b) the health insurance me too is not included; and (c) the modified wage rates are not retroactive to December 2, 2014, but are implemented in accordance with the Tentative Agreement (i.e., the 1st day of the bid month following the effective date of the JCBA). APFA asserts that the value of the APFA Proposal is $112 million annually above the Baseline and is also above the value of the Legacy Contracts for American and US Airways and therefore satisfies the Arbitration Standard absent items (a) to (c) in the prior sentence, but

contends that those items should not be costed in measuring the value of the JCBA against the Arbitration Standard.

15. But for these three issues, the APFA Proposal is acceptable to the Company. Thus, the issues to be determined by this Arbitration Panel are whether the JCBA should: (a) contain the profit sharing me too provided for in Paragraphs 3(b) and 3(c) of the APFA Proposal; (b) contain the health insurance me too provided for in Paragraph 4(a) of the APFA Proposal; or (c) make the compensation rates set forth in Paragraph 2 of the APFA Proposal retroactive to December 2, 2014.

Dated: December 3, 2014

For the Association of Professional Flight Attendants:

By: _____
Bredhoff & Kaiser PLLC
Jeffrey R. Freund
Roger Pollak

For American Airlines, Inc.

By: _____
O'Melveny & Myers LLP
Robert A. Siegel
Mark W. Robertson

APFA to Company 4/12/12

Conditional Labor Agreement

SUBJECT	TERM
Base Agreement	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
Term	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 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
Early Out	1. Award a minimum of 1500 FAs in seniority order Company may offer to more FAs at its sole discretion 2. Eligibility Criteria a. Top of pay scale b. In AA paid status, including "overage leaves" or on furlough from AA 3. Timing – Release of FAs who accept Early Out subject to operational needs 4. Benefits a. $40,000 per FA b. Accrued vacation payout per CBA c. Medical • Age 55 and above – access to VEBA • Age 50 to 55 – if FA pays monthly employee VEBA contribution, access to VEBA benefits at age 55
Pension	1. Freeze current Plan 2. Establish DC Plan for flight attendants on the AA seniority list as of Plan Effective Date for a duration five (5) years as follows: a. Current FAs under 40 years old – Company contribution of 5.5% of pensionable earnings b. Current FAs 40-49 years old – Company contribution of 6.75% of pensionable earnings c. Current FAs 50 and older than 50 – Company contribution of 9.9% of pensionable earnings 3. New Hires at the Plan Effective Date and Flight Attendants on the AA seniority list as of the Plan Effective Date after five (5) years – Company contribution of 3% of pensionable earnings plus a match to a maximum of 5.5% of pensionable earnings.
Retiree Health	1. Eliminate current provisions 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
Active Health	Single Company Plan
Bidding System	1. Lineholders and Reserves will adopt PBS consistent with the terms of AA 1113 proposal. 2. Current system to remain in place until PBS established 3. Improve Reserve processes by incorporating an earlier Reserve

	assignment notification and incorporating am/pm Ready Reserve shifts. 4. Allow Reserves to pick-up time on OFF days as pay-no-credit (pay in addition to Reserve Guarantee)
Line Build	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. 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 (87) hours. The established monthly maximum will apply in actual operations.
Hourly Wage Rates	APFA Domestic Base 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)
Incentive Pay	Eliminate
International Premium	$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
Sequence Pay Protection	APFA Proposal (sent to US Airways)
Per Diem (TAFB)	$2.00 Domestic/$2.20 International
Staffing	AA 1113 proposal (subject to grievances per CBA; e.g., changes in level of service or introduction of new equipment)
Combined Domestic and International Operations	AA 1113 proposal
Profit Sharing	In lieu of profit sharing arrangement, the flight attendants shall receive a 2.5 percent pay increase as of the Plan Effective Date
Claim	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.
APFA Fees and Expenses	NewCo will pay APFA's professional fees and expenses incurred in connection with the reorganization 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
Condition Precedent to Effectiveness	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
Furlough Protection	1. Prior to Operational Flight Attendant Integration, no FA employed as of the Plan Effective Date will be furloughed, subject to force majeure. 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
§ 1113 Protections	1113 Waiver. 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.
Duration	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.

Association of Professional Flight Attendants

By: Laura R Glading
Name: Laura Glading
Title: President
Date: April 12 2012

US Airways, Inc.

By: Paul D Jones
Name: Paul D. Jones
Title: Vice President, Legal Affairs and Chief Compliance Officer
Date: April 12, 2012

APPENDIX C

December 31, 2012

Laura Glading
President
Assoc. of Professional Flight Attendants
1004 West Euless Blvd.
Euless, TX 76040

Dear Laura:

In connection with this consideration of a potential merger between US Airways ("US") and American Airlines ("American"), the Association of Professional Flight Attendants ("APFA") entered into a Conditional Labor Agreement with US dated April 12, 2012 (the "CLA"). The CLA anticipated a merger between US and American on certain terms (the "Proposed Merger") that would result in a merged carrier (the "New American"). Subsequently, the APFA and American entered into a new Collective Bargaining Agreement dated September 12, 2012 ("New CBA") and American began the process of implementing the terms of the New CBA. Since US and APFA did not anticipate the New CBA when entering into the CLA, the parties to this letter wish to clarify and acknowledge their understandings and intent with respect to how the New CBA and CLA are intended to modify or leave unchanged various provisions of either agreement in the event the Proposed Merger occurs. Accordingly, the parties agree and acknowledge the following:

1. The August 10, 2012 Me Too letter between American APFA executed in connection with the New CBA will not apply and will have no force and effect in the event US and AA proceed with the Proposed Merger. For avoidance of doubt, the parties hereby confirm that, irrespective of whether a Proposed Merger occurs, the Me Too Letters shall remain effective in accordance with their terms with respect to the collective bargaining agreements for the APA and TWU as and in the form and substance approved by the Bankruptcy Court through December 19, 2012, as to which (a) AMR has informed APFA that the letters have been satisfied and (b) APFA has reserved its rights pending confirmatory due diligence."
2. Paragraph 1 of the Process section of the CLA will 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."
3. 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.
4. Under Paragraph 3 of the Pension section of the CLA applicable to New Hires at the Plan Effective Date and to Flight Attendants on the AA seniority

list as of the Plan Effective Date after five years, we wish to clarify that the company contribution will in no event exceed 5.5% of pensionable earnings.

5. Because the New CBA DOS pay rate increase was greater than that provided for in the CLA and Flight Attendant pay rates have already been adjusted pursuant to the New CBA, the parties acknowledge that DOS increase in the CLA has been satisfied. The parties further acknowledge that the next pay rate increase under the CLA of 1.5% or the New CBA of 2% (whichever is in force at the time) will take effect on October 1, 2013.
6. 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.
7. 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.
8. 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.
9. If the CLA becomes effective, and is subsequently deemed to be unenforceable or invalid for any reason, APFA agrees that the terms and conditions of employment for American's Flight Attendant(s) will be those of the New CBA, except that the process prescribed in the CLA for the creation of a joint collective bargaining agreement would be automatically incorporated into the New CBA, as follows:
    1. Prior to Operational Flight Attendant Integration (as defined in Paragraph 3 above), separate flying will continue, with each airline operating its own aircraft including those in its existing fleet and on order until the earlier of twenty-four (24) months or Operational Flight Attendant Integration.
    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, the New American 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 New American for implementation. The procedures for the arbitration shall be mutually agreed between the parties.

10. APFA acknowledges that there are no representations, commitments or agreements between it and US other than those set forth in the CLA.

Please indicate your agreement with the above modifications and clarifications by signing in the space indicated below.

Sincerely,

/s/
Scott Kirby

Agreed and accepted:

Association of Professional Flight Attendants

By: /s/ Laura R. Glading

cc: Laura Einspanier

NEGOTIATIONS PROTOCOL AGREEMENT AMONG AMERICAN AIRLINES, INC., US AIRWAYS, INC., THE ASSCIATION OF PROFESSIONAL FLIGHT ATTENDANTS, AND THE ASSOCIATION OF FLIGHT ATTENDANTS

This Negotiations Protocol Agreement ("agreement") is entered into by American Airlines, Inc. ("American"), US Airways, Inc. ("US Airways")(together with American, the "Company"), the Association of Professional Flight Attendants ("APFA") and the Association of Flight Attendants ("AFA")(collectively, the "parties") pursuant to the Railway Labor Act, 45 U.S.C. §§151, *et seq*.

The purpose of this Agreement is to memorialize certain agreements and understandings among the parties concerning the negotiation of a Joint Collective Bargaining Agreement applicable to all Flight Attendants in the service of the company ("American JCBA").

Until an American JCBA becomes effective and unless otherwise modified by this Agreement, the conditional Labor Agreement between US Airways and APFA, as modified by a December 31, 2012 Memorandum of Understanding and clarified by February 12 and April 11, 2013 Letter of Clarification (collectively, the "CLA") shall remain in effect for pre-merger American Flight Attendants and the US Airways/AFA collective bargaining agreement ("USA CBA") shall remain in effect for pre-merger US Airways Flight Attendants.

A. Bargaining Process

1. Negotiations for an American JCBA shall commence no later than sixty (60) days after the AFA membership has ratified this Agreement and the December 18, 2013 AFA/APFA Agreement for Bargaining and Representation. Such referendum shall be completed within forty (40) days of reaching Agreement.
2. Negotiations for an American JCBA shall continue for no more than one hundred and fifty (150) additional days from the commencement of negotiations unless all parties agree otherwise. AFA, APFA and the company shall agree to a schedule of negotiation dates which shall include an average of ten (10) days per month of actual negotiations. The number of days may be adjusted per agreement of all parties.
3. The parties shall have the goal, where feasible, of using a process for reaching a tentative American JCBA via an "adopt-and-go" method (that is, selecting specific entire sections to the extent possible). Nothing in this Agreement shall require retention or improvement upon, or prevent modification of, any particular section or provision of either the CLA or the USA CBA in the American JCBA.
4. The parties shall use mediation to reach a tentative American JCBA and shall jointly request that Jim McKenzie be appointed by the NMB as a facilitator for the negotiations. Should Jim McKenzie be unavailable, the parties shall mutually agree on an alternative.

5. If a tentative American JCBA is reached, it shall be put to a ratification vote of the combined Flight Attendant membership. If the tentative American JCBA is not ratified or if a tentative American JCBA is not reached, any outstanding disputes, including, but not limited to disputes regarding economic valuation, shall be submitted to final and binding interest arbitration in accordance with paragraph B, below, with the exception of disputes arising under paragraph B.5.b., below. The hearing shall begin within ninety (90) days of the submission. Prior to arbitration, the parties shall utilize mediation.

B. Interest Arbitration

1. The Arbitration Panel shall include three (3) neutral arbitrators, two (2) Union-designated-representatives (one designated by AFA and ne designated by APFA) and two (2) Company-designated representatives. Richard Bloch and Joshua Javits shall be appointed as neutral arbitrators and together they shall select the third neutral arbitrator.
2. Both the USA CBA and CLA shall be considered in any arbitration for a American JCBA. If there is arbitration, APFA and AFA anticipate that they will present to the Arbitration Panel positions based on both the USA CBA and CLA. This subparagraph B.2 does not, however, impose any requirement or restriction on the positions the Company may present.
3. For the interest arbitration, "market-based in the aggregate" shall be based on Delta and United if an initial United-AFA joint collective bargaining agreement has been implemented at the time of the arbitration, and shall be based on Delta, United, and Continental if no initial United-AFA joint collective bargaining agreement has been implemented at the time of the arbitration.
4. The Arbitration Panel award shall be issued no later than thirty (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.
5. In the event that United implements an initial flight attendant joint collective bargaining agreement after the American JCBA is implemented, beginning no later than thirty (30) days after the initial United joint collective bargaining agreement has been implemented, the Company and the certified collective bargaining representative(s) of the flight attendants in the service of the Company shall determine how the initial United joint collective bargaining agreement affects the "market-based in the aggregate" analysis for the American JCBA.
   a. The American JCBA shall thereafter be adjusted under the "market-based in the aggregate" analysis to reflect the initial United joint collective bargaining agreement.
   b. If the Company and the certified collective bargaining representative(s) of the flight attendants in the service of the Company are unable to agree on the impact on the American JCBA of the initial United joint collective bargaining agreement under the "market-based in the aggregate" analysis, within fifteen (15)

days from their initial meeting the Company and the certified collective bargaining representative(s) of the flight attendants in the service of the Company shall immediately submit their dispute to final and binding arbitration to determine what changes, if any, should be made to American's JCBA under the "market-based in the aggregate" standard. The award shall be issued no later than thirty (30) days after the first day of the hearing and shall be final and binding on all parties. The procedures for the arbitration shall be agreed upon by the parties.

6. The American JCBA that results from the arbitration procedures described herein shall have a total economic value that:
   a. is equal to "market-based in the aggregate," and
   b. as applied to pre-merger American Flight Attendants, has a total economic value which is greater than the total economic value of the American Airlines CLA as applied to pre-merger American Flight attendants; and
   c. as applied to pre-merger US Airways Flight Attendants, has a total economic value which is greater than the total economic value of the USA CBA as applied to pre-merger US Airways Flight Attendants.

C. Negotiations/Seniority Integration-Related Reimbursement

1. The APFA and AFA shall be reimbursed by the company for the cost and expenses of negotiations of the American JCBA (including any interest arbitration) and seniority list integration. The combined total reimbursement to the APFA and AFA for costs and expenses described in this subparagraph C.1 (including, but not limited to flight pay loss and professional advisor fees) shall not exceed a total of three (3) million dollars. Reimbursement shall be distributed incrementally to the APFA and AFA on a quarterly basis, until the three (3) million dollar cap is reached. The APFA and AFA shall jointly inform the Company of the manner in which the incremental payments shall be made.
2. Any reimbursement described in subparagraph C.1 shall not include expense or flight pay loss associated with litigation, grievances or claims of any kind against the Company, or their affiliates, related entities or successor(s) or to influence the representation choices of their employees or affect their organization rights under Section 2, Ninth of the Railway Labor Act.
3. The Company shall also make positive space transportation available to a reasonable number of the Unions' Merger and Negotiating Committee members who are necessary for a given meeting related to seniority list integration and contract negotiations (including any interest arbitration). Any dispute shall be referred to the mediator on an expedited basis. The Company shall provide such positive space at the Flight Attendant's option on either US Airways mainline/express or American mainline/express.

4. The Company shall provide, at no cost to the Union, negotiating facilities for negotiating sessions between the Unions and the Company. The negotiating facilities shall include, at a minimum, an adequately sized negotiating room plus caucus rooms at a location in which copies can be made and with free internet service.
5. The Company shall cooperate with and respond to reasonable requests by the Union's for merger-related operational and financial information, subject to agreed terms for confidentiality.

D. Other

1. AFA, APFA, and the Company agree to resume MOU discussions within ten (10) days of ratification of this Agreement.

Accepted and Agreed:

_____/s/_____
Laura Glading, President
Association of Professional Flight Attendants
Date: 1/24/14

_____/s/_____
Roger Holmin, MEC President
Association of Flight Attendants
Date: 1/25/14

_____/s/_____
Paul D. Jones, Senior Vice Present, General Counsel and Chief Compliance Officer
American Airlines Group Inc., American Airlines, Inc., US Airways Group, Inc., and US Airways, Inc.
Date: 1/24/14

Appendix E

Years of Service	1/01/2015	1/01/2016	1/01/2017	1/01/2018	1/01/2019
1st Year	$22.62	$23.07	$23.53	$24.00	$24.72
2nd Year	$24.06	$24.55	$25.04	$25.54	$26.30
3rd Year	$25.83	$26.34	$26.87	$27.41	$28.23
4th Year	$27.34	$27.88	$28.44	$29.01	$29.88
5th Year	$30.32	$30.93	$31.55	$32.18	$33.14
6th Year	$35.75	$36.47	$37.19	$37.94	$39.08
7th Year	$38.66	$39.44	$40.22	$41.03	$42.26
8th Year	$39.77	$40.56	$41.37	$42.20	$43.47
9th Year	$41.15	$41.97	$42.81	$43.66	$44.97
10th Year	$42.73	$43.58	$44.45	$45.34	$46.70
11th Year	$44.02	$44.90	$45.80	$46.71	$48.12
12th Year	$45.84	$46.76	$47.70	$48.65	$50.11
13th Year	$50.17	$51.17	$52.20	$53.24	$54.84