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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

AMERICAN AIRLINES FLOW-THRU PILOTS COALITION, GREGORY R. CORDES, DRU MARQUARDT, DOUG POULTON, STEPHAN ROBSON , and PHILIP VALENTE III, on behalf of themselves and all others similarly situated, Plaintiffs, vs. ALLIED PILOTS ASSOCIATION and AMERICAN AIRLINES, INC., Defendants.	Case No.: 3:15-cv-03125 RS **LIST OF EXHIBITS SUBMITTED IN OPPOSITION TO APA'S MOTION FOR SUMMARY JUDGMENT** April 21, 2016 1:30 P.M. Courtroom 3, 17th Floor Judge Richard Seeborg

The following is a list of the exhibits submitted in opposition to APA's motion for summary judgment.

Dated: March 31, 2016.

KATZENBACH LAW OFFICES

By s/ Christopher W. Katzenbach

Christopher W. Katzenbach
Attorneys for Plaintiffs AMERICAN AIRLINES FLOW-THRU PILOTS COALITION, GREGORY R. CORDES, DRU MARQUARDT, DOUG POULTON, STEPHAN ROBSON, and PHILIP VALENTE III on behalf of themselves and all others similarly situated

	Exhibit List
Exhibit 1	Joint Collective Bargaining Agreement, Jan. 30, 2015
Exhibit 2	Agreement between American Airlines and AA Airline Pilots as represented by Allied Pilots Assoc., May 1, 2003
Exhibit 3	Agreement between American Airlines and AA Airline Pilots as represented by Allied Pilots Assoc., May 5, 1997
Exhibit 4	Opinion and Award in Grievance under Letter Three/Supplement W, Case No. FLOW-0903, John LaRocco, Arbitrator, May 7, 2007
Exhibit 5	Letter to Gavin Mackenzie from Ed Criner, AA V-P Flight Operations, Aug. 9, 2000
Exhibit 6	Letter to Gavin Mackenzie from Matt Bartle, Counsel, American Eagle Airlines, July 1, 2010
Exhibit 7	Arbitration transcript, Vol 3, pp. 344-367, in Grievance No. FLO-0108, March 30, 2010
Exhibit 8	Outline of the 4-Party Understanding of Arbitrator Nicolau's Remedial Award, AA FLO 01-08
Exhibit 9	Letter to Arbitrator Nicolau from David Dean, dated May 24, 2010
Exhibit 10	Letter to Arbitrator Nicolau from Harry Rissetto, dated May 24, 2010
Exhibit 11	Letter to the Allied Pilots Assoc. Board of Directors from Vincent Basset, et al., dated May 13, 2013
Exhibit 12	Letter to Allied Pilots Assoc. Board of Directors from Greg Cordes, dated Nov. 5, 2013
Exhibit 13	Letter to Allied Pilots Assoc. BOD members, Sept. 13, 2014
Exhibit 14	Letter to Allied Pilots Assoc. BOD from Greg Cordes, dated Sept. 16, 2014
Exhibit 15	Letter to Allied Pilots Assoc. BOD from Greg Cordes, AA Flow-Thru Pilots Coalition, dated Oct. 2, 2014
Exhibit 16	Letter to Scott Kirby, Pres. AAG, from Greg Cordes, dated Jan. 9, 2015
Exhibit 17	Letter G: Letter to Capt. Keith Wilson, Pres. APA, from Beth Holdren, dated Jan. 30, 2015
Exhibit 18	LM-2 Annual Report for Allied Pilots Assoc. through 06/30/2015
Exhibit 19	APA BOD Spring Meeting Update, posted 05/07/2015
Exhibit 20	Notice to APA Member from Pam Torell, APA Secretary-Treasurer, re: June 23-25, 2015, Special BOD mtg.
Exhibit 21	Letter to Capt. Mark Stephens, APA, from Christopher Katzenbach, dated Sept. 30, 2014
Exhibit 22	Letter to Christopher Katzenbach from Edgar James, dated Oct. 17, 2014
Exhibit 23	Letter to Wesley Kennedy from Christopher Katzenbach, dated June 17, 2015
Exhibit 24	Report to the President by Emergency Board No. 233, dated Feb. 15, 1997

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AMERICAN AIRLINES FLOW-THRU PILOTS COALITION, GREGORY R. CORDES, DRU MARQUARDT, DOUG POULTON, STEPHAN ROBSON , and PHILIP VALENTE III, on behalf of themselves and all others similarly situated, Plaintiffs, vs. ALLIED PILOTS ASSOCIATION and AMERICAN AIRLINES, INC., Defendants.	Case No.: 3:15-cv-03125 RS **DECLARATION OF GREGORY R. CORDES IN IN OPPOSITION TO APA'S MOTION FOR SUMMARY JUDGMENT** April 21, 2016 1:30 P.M. Courtroom 3, 17th Floor Judge Richard Seeborg

I, GREGORY R. CORDES, declare under penalty of perjury:

1. I am a plaintiff in this action. I am submitting this declaration in opposition to the motion of defendant ALLIED PILOTS ASSOCIATION ("APA") for summary judgment.

2. I am a pilot for American Airlines ("American"). Presently, I am serving as a First Officer on a Boeing 767 aircraft. Before coming to American, I was a Regional Jet (also known as Commuter Jet) Captain at American Eagle Airlines, a wholly owned subsidiary of

AMR, Inc. AMR, Inc. owned both American Eagle and American. I was an elected member of the ALPA EGL MEC (LAX CA & Chairman) from 1997 till 2001. I also formed and was appointed Chairman of the ALPA EGL Flow-Through Committee from 1997 - 2001.

3. I obtained my position at American because of an agreement known as the Flow-Through Agreement, and also referred to as Supplement W or Letter 3. The Flow-Through Agreement is part of the collective bargaining agreement between American and the Allied Pilots Association ("APA"), where it is known as "Supplement W" (or "Supp. W") and the collective bargaining agreement between the Air Line Pilots Association ("ALPA") and American Eagle, where it is known as "Letter 3." The Flow-Through Agreement is dated May 5, 1997, and expired May 1, 2008 (the date the next collective bargaining agreement between APA and American that was entered-into after the Flow-Through Agreement was signed expired and became amendable). In this declaration, I refer to the Flow-Through Agreement as Supp. W.

4. The pilots who came to American pursuant to Supp. W are known as Flow-Through Pilots, referred to herein as "FTPs." The Declaration of Gavin Mackenzie describes how Eagle pilots obtained American seniority numbers, the hold-back pilots and how they were entitled to move to American. Mr. Mackenzie's declaration also describes the Nicolau remedy award in FLO-0108 and related matters as to how this award came about. Mr. Mackenzie's statements and the matters he states concerning the operation of Supp. W and the Nicolau remedy arbitration in paragraphs 6 through 17, 19 through 21, and 23 through 27 is correct. I also believe that Mr. Mackenzie's description and summary of his case trying to challenge the Nicolau remedy arbitration award in paragraphs 18, 22 and 28 is correct as well.

5. I am the president of the American Airlines Flow-Thru Pilots Coalition ("AAFTPC"), a plaintiff in this action. AAFTPC is a subdivision of the American Eagle Pilots Association, a California Corporation. AAFTPC is an association of pilots flying for American Airlines who obtained their positions at American Airlines pursuant to the Flow-Through Agreement—that is, the FTPs.

6. The Flow-Through Agreement allowed American Eagle jet captains to move to American as places in new-hire classes became available. When American hired pilots, it would establish a new-hire class. FTPs were entitled to half the positions in each such new-hire class—that is, one out of every two positions. An American Eagle jet captain who had been trained on the jet aircraft and completed initial operating experience ("IOE") on the aircraft could bid for one of the new hire positions in an American new hire class. (IOE is a period of supervised flying, typically about 18 days after training was completed, for the newly-trained pilot.)

7. A pilot who successfully bid for a new-hire class was not necessarily entitled to attend the class and move to American immediately. American Eagle was entitled to hold-back or "withhold" the pilot at American Eagle for operational reasons, typically because of a "training freeze" or "lock-in" that prohibited a jet captain from transferring to another job for a period after they had been trained on a particular aircraft. All pilots received training that is specific to a particular aircraft being flown before they are qualified to fly that equipment. The training freeze is designed to allow the carrier to recoup the costs of such training by requiring the newly-trained pilot to fly the aircraft on which they have just been trained before they can transfer to another position. A training freeze or lock-in is typically two-years.

8. As a result of a training freeze or other operational reasons, the American Eagle pilots who successfully bid for positions in new-hire classes at American before September 11, 2001 were all held back at American Eagle.

9. Notwithstanding the hold-back, the American Eagle pilot would get assigned a seniority number on the American pilot seniority list based upon and as if the pilot had been able to fill one of the positions and had attended the American new hire class the pilot would have attended if not held back. This seniority number was an "occupational" seniority number. It was not a length of service or "classification" seniority used for pay purposes. Typically, when the term "seniority" is used at American or Eagle, the term is referring to occupational seniority.

10. All pilots at American and Eagle are familiar with occupational seniority. Occupational seniority is critical to a pilots and employment. It determines where the pilot is

based and, as a result, can live, the size and pay level of the aircraft the pilot flies, whether or not the pilot gets first or last choice of monthly schedules or vacation weeks. It determines whether the pilot can be a high paid Captain or a low paid First Officer, whether the pilot can fly trips to Hawaii during the day, or be relegated to all night redeye flights. It is what gives the pilot job security in a furlough. It is the largest factor in what determines a pilot's pay and quality of life.

11. When I received my seniority number at American airlines, I understood that it was a regular seniority number that would be used for all normal purposes at American. I was being held back at Eagle because of the specific provisions of Supp. W that allowed Eagle to hold me back to complete a two- year training freeze before I could fully exercise my American seniority.

12. After I received my American seniority number, I expected to move to American. Under Supp. W, I anticipated that my hold-back at Eagle would not last more than two years and that I would have American seniority for this period since I received the seniority number when I applied for the new hire class. Because of my American seniority and the terms of Supp. W, I had no incentive to look for other employment as a pilot. There was no other airline I wanted to work for as much as American. I believed I was certain to go to American under Supp. W. Additionally, the fact that I was able to carry over all of my vacation accrual was a strong motivating factor in inducing me to not look elsewhere. Once I received my AA seniority number, there was no way I would have gone to another airline, even if they had begged me, as that would have meant giving up a seniority number at what I considered to be the best airline in the world, for which I would soon be working. In particular, I did not apply for United or Alaska Airlines, because of my reliance on the promises in Letter 3 and American being my carrier of choice. I also knew if I went to one of those carriers that I would be giving up years of classification seniority as it pertains to vacation. Even prior to my placement on the AA seniority list I did not apply for TWA or America West, even though those airlines were very easy to get hired into. This was due to the fact that I viewed those jobs and careers to be inferior to what I felt I would be moving into at American under Supp. W.

13. I and other Eagle pilots were excited about moving to American. It meant flying larger airplanes, to exotic destinations, for more pay. We would follow American's Chief Pilot's recorded hotline message every week, (800) YO PILOT, to keep abreast of what was happening. I would periodically go to the American pilots crew lounge to read all of the APA postings and literature that I could.

14. American pilots and APA initially were cordial to and worked with the Eagle pilots with respect to Supp. W. That changed dramatically after American acquired TWA. After that point, I heard American APA-represented pilots accusing the Eagle pilots of being inferior pilots, or not good enough to fly for AA.

15. I found such comments both disturbing and false. As far as operating the equipment is concerned, the job, skills required, and tasks performed are very similar between a regional jet flown at Eagle and the Boeing 737 that was flown in the lowest tier at American. In fact, the flow-back situation resulted in the lowest Captain experience levels ever experienced in the Eagle Jets, with many of the former TWA pilots not even able to qualify initially for the minimum 3,000 hour FAA requirements to fly as Captain for Eagle.

16. Before September 11, 2001, about 518 American Eagle pilots had bid for new hire classes at American and had received seniority numbers on the American pilot seniority list. Of these initial FTPs, 124 pilots (i.e., the first 125 less one who did not move to American) transitioned to American before September 11, 2001. After September 11, 2001, American stopped hiring new pilots, began furloughing pilots and did not start new hire classes until about May 2007.

17. Initially in 2007, American recalled American pilots who were on furlough. These initial recalls involved pilots who had been flying for American before their furlough. Starting in about June 2007 American began calling certain former TWA-LLC pilots for work that had never flown for American. These pilots are referred to as "TWA-LLC Staplees" or "Staplees." The TWA-LLC Staplees were generally below the FTPs on the seniority list.

18. The hiring of the TWA-LLC Staplees resulted in a series of grievances before Arbitrators John B. LaRocco (FLO-0903) and George Nicolau (FLO-0108). Some of these decisions are Exhibits 10, 11 and 12 to APA's motion. APA has omitted the merits decision in FLO-0108. That decision is attached as Exhibit 4 to the exhibits presented in opposition to APA's motion for summary judgment.

19. Arbitrator LaRocco's decision on the merits in FLO-0903 issued on May 11, 2007. This decision held that the TWA-LLC pilots who did not commence active employment with American were "new hire" pilots. At page 45 of his merits decision (Pltf. Exh. 4), Arbitrator LaRocco stated:

> ALPA presented overwhelming evidence that many former TWA pilots, including several pilots subject to the 1:8 ratio in Supplement CC, neither performed any active service at AA nor were trained at AA. If and when positions are available at AA, the presence of a huge group of former TWA pilots (the staplees) on the AA seniority roster cannot interfere with the rational operation of Section III.A of Letter 3/Supplement W. Pilots who did not commence active employment at AA in conjunction with merger are equivalent to new hires because positions are no longer being established or filled due to the acquisition.[17]
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> [17] The stapelees are identical to a large pool of successful applicants (for employment) since they will not obtain AA positions stemming from the TWA acquisition.

20. Following LaRocco's decision, American nevertheless proceeded to hire the TWA-LLC Staplees into new hire positions as they opened up at American. APA did nothing to stop American from hiring the Staplees ahead of the FTPs. As a result, the FTPs did not start moving to American until after the decision on remedy in FLO-0108 over three years later.

21. In addition, a separate arbitration before Arbitrator Richard I. Bloch (FLO-0107) concerned the effect of the expiration of the Flow-Through Agreement on the FTPs right to move to American. In FLO-0107, APA contended that the expiration of the Flow-Through Agreement in May 2008 terminated all flow-up rights for all American Eagle pilots who had not

yet moved to American. That would have meant no flow-up rights for all FTPs other than the first 124 who had already moved to American, even though these FTPs were on the American pilot seniority list. (At the time APA made this argument, American had already begun hiring TWA-LLC Staplees in preference to FTPs.) Arbitrator Bloch's award concluded: "The right to flow-up is to be retained by Eagle CJ captains who, prior to May 1, 2008, completed IOE and received AA seniority numbers." The decision in FLO-0107 is Exhibit 14 to APA's summary judgment motion.

22. AAFTPC has been an advocate for the interests of the FTPs. The AAFTPC's goals, as described on its website, are:

> The AA Flow-Thru Pilots Coalition has 2 goals:
>
> 1. To defend the FTPs vested and bargained for positions on the AA Seniority list from attack by the other parties during the SLI process.
>
> 2. To have the Flow-Through Pilots time spent flying as regional jet Captains at AMR count toward Length of Service (LOS) at AA, the same as other AA pilots who have transferred to AA from other airlines. There should be no Flow-through Pilot who is paid less per hour for doing the same job than any pilot junior to him on the AA System Seniority List.

23. Among other things, AAFTPC has requested that APA negotiate Length of Service (LOS) for FTPs for service at American Eagle in the same way APA has negotiated LOS credits for other pilots who have transferred to American from other airlines.

24. On May 13, 2013, I and other FTPs sent a letter to the APA Board of Directors asking that APA seek to have the FTPs classification data used for pay purposes adjusted to their occupational date to remedy the pay disparities between FTPs and other American pilots. A copy of this letter is Exhibit 11 in the exhibits presented in opposition to APA's motion for summary judgment. APA did not respond to this letter.

25. On November 5, 2013, I sent a letter to the APA Board of Directors noting the disparity in pay between FTPs and TWA pilots that were junior to the FTPs on the seniority list. I asked APA to bring the FTPs into parity with other American pilots. A copy of this letter is

Exhibit 12 in the exhibits presented in opposition to APA's motion for summary judgment. I received no response to this letter.

26. About September 3, 2014, I arranged for about 200 FTPs to send form letters to the APA asking for pay parity with other American pilots. A copy of one of these form letters is Exhibit 13 in the exhibits presented in opposition to APA's motion for summary judgment. APA did not respond to these letters.

27. On September 16, 2014, I again wrote APA Board of Directors asking APA to negotiate pay parity for the FTPs. A copy of this letter is Exhibit 14 in the exhibits presented in opposition to APA's motion for summary judgment. I received no response to this letter.

28. On October 2, 2014, I again wrote to the APA Board of Directors asking for APA to negotiate pay parity. A copy of this letter is Exhibit 15 in the exhibits presented in opposition to APA's motion for summary judgment. I stated on page 2: "To this date, the APA is still refusing to negotiate for the Flow-Through pilots to be paid in the same manner as other pilots that have transferred to AA from other airlines, despite doing so for every other pilot group on the property, including furloughees." I received no response to this letter.

29. On January 9, 2015 I wrote to American Airlines Group to protest the discrimination in pay received by FTPs. A copy of this letter is Exhibit 16 in the exhibits presented in opposition to APA's motion for summary judgment. I received no response to this letter. American did not deny any of the facts I had stated in the letter.

30. The purpose of sending Exhibits 11 through 16 was to see if APA would negotiate in the upcoming negotiations with American to make up the losses suffered by FTPs because of the fact that they did not get length of service credits for time they were unable to transfer to American. In these letters, I explained that I did not think there was a significant difference between TWA pilots who had been laid off from TWA-LLC before flying for American and who then flowed-down to fly at Eagle, and Eagle pilots who could not move to American and continued flying at Eagle until American jobs opened up. In both cases, the pilots were unable to fly at American because the events of September 11, 2001 caused a down-turn in the airline

industry and a reduction in the number of jobs for pilots at American. Furthermore both pilots groups were in the same position, in that both groups had AA seniority numbers, and both groups were dues paying ALPA members, and at the same time some of the senior members of both pilot groups had made the transition to AA and were being represented solely by APA.

31. When one compares the difference between how APA represented and negotiated for these two similarly situated pilot groups, it becomes very clear that APA crossed the line between what would have simply been horrible representation, and intentional discriminatory failure to represent the FTPs. In one arbitration after another APA attempted to not only help the TWA pilots achieve better pay and seniority, but they did so at the expense of the FTPs. The results of APA's work is indisputable. All one has to do is compare the rates of pay of the more junior former TWA pilots, to the FTPs for doing the exact same job. The FTPs earn $17,000 and more less than the junior former TWA pilots for the same job. Plaintiffs' Exhibit 12—one of the letters I sent APA—gives the precise figures as to how much FTPs are underpaid as compared to junior former TWA pilots. These calculations are derived from review of the seniority list and the collective bargaining agreement. APA has never disputed this disparity or, prior to this lawsuit, attempted to justify the disparity to me or any other FTP to my knowledge. It was with that history, that the FTPs came to the APA and were asking, almost begging for the APA to take the opportunities afforded under all of the merger and contract negotiations which were then occurring to try to fix the blatant pay disparity facing the FTPs. After all, the APA had helped to create those very disparities. The JCBA was finally ratified in January 2015, not only without the APA even doing anything to fix the existing pay disparity, but added yet another discriminatory pay difference between the FTPs and the TWA Staplees in the form of the 2 year LOS credit in Letter G.

32. I was aware of correspondence with APA's lawyers that APA believed that it did not represent the FTPs who were on the American seniority list until the FTPs began flying for American. See Mr. James' letter to me dated November 15, 2013, that is part of APA Exhibit 15, at page 30. While I disagree with this position, at the time that I and other FTPs were

seeking pay equity, we were all at American and represented by APA in the negotiations for the 2015 collective bargaining agreement (CBA) that were in process at the time of these letters.

33. In the 2015 CBA, APA negotiated for and obtained an additional two years of LOS credit for all pilots who had been furloughed. This agreement is known as Letter G. A copy of Letter G is Exhibit 17 in the exhibits presented in opposition to APA's motion for summary judgment. Letter G applies to both American pilots and US Airways pilots who came to American as part of the 2013 acquisition of US Airways.

34. As noted above, APA did not respond to the letters asking it to negotiate LOS credits for FTPs. Until its summary judgment motion, APA has not provided any explanation why it would not do so or why it would negotiate for these benefits for other pilots but not FTPs.

35. On November 4 through November 6, 2015, I flew with American Pilot Brian Smith (American # 57908). Smith was a member of the APA negotiating team for the 2015 CBA and he is listed as a negotiating committee member on the signature page of the 2015 CBA. After our conversations, I checked the membership information on the APA website and confirmed that his primary email is listed as "[name omitted]@alliedpilots.org." I also reviewed the Form LM-2 filed by APA with the United States Department of Labor. The LM-2 was for the period through June 30, 2015 and stated that Brian Smith was an employee of APA being paid over $135,000 per year. A copy of this page of the 2015 APA LM-2 is Exhibit 18 in the exhibits presented in opposition to APA's motion for summary judgment. At the time we spoke, Smith was flying with me because he needed to maintain three landings in a 90 day period to keep his qualifications current. This indicates that he was not flying a regular schedule but was still working at APA. A pilot with a regular flying schedule would not usually have a special need to fly just to maintain the three landings needed to keep his qualifications current.

36. I asked Brian if the APA ever passed any proposals to the company regarding LOS pay credit for the FTPs. He said "no", the BOD specifically requested 2 year credit only be negotiated for "furloughees" and that the FTPs were intentionally excluded. I mentioned that the "furloughees", were not even furloughees under the definition in the CBA and that the FTPs

should have been included. He said that he was aware of the fact that the FTPs wanted to be included, but that a couple of the BOD members, in particular Steve Roach and possibly Tom Westbrook were not in favor of doing so, and the BOD made the "decision" not to include FTPs.

37. APA has published lists on its website showing the employees who received the Letter G LOS credits. I have reviewed those lists and I have compared the pilots on the lists to the pilots on documents produced by American in this action (Number AA-002604 et seq.) that is described as a "list of former TWA pilots who were furloughed before training/flying at AA" (AA-002604). The first page of this document indicates it was prepared and circulated to APA and ALPA for use in FLO-0903 arbitration case. Based on that review, it appears that TWA-LLC pilots who were furloughed before training/flying at American received the two-year LOS credit provided for in Letter G.

38. I did not receive LOS credits under Letter G and no flow-through pilot is on any of the lists APA has published of pilots who will receive the LOS credit under Letter G.

39. Based on my review of APA's motion for summary judgment, I understand that APA has taken the position that LOS credits are only for furloughed pilots and that the FTPs were not furloughed from either American or Eagle. As noted above, APA never provided this explanation to me at the time I was writing APA and asking that FTPs be included in any LOS credits APA negotiated. Because APA would not respond, I was unable to address APA's contention that only "furloughed" pilots should get LOS credits before APA and American finalized the new contract.

40. APA's position on LOS credits appears to me to be just one more bad faith action by APA against the FTPs. The APA's position that LOS credits are only for furloughed pilots is an arbitrary distinction in this case.

41. First, APA's distinction is arbitrary as FTPs who could not move to American because jobs were not available after September 11, 2001 were in exactly the same position as the TWA-LLC pilots who had been furloughed from TWA-LLC before flying for American. Being on furlough from American means only that a pilot is not working for American but is

entitled to recall when jobs are available. FTPs were in that situation as well, as they were also awaiting a job at American. A pilot is not prohibited from working as a pilot with other airlines while on furlough from American. In fact, American pilots and TWA-LLC pilots who had never worked at American flew at Eagle during their furloughs from American or TWA-LLC.

42. Second, APA's distinction is arbitrary as the TWA-LLC pilots who were furloughed from TWA-LLC as part of the purchase of TWA without working for American were not "furloughed" American pilots under the CBA. The definition of "furlough" in Section 2.U of the 2015 CBA states: "'Furlough' means the removal of a pilot from active duty as a pilot with the Company without prejudice, due to a reduction in force, or the period of time during which such pilot is not in the active employ of the Company as a pilot due to such reduction in force." This same langue is in Section 2.T. of the 2003 CBA. Both FTPs and TWA-LLC pilots were identically situated under this language. If the term "active duty" means actual flying for the carrier, neither FTPs or TWA-LLC pilots had been in "active duty" as a pilot for American. The FTPs had been withheld from moving to American and the TWA-LLC pilots (or the majority of them) had been furloughed before working for American. Likewise, neither the FTPs nor the TWA-LLC pilots had been "removed. . . due to a reduction in force." The TWA-LLC pilots were not at American because after the acquisition of TWA there were not enough jobs for them; the FTPs were kept from moving to American likewise because of the lack of available positions at American.

43. Third, APA's distinction is also arbitrary if the second part of the definition of furlough—"not in the active employ of the Company due to such reduction in force"—were construed to mean prevented from being in an active duty position because of a reduction in force even if never in such an active position. Again, both FTPs and TWA-LLC pilots were identically situated. Both groups were not in active duty at American because September 11, 2001 resulted in reductions in force at American that foreclosed both FTPs and TWA-LLC pilots from moving to American. If that situation satisfies the definition of "furlough" in the second

clause of the definition, both FTPs and TWA-LLC pilots would meet the definition and both would be entitled to LOS credits as "furloughed" pilots under that construction.

44. Fourth, APA's position is arbitrary because it conflicts with the provisions of Supplement CC that distinguished between furloughed pilots and the TWA-LLC pilots who had not been assigned to flying duties. Section II.D of Supplement CC, the agreement applicable to the TWA pilots in connection with the TWA acquisition, provides: "After furloughed pilots (if any) have been recalled and new pilot positions become available, American will offer employment, in seniority order, to all pilots who were hired by American after April 10, 2001 but who had not been assigned to air line flying duty as of October 1, 2001." All the TWA-LLC Staplees fell under the language of pilots "who had not been assigned to air line flying duty as of October 1, 2001." This language expressly provides that these TWA-LLC pilots were *not* furloughed pilots for purposes the CBA, but rather pilots who were entitled to positions at American only when "new pilot positions become available." That is exactly the situation for FTPs. They could move to American only when new hire positions opened up. Again, the FTPs and TWA-LLC pilots were identically situated in being on the American seniority list, but having to await new hire jobs before moving to American.

45. Finally, APA has noted prior occasions where it had negotiated LOC credits for pay purposes for "furloughed" pilots. The situations where these letters were negotiated were vastly different. In May 1997 and July 2001 where these agreements were negotiated (Letters CC and CC(2)), the situation created by September 11, 2001 had not occurred and the lengthy hold-back of FTPs at Eagle due to the ensuing reduction in force at American had not materialized. While these letters show a pattern of trying to restore time while pilots were unable to work at American because of circumstances beyond their control, they do not support a distinction between TWA-LLC pilots and FTPs and the effect on them where the furlough of American pilots after September 11, 2001 closed off the availability of positions at American that both the FTPs and the TWA-LLC pilots had anticipated receiving.

46. I am aware that TWA-LLC pilots who were furloughed directly from TWA-LLC, without flying or training at American, were able to flow-down to Eagle and fly for Eagle. I observed these pilots when I was at Eagle and they flowed-down and displaced Eagle pilots.

47. Since I have started flying at American, I have spoken to several of the TWA-LLC flow-down pilots who are below me on the American seniority list. All these TWA-LLC flow-down pilots I have spoken with have stated they were receiving more pay than I was receiving and were at higher years of service pay levels than I was at. They informed me that they had received LOS credits for their time at TWA and for their time at Eagle. The letters I and others sent to APA concerning LOS credits was prompted, in part, by such information.

48. As noted above, APA never responded to my and the FTPs requests that it negotiate for pay equity for FTPs. APA never provided me or, to my knowledge, other FTPs any explanation why it would not do so. To my knowledge, no FTP, including myself, was ever offered an opportunity to present our position at any APA Board of Director meeting where we could have addressed any reasons why APA would not seek pay parity for FTPs.

49. I am aware, however, that other pilots have been allowed to address the APA Board on this issue. The US Airways pilots who were formerly employed at Mid-Atlantic Airways ("MDA") were allowed to address the APA Board on why they should be entitled to the two-year LOS credit that APA negotiated in Letter G to the 2015 CBA. Exhibit 19 in the exhibits presented in opposition to APA's motion for summary judgment contains a copy of a press release issued by APA describing how MDA pilots were allowed to present their position to the APA Board in July 2015.

50. Exhibit 20 in the exhibits presented in opposition to APA's motion for summary judgment also contains an APA Board resolution noting that (1) APA's legal department had determined that the MDA pilots were entitled to LOS credits and (2) deferring action until after the seniority list integration process was completed.

51. Exhibit 1 in the exhibits presented in opposition to APA's motion for summary judgment is pages from the 2015 CBA between APA and American, including Section 1,

Recognition and Scope, and Section 13, Seniority. Exhibit 2 in the exhibits presented in opposition to APA's motion for summary judgment is pages from the 2003 CBA between APA and American, including Section 1, Recognition and Scope, and Section 13, Seniority and Letters CC and CC(2). Exhibit 3 in the exhibits presented in opposition to APA's motion for summary judgment is pages from the 1997 CBA between APA and American, including Section 1, Recognition and Scope, Section 2, Definitions, Section 13, Seniority, Section 13, Seniority, Section 17, Vacations, Displacements, Reinstatements, Furloughs and Recalls, and Letter AA and Letter CC.

52. I and my attorney wrote letters to APA concerning the current Seniority List Integration (SLI) arbitration. These letters are Exhibit 35 through 43 of APA's exhibits.

53. These letters asked specific questions about how APA or its committee AAPSIC was conducting the SLI arbitration and the reasons for its position. Several of its initial positions seemed designed only to harm the FTPs, in particular stipulating that service at Eagle would not count for purposes of "longevity" and putting the last 154 FTPs with seniority of April 30, 2008 at the bottom of the proposed seniority list below US Air pilots with higher (after April 30, 2008) seniority. Neither APA nor AAPSIC had discussed these positions with me or, to my knowledge, any FTP who had been active in Supp. W issues.

54. Previously, by letter of September 30, 2014, the AAFTPC had written to APA to ask to be included as a party in the SLI process, referencing the long history of conflict between APA and the FTPs. Exhibit 21 in the exhibits presented in opposition to APA's motion for summary judgment is a copy of the September 30 letter. In this letter, we asked (at p. 3, emphasis supplied):

> If the APA is unwilling to allow the FTPs party status, please advise me what other arrangements APA will make to ensure that the FTPs are advised of APA's actions and APA's position, as well as the positions of the other participants in the seniority integration process, in a timely manner *so that the AAFTPC and the FTPs can submit comments and materials before any decisions are reached*.

55. By letter of October 17, 2014, APA responded to our September 30 letter. Exhibit 22 in the exhibits presented in opposition to APA's motion for summary judgment is a copy of the October 17 letter. In this letter, APA indicated its intention to "vigorously advocate on behalf of all pre-merger American Airlines pilots, including your clients, in the upcoming seniority integration proceedings" and stated the expectation "that the Association and the respective merger committees will want to make the process as open as possible." At page 1, first paragraph. This letter offered us the opportunity to submit materials for the committee to consider, but did not directly address our request for information and opportunity to comment before decisions were made.

56. When I learned that the SLI hearings were to start on June 29, 2015, we wrote to APA again asking for specific information on AAPSIC's positions. APA Exhibit 35 is a copy of this letter. APA responded (APA Exhibit 36) stating that AAPSIC submissions in the SLI process would become available in due course—which I understood to mean after they were submitted—and that AAPSIC was not otherwise under any duty to disclose anything to us.

57. We responded to APA/AAPSIC's letter (APA Exhibit 36) by letter of June 17, 2015. Exhibit 23 in the exhibits presented in opposition to APA's motion for summary judgment is a copy of this letter. This letter again asked for information and again expressed concern that APA/AAPSIC would take action harming the FTPs without consulting with FTPs first.

58. No one from APA or AAPSIC informed me of the stipulation to exclude time at Eagle or the placement of FTPs at the bottom of the seniority list before APA submitted these matters in the SLI arbitration. I learned that AAPSIC had stipulated to exclude Eagle service from longevity and to put the last 154 FTPs at the bottom of the integrated list only after AAPSIC submitted its pre-hearing briefs on June 19, 2015. On June 25, 2015, we wrote to APA/AAPSIC with questions and requests for information as to AAPSIC's actions. A copy of this letter is APA Exhibit 37.

59. By letter of July 9, 2015, APA Exhibit 38, APA explained that it had stipulated not to include time at Eagle because only service at a mainline carrier would count for seniority because the "seniority being integrated is seniority on the mainline American and US Airways seniority lists (including their direct predecessors through mergers or acquisitions). Service on the seniority lists of other carriers (including separate regional affiliates) does not constitute service at the mainline carrier. Under the stipulation, your clients would be given seniority credit in the mainline operation in accordance with the applicable mainline collective bargaining agreement."

60. We responded to APA/APPSIC's July 9 letter on July 13. A copy of this letter is APA Exhibit 39. In this letter, we asked for responses to the questions and information to which APA/APPSIC had not responded. We repeated these requests in our July 13 letter. In our July 12 letter, we noted in particular the unique situation where FTPs had been delayed from moving to American in violation of the Flow-Through Agreement (APA Exhibit 39 at pp. 3-4) so that "Eagle pilots were forced to stay at Eagle longer than justified" and "While they should have started moving to AA in 2007, they did not move to AA until 2010." APA Exhibit 39, p. 4. We noted that this gave TWA-LLC pilots "an extra three years of longevity at AA over Eagle pilots who were kept at Eagle because of AA's and APA's violations of the Flow-Through Agreement." APA Exhibit 39 at p. 4. Our letter then stated:

> APA's agreement on longevity to include only time at AA or mainline carriers is little more than an agreement to take advantage of APA's prior violation of the Flow-Through Agreement, to give an additional reward to the TWA-LLC pilots who benefitted from these violations and to impose an additional burden on the Flow-Through Pilots who were the victims of AA's and APA's violation of their rights.

61. APA's response to our July 13 letter was to refuse to respond because we had filed this case. APA Exhibit 40, its letter of August 13, 2015, states: "since your letter relates to matters which you had already made the subject of litigation when you made the request, it would be inappropriate to respond further outside the scope of the formal litigation process."

62. After APA/AAPSIC filed new briefs in the SLI process, we again wrote to APA/AAPSIC expressing our concerns and in particular noting the evidence that work at Eagle should be considered equivalent to mainline flying for purposes of any longevity factor that might be used to integrate the seniority lists. Our Letter of October 9, 2015 is APA Exhibit 41. We noted that the other committees from US Airways were urging longevity as a factor. In that situation, we stated "it is important that AAPSIC is prepared to make a stand that the longevity for purposes of an integrated seniority list includes time flying as an Eagle Captain under the terms of Supplement W." APA Exhibit 41, p. 2. We asked also that APA/AAPSIC put on evidence to support the FTPs in this regard (on p. 3):

> We reiterate: Putting this information forward in the SLI process is critical to protecting the rights of FTPs in this process, particularly both under the career expectations approach AAPSIC has adopted and to refute arguments by USAir pilots that their "mainline" experience should count and Eagle experience of FTPs should not count in forming a final integrated seniority list.

We again asked for information and an explanation of APA/AAPSIC's positions and changes in position. APA Exhibit 41 at p. 4.

63. APA/AAPSIC did not respond to our requests specifically. APA/AAPSIC directed us to the AAPSIC website for information. APA Exhibit 42. I have regularly and repeatedly looked on the AAPSIC website. The information we requested from APA, including explanations for its actions and positions, is not there.

64. By letter of December 21, 2015 (APA Exhibit 43) we again requested APA's position on longevity, and explained why a longevity metric should include time at Eagle. Our letter expressly noted that the other committee proposals excluded flying time at Eagle from longevity, that the East Committee had included flying at Mid-Atlantic Airlines (a regional airline that was part of US Airways) and that the West Committee states: "AAPSIC agrees with this approach" (excluding Eagle time) and that the West Committee had specifically noted that

AAPSIC is "the former Eagle pilots representative in this process." We again identified issues of concern and asked for AAPSIC's position. We specifically asked (at p. 5)

> If AAPSIC intends to accept the point (as the West Committee asserts) that Eagle flying time is excluded from longevity calculations, please advise me as to the reasons for AAPSIC' s position. In this regard, I am already aware that AAPSIC opposes any use of longevity. What I want to know is (a) does AAPSIC agree or disagree with the position that Eagle time does not count for any longevity calculation that might be used and (b) the reasons for AAPSIC's position on, this issue.
>
> AAPSIC's silence on this issue will simply serve to affirm the West Committee's position that Eagle time should be excluded, particularly (as the West Committee noted) AAPSIC is the FTPs' representative in the proceeding. Accordingly, silence is not a neutral option, but a *de facto* concession that Eagle time should be excluded. The reasons why AAPSIC should make such a concession are critical for understanding AAPSIC's position and determining if AAPSIC' s actions are taken in good faith in accord with the standards applicable to its (and APA's) duty of fair representation.

65. APA's response was to again assert this case as a reason not to respond. By letter of January 7, 2016 (APA Exhibit 45) APA/AAPSIC stated:

> In view of that ongoing litigation, I do not think it would be appropriate for APA or the seniority integration committees to comment on the arguments presented in your letter or to provide you with the information you requested regarding the positions that may be taken by the American Airlines Pilots Seniority Integration Committee ("AAPSIC") in the seniority integration arbitration.

APA said it would distribute our letter to the AAPSIC, but would give us no specific information or explanation of its position or actions.

66. At this point, APA's actions have already harmed the FTPs' interests in the SLI process. Whatever happens, the interests of the FTPs have been largely ignored and left unrepresented in this process.

I declare under penalty of perjury under the laws of the United States and the State of California that the foregoing is true and correct to the best of my knowledge and belief.

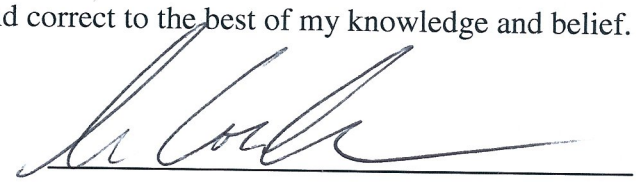
Dated: March 31, 2016

_____

Gregory R. Cordes

I declare under penalty of perjury under the laws of the United States and the State of California that the foregoing is true and correct to the best of my knowledge and belief.

Dated: March 31, 2016



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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

AMERICAN AIRLINES FLOW-THRU PILOTS COALITION, GREGORY R. CORDES, DRU MARQUARDT, DOUG POULTON, STEPHAN ROBSON , and PHILIP VALENTE III, on behalf of themselves and all others similarly situated, Plaintiffs, vs. ALLIED PILOTS ASSOCIATION and AMERICAN AIRLINES, INC., Defendants.	Case No.: 3:15-cv-03125 RS **DECLARATION OF GAVIN MACKENZIE IN OPPOSITION TO APA'S MOTION FOR SUMMARY JUDGMENT** April 21, 2016 1:30 P.M. Courtroom 3, 17th Floor Judge Richard Seeborg

I, GAVIN MACKENZIE, declare under penalty of perjury:

1. I am submitting this declaration in opposition to the motion of defendant ALLIED PILOTS ASSOCIATION ("APA") for summary judgment.

2. I am a pilot for Envoy Airlines ("Envoy"). Envoy is the new name for American Eagle Airlines ("Eagle"). I am a Regional Jet (also known as Commuter Jet) Captain at Envoy and I was a jet captain at Eagle as well. Until June 2010, I was also a flow-through pilot under

the agreement known as the Flow-Through Agreement, and also referred to as Supplement W or Letter 3. The Flow-Through Agreement is part of the collective bargaining agreement between American Airlines ("American") and the Allied Pilots Association ("APA"), where it is known as "Supplement W" and the collective bargaining agreement between the Air Line Pilots Association ("ALPA") and Eagle, where it is known as "Letter 3." In this declaration, I refer to the Flow-Through Agreement as Letter 3.

3. In 1995, after ALPA was certified by the National Mediation Board (NMB) to be the bargaining representative for the Eagle pilots under a single certification for all the Eagle companies, I was elected the DFW (Dallas-Fort Worth) Captain Representative. I was subsequently elected the MEC (Master Executive Council) Vice -Chairman and then the MEC Chairman in April 1998. I was on the Master Executive Council during the negotiations and ratification of both Letter 3 and the 1997 Sixteen Year collective bargaining agreement between ALPA and American Eagle. I was involved in the ratification of Letter 3 and its subsequent implementation when American began new hire classes in January 1999. In particular, when American set the first new hire class in 1999, no Eagle pilots were assigned AA seniority numbers. I was the MEC Chairman at the time and had to meet with Rich LaVoy, the APA President, to negotiate and secure the 21 American seniority numbers for the Eagle pilots who were entitled to be called for this new hire class.

4. I am familiar with the arbitration proceedings conducted under Letter 3. I have testified in several of these proceedings and I initiated a federal case to review arbitrator Nicolau's award in FLO-0108 (*Mackenzie, et al. v. Air Line Pilots Association, et al.*, Case No. 3:10-CV-020343 (N.D.Tex.)). These proceedings have involved testimony of witnesses, under oath, the examination of witnesses by the parties, the introduction of documents, opening statements and briefs, and written arbitration decisions finding facts and making conclusions. All the parties to Letter 3 have participated in these arbitrations.

5. As a flow-through pilot ("FTP"), I had obtained a seniority number on the American seniority list. Exhibit 5 in the exhibits presented in opposition to APA's motion for

summary judgment is a copy of the letter I received awarding me my American seniority number. This letter is on combined American Eagle/American Airlines letterhead and concludes with the statement "We. . . wish you the very best during your continued career at AMR." This letter confirmed what I understood about the relationship between American and Eagle, at least insofar as the flow-through pilots were concerned: They were subsidiaries of AMR and were acting jointly in connection with the advancement of flow-through pilots from Eagle to American as part of a pilot's career expectations in working for Eagle.

6. Letter 3 allowed American Eagle jet captains to move to American as places in new-hire classes became available. When American hired pilots, it would establish a new-hire class. Under section III.A of Letter 3, flow-through pilots were entitled to half the positions in each such new-hire class—that is one out of every two positions.

7. A pilot who successfully bid for a new-hire class was not necessarily entitled to attend the class and move to American immediately. Eagle was entitled to hold-back or "withhold" the pilot at Eagle for operational reasons, typically because of a "training freeze" or "lock-in" that prohibited a jet captain from transferring to another job for a period after they had been trained on a particular aircraft. The purpose of this hold-back was to allow Eagle to recoup what it believed was the cost of training the pilot on that particular aircraft. I was held back for this reason.

8. After successfully bidding for a new hire class, Eagle pilots received an American seniority number based on the date of that new hire class. The Eagle pilots kept that seniority number even if they did not go to American because of a hold-back.

9. I have read Captain McDaniels' declaration submitted in support of APA's motion for summary judgment. He describes the seniority number received by flow-through pilots as a "placeholder" seniority number. McDaniels Decl. ¶¶ 26, 44, 57. Nothing in Letter 3 uses the term "placeholder" to describe this seniority number. The seniority number flow-through pilots received was a regular and real seniority number identical in every respect to the seniority numbers of other American pilots. Letter 3, section III.B states specifically as follows:

"The pilot's AA occupational seniority date and number will be established as if he were able to fill such new hire position at AA and had attended the new hire training class referenced in Paragraph III.A. above." The letter I received awarding me my American seniority number (Exhibit 5) did not say it was a "placeholder" seniority number, but instead wished me the best "during your continued career at AMR."

10. The illustration McDaniels provides in Paragraph 28 of his declarations is misleading in his description of the seniority number for hypothetical pilot Johnson. It is not true that pilot Johnson receives his seniority number "[o]nce at American" as McDaniels states (seventh sentence of hypothetical). Pilot Johnson *already had* this American seniority number and was *already* on the American pilot seniority list.

11. Under section III.D of Letter 3, a held-back pilot was entitled to priority in filling positions in the first new hire class at American that became available after the hold-back was lifted. As of 2007, all the flow-through pilots who had American seniority numbers had completed the hold-back period and were entitled to the priority in Section III.D.

12. In addition to the flow-through pilots with existing American seniority numbers, Arbitrator John B. LaRocco in Case No. FLO-0903 had awarded an additional 154 American flow-through pilots American seniority number with the date of April 30, 2008, the day before Letter 3 expired. This award was to remedy American's breach of Letter 3 when American put TWA-LLC pilots in new hire training classes and did not offer positions in these new hire classes to Eagle pilots.

13. The 154 pilots awarded American seniority numbers by Arbitrator LaRocco were placed at the bottom of the American pilot seniority list. This meant that these 154 pilots were *below* the group of TWA-LLC pilots who had been previously added to the bottom of the seniority list in 2003 (i.e., the group known as the TWA-LLC "Staplees"). The purpose of giving these seniority numbers was so that these pilots would have the benefits of the decision by Arbitrator Bloch in FLO-0107 that the flow-through pilot's seniority numbers obtained before Letter 3 expired were not extinguished by Letter 3's expiration. Arbitrator LaRocco expressly

stated this reason at page 29 of his decision. See APA Exh.11 at p. 29. There were, in addition to the foregoing 154 pilots, another 87 to 90 other FTPs were on the American seniority list below the TWA-LLC Staplees. The Staplees had been inserted above these FTPs.

14. All of the FTPs had completed any training freeze at Eagle by 2010 when Nicolau issued his award. They would have been entitled to move up priority under Section III.D under Letter 3 if they had previously been held-back or on a one-for-two basis under the provisions of Section III.A of Letter 3 if they had not been previously held-back.

15. I lost my American seniority number because I refused to make a newly-required irrevocable election. I also refused to sign a hold harmless agreement American demanded in order to transfer to American. In addition, as part of a package American distributed to FTPs after the Nicolau remedy decision, American provided a statement of assumptions stating that only the initial 35 FTPs would flow up in 2010; American provided an assumption or estimate that the next 100 FTPs would not flow up until 2012 and another 109 FTPs would not flow-up until 2013. I had previously, in 2000, fulfilled and complied with all the requirements to transfer to American and had received an American Airlines pilot seniority number. I was familiar with the negotiation and implementation of Letter 3, so I knew that nothing in Letter 3 required me to do anything more to have the right to transfer to American. The irrevocable election was a requirement imposed as part of a purported remedy for American's violation of Letter 3 that was decided by Arbitrator George Nicolau in arbitration No. FLO-0108. A copy of the letter from American notifying me that I had lost my seniority number, the the release American demanded and American's estimate of flow-up numbers are attached as Exhibit 6 in the exhibits presented in opposition to APA's motion for summary judgment. Overall, about 19 FTPs refused to sign the irrevocable election and about an additional 52 FTPs gave up their American seniority number in response to the requirement of an irrevocable election and the uncertainty of when, if ever, the would move to American.

16. The "irrevocable election" requirement in Nicolau's decision added a requirement that was not in Letter 3. Nothing in Letter 3 required an irrevocable election to move to

American and nothing in Letter 3 provided for loss of a seniority number once obtained. To my knowledge, the only grounds for losing an American seniority number are those stated in the APA/American contract. When I lost my American seniority number in 2010, the applicable APA/American contact was the 2003 agreement. I am familiar with that agreement because, while it was in effect, I expected to move to American as a flow-through pilot. The 2003 agreement provided for loss of seniority in section 13.F as follows:

> **F. Loss of Seniority**
>
> 1. Resignations, Retirement and Discharges
>
> A pilot who resigns from the service of the Company, retires, or is discharged for just cause, shall forfeit all seniority as a pilot.
>
> 2. Failure to Return from Furlough
>
> When a pilot who has been furloughed is offered, by written notice from the Company, the opportunity to return to duty as a pilot and such pilot elects, by written statement to the Company, not to return to such duty, or if a recalled pilot fails to comply with the requirements of Section 17.W. of this Agreement, his seniority right of preference in re-employment shall at that time terminate, and all his seniority as a pilot shall be forfeited.
>
> 3. Duration of Recall Rights
>
> A pilot shall retain recall rights indefinitely until refused under 2. above.
>
> 4. Retention of Company Benefits
>
> Upon return from furlough, a pilot shall receive all Company benefits accruing by reason of his previous active service.

17. Section 17.W of the 2003 APA/American contract concerns the method of recall from furloughs. Nothing in this Section 17.W provides for a forfeiture of seniority numbers by failing to make an irrevocable election to take a job at American either before the job is offered (as Nicolau required) or even after a job is offered to the pilot. To the contrary, Section 17.W allows pilots to defer any recall for 24 months and still remain eligible for recall. Subsections 2 and 3 of Section 17.W in the 2003 contract state:

2. Furloughed pilots who are recalled to the employ of the Company shall be allowed a period of twenty-one (21) days to return to the service of the Company after date of postmark of reply requested telegram or cablegram, or certified return-receipt-requested letter, of such pilot's reassignment to duty with the Company, sent to the last address on file with the Vice President- Flight of the Company.

3. Furloughed pilots referred to above who are recalled to the employ of the Company must respond to such recall in accordance with paragraph 2. above, provided, however, such recalled pilot may defer return to the active flight payroll for a period not to exceed twenty-four (24) months from the date of postmark on the notice of recall or the date the least senior furloughee is recalled, whichever date comes first, provided further that such deferring pilot may cancel such deferral, in writing, and become eligible for recall at the next recall date. When a pilot's deferral period has expired, such pilot will be eligible for recall and such pilot will be recalled when the needs of the Company require such recall. Pilots electing to defer their return to the Company in accordance with the above must notify the Company by telegram, cablegram, or certified letter, return-receipt-requested, of their decision and length of requested deferral, within twenty-one (21) days of postmark on their recall notice. Pilots electing to defer their return to active flight duty will continue to accrue occupational seniority, but length of service for pay purposes shall not accrue during such deferral period.

18. I attempted to challenge the remedy Arbitrator Nicolau created in FLO-0108 in the federal courts. I filed a case on October 8, 2010 against American, APA, ALPA and Eagle. About two weeks after I filed this case, American announced that it would be transferring the FTPs beginning in January 2011; American transferred about 180 FTPs (the remainder of the 244 that had been denied positions in violation of Letter 3 less FTPs who had left service or lost or gave up their American seniority number) between January and May 2011. In the district court (Case No. 3:10-CV-2043-P, N.D.Texas, Memorandum Opinion and Award filed October 31, 2011), the judge dismissed the case based on the narrow standard for reviewing arbitration awards under the Railway Labor Act. Ultimately, the Fifth Circuit ruled that I had no standing as an employee to challenge the arbitration award at all. *Mackenzie v. Air Line Pilots Ass'n*, 598

Fed. Appx. 223, 2014 U.S. App. LEXIS 2438 (5th Cir. 2014 No. 11-11098), cert. denied 135 S. Ct. 2896.

19. I believed that Arbitrator Nicolau's remedy award was not really an award by the arbitrator but was a settlement agreement between the two unions and the employers that was put into the form of an arbitration award to conceal the fact that the unions and the employers were modifying and eliminating the rights of the flow-through pilots in order to benefit other pilots. I believed that the unions and the employers wanted to conceal the fact that the remedy was based on an agreement rather than an independent arbitration decision because they wished to avoid liability. I describe these changes and how the changes would have created liability for the unions and the employers if they had been part of an agreement changing the terms of Letter 3 rather than, as presented as a decision by a purportedly neutral arbitrator, later in this declaration.

20. I believed that the award was a disguised agreement because:

a. In his decision on remedy, Arbitrator Nicolau said (at p. 10 of his remedy decision): "While this consultation process was helpful to me in further defining the issues and understanding the competing views and considerations, the Award that follows is my Award; it does not represent the 'agreement' of any of the four parties." See APA Exh . 10 at p. 10.

b. The remedy hearing in FLO-0108 involved three days of hearings. The last day of the hearing was March 30, 2010. However, I was unable to obtain a copy of the March 30 transcript until November 2013. In reviewing the transcript of March 30, I became further convinced that Arbitrator Nicolau's remedy decision was not a *bona fide* exercise of his discretion but a disguised settlement agreement. A copy of the March 30 transcript is Exhibit 7 in the exhibits presented in opposition to APA's motion for summary judgment. The transcript (TR) reflects:

i. The hearing started at approximately 10:10 am.

ii. Arbitrator Nicolau acknowledged that there had been an exchange of unidentified emails and documents after the February 26 hearing. These

were not shown as introduced into the hearing record or made a part of the transcript. TR p. 347:6-16. Arbitrator Nicolau was then informed that there had been a furlough of 80 pilots effective March 1, 2010. TR p. 348:8-11.

iii. Arbitrator Nicolau was told there had been a dinner meeting of the parties prior to the hearing and that the parties proposed to discuss the "ideas [that] came out of that dinner" with the Arbitrator. (TR p. 363).

iv. Arbitrator Nicolau proposed, and the parties agreed, that such a discussion should be "taken down confidentially, I mean not be part of the public record." TR p. 363:19-21. Arbitrator Nicolau and parties agreed to close the public record and proceed in a confidential manner, but with stenograph notes kept for the Arbitrator's use. TR pp. 364-365. Arbitrator Nicolau stated that "the record is closed on this matter and from now on the stenographer will take some notes for my benefit." TR p. 365:19-21. He also noted that "There may be times I will ask her not to do that at all, but we will proceed in that fashion." TR p. 365:21 – p. 366:1.

i. The parties then went off the record. TR p. 366. When the record resumed, Arbitrator Nicolau stated "I am now fully familiar with every one of the issues" and "as a result, I do not think that additional briefs are necessary, particularly since it is in the interest of everyone that my award be issued sooner rather than later." TR p. 366:7-12. Earlier in the hearing, the Parties had all agreed that post-hearing briefs were necessary. Nicolau expressly refers to the Parties request for guidance on "the issues that are going to be highlighted in the briefs" and his response to that request (TR 347:12-16) and asked "what do we want to do with what I call the basic question in terms of you just want to argue this in the briefs? (TR 363:5-7). At other parts of the hearing, the parties' attorneys refer to the fact

that they will be filing post-hearing briefs. See TR 352:12; TR 353:4; TR 353:21-22; TR 354:22; TR 362:8-9; TR363:7.

ii. The hearing closed at approximately10:42 am, 32 minutes after it had started. TR p. 366:17.

21. Other than the inference that Nicolau's remedy was a disguised settlement, I had no direct evidence to prove that contention at the time of my appeal to the Fifth Circuit. However, in connection with reviewing documents produced in discovery in this case, I believe that there is direct evidence that the Nicolau remedy decision in FLO-0108 is a disguised settlement agreement and that Arbitrator Nicolau's statement quoted above that the "the Award that follows is my Award; it does not represent the 'agreement' of any of the four parties" is false or deliberately misleading. These documents are attached as Exhibits 8, 9 and 10 to the exhibits in opposition to APA's motion and provide specifically:

a. American Document No. AA-001778-1781 (Exhibit 8) states it is an "Outline of the 4-Party Understanding of Arbitrator Nicolau's Remedial Award". This document is dated "4.5.10" with a handwritten note of "APA Comments 4/6." The document tracks, in large part, the terms of the Nicolau remedy award for the 244 jobs denied flow-through pilots. The document includes (i) limiting the initial remedy to 35 flow-through pilots (p. 1778), (ii) giving the next jobs to AA pilots furloughed, as previously mentioned, on February 28, 2010 (in the middle of the arbitration proceedings) ahead of the remaining over 200 flow-through pilots who had been denied jobs in 2007 and 2008 (p. 1780), (iii) requiring the remaining 209 flow-through pilots denied positions in 2007 and 2008 to make an election to flow-up or lose all rights under Letter 3 (p. 1780), (iv) future new hire training classes would be filled in American seniority order, rather than the priority hiring or one-out-of-two positions required by Letter 3 (p. 1780-1781).

i. The date of the document—April 5—is four days *before* Nicolau issued his remedy decision in FLO-0108 on April 9, 2010.

b. In the May 24, 2010 letter to Nicolau from APA's attorneys (Exhibit 9, AA-001848-1851), they refer to "The process agreed to by the parties in the context of the remedy Award" (AA-001848) that access to vacancy bids "was specifically discussed by the parties during the mediated discussions leading to the Award, and that discussion is presumably available from the Arbitrator's notes" (AA-001849). This letter also states that APA was the party desiring the irrevocable election requirement because "[f]rom the perspective of the APA pilots, finality was important." AA-001850-1851.

i. This letter also states APA's on-going hostility to Eagle pilots flowing up to American and APA's desire to advance TWA pilots ahead of flow-through pilots: "As the Arbitrator is well aware, the AP A fundamentally disagrees with the Award in this case." AA-001851

ii. The letter states: "Former TWA pilots were not 'new hires' in any meaningful sense, and yet their recall rights have been subordinated to AE pilots under Supp. W," and "[e]very AE pilot who transfers early to AA, before real new hiring begins, does so to the express disadvantage of hundreds of both former TWA pilots and the legacy AA pilots at the bottom of the AA list, all of whom remain on the street.. AA-001851.

a. I would note as to the lawyer's remarks that TWA pilots were "on the street," that this was because TWA went bankrupt and American did not have enough jobs for all TWA pilots when it purchased TWA's assets. The Eagle pilots had done nothing to put TWA pilots on the street. The Eagle pilots' flow-up did nothing extra to keep the TWA pilots on the street where American had put them after the acquisition; if anything, a flow-up would open jobs at Eagle for additional flow-down positions. Many TWA pilots had, in fact, been able to fly at Eagle and displace Eagle pilots from their positions.

c. In the letter dated May 24, 2010, to Arbitrator Nicolau (Exhibit 10, AA-001852-1855), American's lawyers also referenced "the process agreed to by the parties, and reflected in Arbitrator Nicolau's Award" and the "remedy discussions". AA-001852.

22. As part of my appeal in the Fifth Circuit, I attempted to have the case remanded to take evidence as to what had occurred on March 30 to show that Arbitrator Nicolau's decision was not based on his independent judgment but based on a disguised agreement between the unions and the employers. Because the appeal was dismissed on standing grounds, this did not occur.

23. The Nicolau remedy award in FLO-0108 changed the terms of Letter 3 adversely to the flow-through pilots. The remedy in particular changed the right to flow-up that Arbitrator Bloch had held, in FLO-0107, would continue notwithstanding Letter 3's expiration. In particular, I believe that an agreement to the terms that Nicolau imposed would have been vulnerable to challenge in a lawsuit (or arbitration) for breach of contract and breach of duty of fair representation, as follows:

a. The award added a requirement of an "irrevocable election." This election had to be made before any job at American was available. If a flow-through pilot did not make this irrevocable election, the pilot lost his/her American seniority number.

i. As stated above, Letter 3 did not require any irrevocable election. The terms of the APA/American contract did not have such a condition as one of the grounds for losing seniority. In fact, the APA/American contract allowed pilots to defer recall from furlough for 24 months and keep their seniority for a future recall. The contract allowed the pilots to cancel the 24 month deferral at any time and then get recalled by their seniority for jobs that opened up.

ii. This meant that an American pilot flying as a flow-down pilot at Eagle could defer returning to American when a job was offered to the pilot and

continue flying at Eagle without losing the pilot's American seniority number. In contrast, under the Nicolau decision, a flow-through pilot had to make an irrevocable election before an American job was offered and would lose the pilot's American seniority number if they did not do so.

iii. The requirement of an immediate irrevocable election was extremely adverse to the rights of flow-through pilots. Moving to American would typically mean a less desirable route and schedule, including additional commuting time to get to the airport the American route would fly out of. At the time the pilots had to make this irrevocable election, it could be years before they might actually be able to move to American and difficult to know how the future position at American would impact their family and personal situations.

b. The award changed the order of future transfer to American from the Letter 3 process to a process based on American seniority. Under Letter 3, held-back pilots had priority in new hire classes over new hires. Because the TWA Staplees were deemed to be new hires, this meant that under Letter 3 the Eagle pilots who had been held back had priority over TWA Staplees for all new hire classes. In addition, the 154 pilots who had been given April 30, 2008 seniority numbers in FLO-0903 but were at the bottom of the American seniority list, would have been able to move to American on at least a two-for-one basis (because they were not held-back from an initial new hire class). By making transfer to American be based on American seniority alone, these 154 pilots in particular were put behind the TWA Staplees in any further hiring classes.

i. Putting flow-through pilots behind TWA Staplees is exactly what had happened in 2007 and 2008. This was why American had been found to have violated Letter 3 by hiring TWA Staplees without giving Eagle pilots

the one-of-two positions in new hire classes they were entitled to under Letter 3.

ii. This part of Nicolau's remedy essentially undid the remedy in FLO-0903 and gave APA the right to recall TWA pilots ahead of many of the Eagle pilots that APA apparently desired.

c. After an initial 35 flow-through pilots were hired, the award give rehiring priority to 102 non-Eagle pilots furloughed during the remedy hearings, 83 of whom were TWA Staplees who had gotten American jobs ahead of flow-through pilots in the first place and whose hiring had been found to violate Letter 3. (Arbitrator Nicolau's decision expressly notes that these 83 pilots were TWA "new hire" pilots. APA Exh. 12 at p. 11 of decision.) The parties would have been exposed to a breach of contract/duty of fair representation claim based on again favoring TWA "new hire" pilots over the flow-through pilots in exactly the same way that had resulted in the arbitration finding a breach of Letter 3 in the first place in hiring the TWA "new hire" pilots ahead of flow-through pilots.

24. APA stated its motives to help the TWA pilots at the expense of the flow-through pilots in the letter of May 24 discussed above. I would note that APA's explanation for an irrevocable election makes no sense other than as a way to help the TWA pilots at the expense of the flow-through pilots. APA states in its May 24 letter: "From the perspective of the APA pilots, finality was important because it allowed APA pilots to understand their own place on the AA seniority list." The APA pilots' places on the seniority list were already determined before any requirement of an irrevocable election. All the irrevocable election did was to remove some flow-through pilots from the seniority list and thereby move the TWA pilots up on the list.

25. I believe that ALPA's motive to go along with this arrangement was to get flow-up rights for an additional 824 Eagle pilots that had no flow-up rights because Letter 3 expired before they had obtained American seniority numbers. The Nicolau award expressly required

the parties to negotiate for flow-up rights for these other Eagle pilots. Flow-up rights for Eagle pilots not covered by the expired Letter 3 was not part of the dispute before Nicolau. That was a gain for ALPA. They were getting desirable terms for 824 Eagle captains that they had not been able to negotiate when Letter 3 expired. The officers of ALPA at Eagle who were involved in FLO-0108 at the time of the remedy extending flow-up to American for these additional 824 Eagle pilots were Anthony Gutierrez, Dave Ryter, Andrew Nordgren and Brian Sweep. All of these officers were part of this 824 pilot group that obtained the new flow-up rights under Nicolau's remedy decision.

26. ALPA could not have openly sacrificed the contract and remedy rights of the flow-through pilots to get this benefit for other pilots who did not have rights under Letter 3 without exposing itself to a claim that it violated its fair representation duties, particularly when the ALPA officials involved were personally benefitting from the part of the decision that gave them new rights that they did not have under Letter 3.

27. To put this simply, the Nicolau award took away rights the flow-through pilots had under Letter 3 (to go to American under the procedure in Letter 3) and imposed new burdens on the exercise of flow-up rights (the irrevocable election). Had the parties done this by an agreement amending Letter 3, it appears to me that American and Eagle would have risked being sued for breach of contract and APA and ALPA would have risked being sued for breach of the duty of fair representation. By having Nicolau issue this agreement as if it were an arbitration award, the parties avoided (or diminished) these risks. They ensured that the issues would be reviewed under the extremely favorable standard governing review of arbitration awards rather than in a breach of contract/breach of duty of fair representation case. They also positioned the case in a way that allowed them to put the blame on Nicolau for the adverse conditions put on the flow-through pilots by his award.

28. That is what happened. In the district court when I tried to challenge the Nicolau award, I lost because the judge applied a deferential standard of review. Then, on appeal, the Fifth Circuit concluded that I did not even have standing to challenge Nicolau's award at all.

I declare under penalty of perjury under the laws of the United States and the State of California that the foregoing is true and correct to the best of my knowledge and belief.

Dated: March 31, 2016

_____

Gavin Mackenzie

I declare under penalty of perjury under the laws of the United States and the State of California that the foregoing is true and correct to the best of my knowledge and belief.

Dated: March 31, 2016

Gavin Mackenzie

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Attorneys for Plaintiffs AMERICAN AIRLINES FLOW-THRU PILOTS COALITION, GREGORY R. CORDES, DRU MARQUARDT, DOUG POULTON, STEPHAN ROBSON, and PHILIP VALENTE III on behalf of themselves and all others similarly situated

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

AMERICAN AIRLINES FLOW-THRU PILOTS COALITION, GREGORY R. CORDES, DRU MARQUARDT, DOUG POULTON, STEPHAN ROBSON , and PHILIP VALENTE III, on behalf of themselves and all others similarly situated, Plaintiffs, vs. ALLIED PILOTS ASSOCIATION and AMERICAN AIRLINES, INC., Defendants.	Case No.: 3:15-cv-03125 RS **DECLARATION OF PHILIP VALENTIE III IN IN OPPOSITION TO APA'S MOTION FOR SUMMARY JUDGMENT** April 21, 2016 1:30 P.M. Courtroom 3, 17th Floor Judge Richard Seeborg

I, PHILIP VALENTE III, declare under penalty of perjury:

1. I am a plaintiff in this action. I am submitting this declaration in opposition to the motion of defendant ALLIED PILOTS ASSOCIATION ("APA") for summary judgment..

2. I am a pilot for American Airlines ("American"). Before coming to American, I was a Regional Jet (also known as Commuter Jet) Captain at American Eagle Airlines, a wholly owned subsidiary of AMR, Inc.

3. I obtained my position at American because of an agreement known as the Flow-Through Agreement, and also referred to as Supplement W or Letter 3. The Flow-Through Agreement is part of the collective bargaining agreement between American and the Allied Pilots Association ("APA"), where it is known as "Supplement W" (or "Supp. W") and the collective bargaining agreement between the Air Line Pilots Association ("ALPA") and American Eagle, where it is known as "Letter 3." The Flow-Through Agreement is dated May 5, 1997, and expired May 1, 2008 (the date the next collective bargaining agreement between APA and American that was entered-into after the Flow-Through Agreement was signed expired and became amendable). In this declaration, I refer to the Flow-Through Agreement as Supp. W.

4. The pilots who came to American pursuant to Supp. W are known as Flow-Through Pilots, referred to herein as "FTPs."

5. The Flow-Through Agreement allowed American Eagle jet captains to move to American as places in new-hire classes became available. An Eagle pilot who successfully bid for a new-hire class was assigned a seniority number on the American pilot seniority list based upon the date of the position the pilot was entitled to receive in the new hire class. This seniority number was an "occupational" seniority number. It was not a length of service or "classification" seniority used for pay purposes.

6. All pilots at American and Eagle are familiar with occupational seniority. Occupational seniority is critical to a pilots and employment. It determines where the pilot is based and, as a result, can live, the size and pay level of the aircraft the pilot flies, whether or not the pilot gets first or last choice of monthly schedules or vacation weeks. It determines whether the pilot can be a high paid Captain or a low paid First Officer, whether the pilot can fly trips to Hawaii during the day, or be relegated to all night redeye flights. It is what gives the pilot job security in a furlough. It is the largest factor in what determines a pilot's pay and quality of life.

7. I received my seniority number at American as part of a remedy issued by Arbitrator LaRocco in FLO-0903. My seniority date was April 30, 2008. This was the day before Supp. W expired.

8. When I received my seniority number at American, I understood that it was a regular seniority number that would be used for all normal purposes at American. I also understood that I received the seniority date of April 30, 2008 so that I would have an American seniority number before the date Supp. W expired and that this would ensure that I would be able to move up to American in the manner Supp. W provided even after Supp. W expired.

9. After I received my American seniority number, I expected to move to American as positions at American became available. I anticipated that this would happen eventually, although I was not sure when. However, in 2007 and thereafter it was clear that the airline industry was recovering from the events of 9/11 and that American would be hiring new pilots as airline travel recovered. I was excited about moving to American. It meant flying larger airplanes to major cities in the United States and internationally. It meant a more pay and greater advancement as a pilot. Under Supp. W, I would also be able to carry over all of my vacation accrual. These factors were strong incentives to stay at Eagle until positions at American opened up as they were bound to do. Although opportunities at other major and national carriers existed including USAir (flying 90 seat regional jets), the seniority number generated in 2008 on the American Airlines seniority list and loss of all longevity if a flow through pilot "hopped" from another carrier then back to American once the new hire classes began, left the flow through pilots trapped in low paying jobs at American Eagle while peers not part of the flow through, as well as furloughed American airlines and TWA pilots, were able to move freely to high paying and more career fulfilling jobs at both US based and international carriers without the threat of loss of their seniority at American Airlines.

10. In 1997, when APA and American were negotiating a contract, APA conducted and information campaign at the Miami airport were I was working for Eagle. I recall that APA pilots handed out flyers explaining why they were "more qualified" to fly the regional jet than an American eagle pilot. The whole push of the APA's campaign appeared to me to be a contention that the regional pilots at Eagle did not have the skills to fly a complex regional jet and this work should go to American and the pilots represented by APA.

11. I have interacted with American pilots since then on a regular basis. This has often occurred when I am traveling on jump seats on aircraft while I was commuting to the airport from which the flight I would be working would leave. Based on conversations with many of them, the mentality of these American pilots that Eagle pilots are inferior has continued. American pilots would regularly say that the Eagle pilots should never have gotten the regional jets because Eagle pilots just don't have the expertise and skills operating these airplanes. While I am paraphrasing the comments American pilots made to me, this is close to the specific words they used. I could also perceive their demeanor and attitude towards me as condescending as if my background at Eagle and as a FTP made me any inferior, second-class pilot. The underlying message in conversations with American pilots when discussing the flow through pilots was that the FTPs were lucky to be at American among the superior pilots of American Airlines.

12. As other examples of the attitude of American pilots: (a) After the APA threatened strike in 1997 was resolved, the American pilots viewed the Eagle pilots us as "job stealers." I recall some American pilots using that phrase. (b) At the Washington Dulles airport in late 1999, an American First Officer said to me that the Eagle pilots were nothing better than “scabs.”

13. When I came to American in Fall 2013, I attended an APA new hire dinner at which APA representatives spoke. The message APA conveyed at that new hire dinner was quite clear that FTPs should be happy to even be at American, we should sit down, shut up and don't bother us, the FTPs will get what we give you and that is what you get, just fill out your membership card and eat. Again, I am paraphrasing, but the foregoing is a fair summary of what the overall message and attitude of the APA leadership at this dinner.

14. At the dinner referred to above, I asked the question if APA would fight for FTPs to have our seniority in the merger with US Airways based on the seniority date we had received in the LaRocco grievance or the date we eventually came over to American. Captain Keith Wilson, APA President, responded that he would represent American Airlines pilots but never answered the question directly. He left the room before I could follow up to clarify his answer.

15. I asked the same question to the APA representative at a Miami base meeting at which Captain Keith Wilson, APA President was in attendance. He also did not answer the question, but referred me to a committee chair. One of the committee chairs left me a message days later that under the longevity method they believed they would use I would not fall outside of where I was relatively on the current seniority list. I was at the bottom of the American list.

16. The question I was asking concerned where I would be relative to the US Airways pilots that were to be added to the seniority list. If my seniority date (April 30, 2008) was used, I should be ahead of any US Airways pilot with a later seniority date. If my Fall 2013 hire date was used, I would lose over 5 years of seniority and drop down the list relative to the US Airways pilots. As far as I could tell, APA was totally unwilling to answer my question directly or to agree to fight for my interests in trying to protect at least my 2008 seniority date on a merged list.

I declare under penalty of perjury under the laws of the United States and the State of California that the foregoing is true and correct to the best of my knowledge and belief.

Dated: March 31, 2016

s/ signature authorized

Philip Valente III

EXHIBIT 1

JOINT COLLECTIVE BARGAINING AGREEMENT (JCBA)

between

AMERICAN AIRLINES, INC.

and

THE AIRLINE PILOTS

in the service of

AMERICAN AIRLINES, INC.
and
US AIRWAYS, INC.

as represented by the

ALLIED PILOTS ASSOCIATION

EFFECTIVE: JANUARY 30, 2015

AGREEMENT
between
AMERICAN AIRLINES, INC.
and
THE AIR LINE PILOTS
in the service of
AMERICAN AIRLINES, INC. and US AIRWAYS, INC.
as represented by the
ALLIED PILOTS ASSOCIATION
Effective: January 30, 2015

THIS AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between AMERICAN AIRLINES, INC., hereinafter known as the "Company", and the air line pilots in the service of AMERICAN AIRLINES INC. and US AIRWAYS, INC. as represented by the ALLIED PILOTS ASSOCIATION, hereinafter known as the "Association".

In making this Agreement the parties hereto recognize that compliance with the terms of the Agreement and the development of a spirit of cooperation is essential for mutual benefit and for the intent and purpose of this Agreement.

It is hereby mutually agreed:

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Sections

Note: Single vertical line in the table of Contents indicates the Section, Supplement or Letter was not contained in the Merger Transition Agreement (MTA).

Single vertical line in the body of this Agreement indicates a change from the MTA, revision 1.

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SECTION 1

RECOGNITION AND SCOPE

A. Recognition

The Allied Pilots Association has shown satisfactory proof that it represents more than a majority of the airline pilots of American Airlines, Inc., and further, has been certified by the National Mediation Board.

B. Definitions

1. Affiliate

   The term "Affiliate" refers to (a) any entity that Controls the Company or any entity that the Company Controls, and/or (b) any other corporate subsidiary, parent, or entity Controlled by or that Controls any entity referred to in (a) above.

2. Agreement

   The term "Agreement" means this agreement between the Association and the Company and all supplements and letters of agreement between the Association and the Company.

3. Air Carrier

   The term "Air Carrier" means any common carrier by air.

4. Aircraft in Service

   "Aircraft in Service" is defined as an aircraft available for revenue service for the Company (not to include any aircraft in storage) or in maintenance for the purpose of return to revenue service for the Company.

5. Air Freight Feed Operation

   The term "Air Freight Feed Operation" means a freight operation conducted with non-turbojet aircraft whose primary purpose is to "feed" the Company's aircraft.

6. Commuter Air Carrier

   The term "Commuter Air Carrier" refers to any Air Carrier utilizing only Commuter Aircraft.

7. Commuter Aircraft

   The term "Commuter Aircraft" means aircraft (jet or turboprop) that (a) have a maximum of seventy-six (76) seats (as operated for the Company) and (b) are not certificated in the United States with a maximum gross takeoff weight (MTOW) of more than 86,000 pounds. If an aircraft otherwise meeting the conditions in the preceding sentence is being operated for the Company and is recertified in the United States with a MTOW of greater than 86,000, said aircraft shall remain a Commuter Aircraft so long as it continues to operate for the Company at a MTOW of no more than 86,000 pounds. The existing seventy-six (76) CRJ 900 and E175 aircraft operated on behalf of US Airways, Inc. as of January 7, 2013, are grandfathered as to the seat limitation, and they and their replacements may be operated with seventy-nine (79) and eighty (80) seats, respectively.

8. Company

   For purposes of this Section 1, the term “Company” shall include American Airlines, Inc. and US Airways, Inc., and each of their respective operations prior to the complete operational merger of the two airlines.

9. Comprehensive Marketing Agreement

   The term "Comprehensive Marketing Agreement" means an arrangement between the Company or an Affiliate and a Domestic New Entrant Air Carrier that is not a Commuter Air Carrier that contains at least the following elements:

   a. AAdvantage or any other Company frequent flyer program;

   b. joint marketing arrangements (other than AAdvantage type arrangements); and,

c. the lease or transfer of gates from the Company or a U.S. Affiliate to the Domestic New Entrant Carrier.

10. Control

The term "Control" shall have the same meaning as the term had in Arbitrator Stephen Goldberg's decision in the Canadian Arbitration Case No. 12-93 (April 25, 1994).

11. Domestic Air Carrier

The term "Domestic Air Carrier" refers to any Air Carrier that is a citizen of the United States within the meaning of 49 U.S.C. § 40102(a)(15), as that statute defines citizenship on the effective date of this Agreement.

12. Domestic Commuter Air Carrier

The term "Domestic Commuter Air Carrier" refers to any Commuter Air Carrier that is a citizen of the United States within the meaning of 49 U.S.C. § 40102(a)(15), as that statute defines citizenship on the effective date of this Agreement.

13. Domestic New Entrant Air Carrier

The term "Domestic New Entrant Air Carrier" means a Domestic Air Carrier that has entered the passenger air transportation market since deregulation, either initially or through ceasing operations and then re-entering the market.

14. Fixed Base Operator Flying

The term "Fixed Base Operator Flying" means flying activities in aircraft having a maximum passenger capacity of 30 seats and a maximum payload capacity of 7,500 pounds.

15. Foreign Carrier

The term "Foreign Carrier" means an Air Carrier other than a Domestic Air Carrier.

16. International Flying

The term "International Flying" means scheduled flying by the Company that includes a scheduled landing or departure outside the 48 contiguous states. This definition is solely for the purposes of the exception for International Codesharing and the conditions on that exception in Section 1.J.

17. Livery

The term "Livery" means, separately or in any combination, an air carrier's name, its logo, and the paint scheme and /or the tailfin scheme on its aircraft.

18. Major Foreign Carrier

The term "Major Foreign Carrier" means a Foreign Carrier that has had more than $1 billion US, or its equivalent, in annual revenues during its most recent fiscal year.

19. Narrowbody Aircraft

"Narrowbody Aircraft" means an A319, A320, A321, B-737, B-757, MD-80, or B-717 aircraft, or any other single aisle aircraft with more than seventy-six (76) seats (as operated).

20. Successor

The term "Successor" shall include, without limitation, any assignee, purchaser, transferee, administrator, receiver, executor, and/or trustee of the Company or of all or substantially all of the equity securities and/or assets of the Company.

21. Successorship Transaction

The term "Successorship Transaction" means any transaction, whether single step or multi-step, that provides for, results in, or creates a Successor.

22. Transborder Flying

The term "Transborder Flying" means flying scheduled by the Company on US-Canada transborder routes.

23. WACC

The term "WACC" refers to American Airlines Group, Inc.'s weighted average cost of capital as described in the letter agreement between the Association and the Company dated May 1, 2003.

C. SCOPE

1. General.

All flying performed by or on behalf of the Company or an Affiliate shall be performed by pilots on the American Airlines Pilots Seniority List in accordance with the terms and conditions of this Agreement, except as expressly permitted in Section 1. D. through L below and in the MTA Scope Supplement.

a. Company Flying. Such flying shall include without limitation all passenger flying, cargo or freight flying, and ferry flying, whether scheduled or unscheduled, revenue or non-revenue:

(1) performed on aircraft owned and operated by or on behalf of the Company or an Affiliate, leased to and operated by or on behalf of the Company or an Affiliate, or operated by the Company or an Affiliate, or

(2) conducted by any other Air Carrier which the Company has permitted to utilize the Company's present or future designator code, trade name or Livery for the other Air Carrier's flight operations except as expressly permitted in Section 1.D. - L. below, and provided that the portion of this provision referring to trade names will apply only to Company trade names used to describe the Company's flight operations and not trade names such as "AAdvantage."

b. Prohibited Transactions.

Neither the Company nor an Affiliate shall, without the Association's prior written consent, enter into any transaction, agreement, or arrangement, except as expressly permitted in Section 1.D. through L. below, that permits or provides for:

(1) any form of contracting out or subcontracting out of any Company flying covered by subsection C.1., or any wetleasing from an entity or any chartering of such flying from an entity; or

(2) a Comprehensive Marketing Agreement with a Domestic New Entrant Carrier other than a Domestic Air Carrier with which the Company has implemented a codeshare agreement under Section 1.G.

Nothing in this provision C.1.b. shall be construed to permit any other transaction that would violate this provision C.1.

2. Training.

All flight training of Company pilots in Company aircraft shall be performed by Company pilots, subject to the provisions of the MTA Scope Supplement.

3. Interline Agreements

Nothing in this Section 1 shall be construed to limit the Company or an Affiliate's ability to enter into interline agreements with other Air Carriers.

4. Frequent Flyer Programs.

Nothing in this Section 1 shall be construed to limit the Company or an Affiliate's ability to enter into agreements or arrangements with other Air Carriers involving frequent flyer miles, promotions, awards or other frequent flyer arrangements that are not part of a Comprehensive Marketing Agreement.

5. Captions.

The captions to provisions in this Section 1 are not substantive and should not be considered in construing the meaning of any provision, provided that the Company and the Association do not intend thereby to create an implication as to other captions in this Agreement.

D. Scope Exception: Commuter Air Carriers and Commuter Aircraft at Non-owned Air Carriers

1. Commuter Air Carriers, Non-owned Air Carriers that operate Commuter Aircraft, and Section 1 Limitations.
   a. The Company or an Affiliate may create, acquire, maintain an equity position in, enter into franchise type agreements with, and/or codeshare with a Commuter Air Carrier, and flying by any such Commuter Air Carrier shall not be subject to the limitations of Section C.1 above, so long as any such Commuter Air Carrier operates in accordance with the limitations set forth in this Section 1.D.
   b. The Company may codeshare with and/or enter into franchise type agreements with non-owned Air Carriers that operate both (1) Commuter Aircraft and (2) aircraft that are not Commuter Aircraft with respect to Commuter Aircraft operated by such non-owned Air Carriers and so long as any such Commuter Aircraft are operated in accordance with the limitations set forth in this Section 1.D.
   c. The term "franchise type agreement" includes any agreement or arrangement with an Air Carrier that permits (1) that Air Carrier to use on Commuter Aircraft the Company name, trademarks, trade name, logo, livery (as provided in Section 1.F.1) and/or service marks and/or (2) other joint marketing actions permitted as a matter of past practice under the "franchise type agreements" provision of Section 1.D.1.a and including linked frequent flyer programs.
2. Purpose; Intent of the Parties.
   a. Primary Purpose.

      The primary purpose of a Commuter Air Carrier is either to provide passenger and/or cargo revenue feed to Company flights and/or to enhance the Company's overall market presence.
   b. Role of Commuter Air Carriers in Company's Development.

      The parties recognize that Commuter Air Carriers have played a role in the development of the Company as the world's premier airline. Additionally, the Company and the Association acknowledge that the passenger feed provided to the Company's domestic and international system strengthens the Company, thereby providing enhanced career opportunities to Company pilots.
   c. Markets in Which the Company Cannot Earn an Adequate Return on Invested Capital

      The Company will operate Company service in markets where such service can earn an adequate return on invested capital. This provision will not require the Company to operate a particular service, but instead, if the Company could operate a service and earn an adequate return on invested capital, the Company may not place or maintain the Company code on such service under Section 1.D. Notwithstanding this prohibition, if the Company orders additional aircraft to fly such a route, the Company may place or maintain its code on the route or frequency during the time between order and delivery of the additional aircraft. Similarly, if the Company is procuring an airport slot, gate and/or other route authority to fly such a route, the Company may place or maintain its code on the route or frequency during the time required to procure such a slot and/or authority.
   d. Parties to Meet in the Event of Problems.

      It is not the intent of either the Company or the Association to limit the expansion of Commuter Air Carriers in developing new markets. If at any time it is determined that these provisions are impeding the ability of Commuter Air Carriers to fulfill their primary role in support of the Company's system, the parties agree to promptly meet and discuss appropriate modifications to this Agreement.
3. Cockpit Crewmember Floor.

   In the event that the number of cockpit crewmembers employed by the Company on the American Airlines Pilots Seniority List goes below 7300, the parties agree that the commuter exception contained in this Section D. shall be terminable at the option of APA following a 90-day period to provide an opportunity for discussion. If APA elects to require termination of the commuter exception, the Company shall thereafter have a reasonable time to complete the

disposition of the operations covered by this Section D. during which period the parties shall meet in good faith and discuss the issues related to such termination. Pilots added to the American Airlines Pilots Seniority List by way of seniority merger shall not count in calculating the number of cockpit crewmembers for purposes of this paragraph 3.

4. Limitations on Commuter Carriers.

   a. Aircraft Limit.

      For each six month period, starting 7/1/2012, the total number of aircraft with greater than thirty (30) seats (as operated) that may be operated under this Section D. may not exceed a limit, based on Narrowbody Aircraft operated during that period as provided in c. below. Aircraft shall be counted toward that limit as provided in d. below.

   b. Counting Narrowbody Aircraft.

      Effective each January 1 and July 1, the total number of Narrowbody Aircraft that are Aircraft in Service, shall be tallied for purposes of determining the applicable limit on the number of aircraft that are allowed to be operated with greater than thirty (30) seats pursuant to this Section D. For the purpose of this tally of Narrowbody Aircraft that are Aircraft in Service, the "total number of aircraft" being operated by the Company for the six month period shall be the straight average of the number of aircraft in service at the Company on the fifteenth calendar day of each of the previous six months. If any six-month tally involves a fractional aircraft unit, the fractional unit will be rounded down if less than .5, and otherwise rounded up.

      (1) Force Majeure.

         In the event that the Company's planned aircraft deliveries do not take place as scheduled due to conditions beyond the Company's control, then for 12 months from the scheduled delivery date, so long as the scheduled deliveries remain firm orders to be delivered as soon as circumstances permit, the aircraft shall be counted as though they had been timely delivered.

         If the Company is unable to operate Company aircraft due to conditions beyond the Company's control, then the Company may count such aircraft as in operation for purposes of this Section b.(1) for three months from the date such aircraft go out of operation, or such longer period as necessary, not to exceed fifteen months, if the Company is taking all practicable steps to restore operations, including by repairing or replacing the affected aircraft.

         "Conditions beyond the Company's control" shall include, but not be limited to, the following: (1) an act of God, (2) a strike by any other Company employee group or by the employees of a Commuter Air Carrier operating pursuant to Section 1.D., (3) a national emergency, (4) involuntary revocation of the Company's operating certificate(s), (5) grounding of a substantial number of the Company's aircraft, (6) a reduction in the Company's operation resulting from a decrease in available fuel supply caused by either governmental action or by commercial suppliers being unable to meet the Company's demands, (7) the unavailability of aircraft scheduled for delivery.

   c. Determining the Maximum Number of Aircraft that may be Operated under Section 1.D..

      (1) The number of regional/small jets with greater than thirty (30) seats (as operated) up to and including sixty five (65) seats (as operated) plus the number of regional/small jets operated under clause (2) below that may be operated under Section 1.D. shall not exceed seventy-five percent (75%) of the number of the Company's Narrowbody Aircraft that are Aircraft in Service.

      (2) The number of such regional/small jets with greater than sixty-five (65) seats (as operated) up to and including seventy-six (76) seats (as operated) that may be operated under Section 1.D. shall not exceed the following percentages of the number of the Company's Narrowbody Aircraft that are Aircraft in Service in the calendar years indicated:

         (a) 2013 - 2014 30%

         (b) 2015 35%

(c) 2016 & beyond 40%

(3) In determining the number of regional/small jets that may be operated under this Section 1.D. under clauses (1) and (2) above, turboprop aircraft with fifty (50) or more seats operated under this Section 1.D. shall be counted as though they were regional/small jets; turboprop aircraft with fewer than fifty (50) seats shall not be counted as regional/small jets, provided that the number of turboprop aircraft with fewer than fifty (50) seats operated under this Section 1.D.shall not exceed ten (10) percent of the number of the Company's Narrowbody Aircraft that are Aircraft in Service.

(4) The Company shall provide the Association with a list of tail numbers and seating configurations for aircraft operating on behalf of the Company with greater than thirty (30) seats (as operated) up to and including seventy-six (76) seats (as operated) as of January 1, 2013 and at each Quarterly Scope meeting. For each such aircraft operated on behalf of the Company, the Company shall provide the Association with a complete list of the operations flown by the aircraft on each day of each six month period, including flight numbers and city pairs.

d. Counting Aircraft Operated Under Section 1.D.

(1) Effective each January 1 and July 1, aircraft operated pursuant to this Section D. for the previous six month period shall be counted toward the aircraft limit in c above as follows for each Air Carrier on which such flying occurred during that period. .

(2) If the Air Carrier operates a portion of its allowed flights as American Connection or similarly dedicated operation the Commuter Aircraft in the dedicated portion of the operation shall be counted on a 1 for 1 basis.

(3) Allowed Commuter Aircraft flown as substitutes for any dedicated aircraft for mechanical or service reasons shall not be counted as long as both the dedicated and substitute aircraft do not fly in passenger service under the Company code simultaneously. If both aircraft do fly simultaneously, the substitute aircraft shall be counted pursuant to (4) below.

(4) Other Commuter Aircraft flown under the Company code for only a portion of any six month period shall be counted as follows:

First, take the number of days in which each Commuter Aircraft was flown with passengers on the Company's code under Section 1.D. as a proportion of the total number of days flown by that aircraft in the six month period.

Second, add that proportion for each aircraft to the proportions of all Commuter Aircraft that are flown under the Company code for only a portion of any six month period. After adding, fractional units shall be rounded up to the nearest whole number.

Thus, for example, if five aircraft each spend 50% of the days in a six month period (e.g., 91 out of 182 days) flying at least one flight under the Company code per day, the total shall be 2.5 aircraft, which will be rounded up to 3. Three (3) aircraft shall then be counted toward the overall limit for aircraft operated under Section 1.D.for that six month period.

e. Penalty for Excess Section 1.D. Operations.

If, for any six month period, the total number of aircraft operated under this Section 1.D., counted as provided in d. above, exceeds the number permitted under provision c. above, then the number of aircraft that Air Carriers would otherwise have been permitted to operate during the subsequent six month period shall be reduced by twice the number of such excess aircraft. Moreover, during that subsequent six month period, the Company shall be required to stay within the aircraft limit as calculated on the first day of each month in the period for the previous months in the period. If the Company does not comply during any month of this subsequent six-month period, the Association shall have all available remedies. Nothing herein limits the right of either party to bring a grievance on an expedited basis before the System Board about any dispute regarding compliance with Section 1.D. at any time.

f. Limitations on Aircraft Types in Commuter Air Carriers' Fleets.

No aircraft type in the Company's fleet, or inactive aircraft type previously in the Company's fleet and still under the Company's control, and no orders or options for a Company aircraft type shall be transferred to or operated by a Commuter Air Carrier operated under this Section D.

g. Limits on Certain Non-Stop Flying

(1) Beginning with the calendar quarter starting July 1, 2012, and for each calendar quarter thereafter, flying under Section 1.D shall be subject to the following limit on nonstop scheduled service between DFW, ORD, MIA, JFK, and LAX. The combined scheduled block hours of such service shall not exceed 1.25% of the Company's total scheduled block hours, unless the Association consents. If the number of departures scheduled by the Company at any other airport exceeds an average of one hundred (100) per day over a six (6) month period, such airport shall be added to the above list, for as long as the average number of departures at such airport remains above one hundred (100) per day for the previous six (6) months.

(2) In determining whether DCA, LGA and/or BOS should be added to the list of airports pursuant to the above Section 1.D.4.g.(1), scheduled departures for flights between DCA, LGA and BOS that are marketed as "Shuttle" flights shall not be counted towards the one hundred (100) departures per day threshold. However, scheduled departures for flights between DCA, LGA and BOS that are not marketed as "Shuttle" flights shall be counted toward the threshold. If DCA, LGA or BOS reach the one hundred (100) departures per day threshold, the scheduled block hours for flights between DCA, LGA and BOS that are marketed as "Shuttle" flights shall not be counted towards the 1.25% limit.

(3) As of December 9, 2013, one hundred (100) per cent of flights between DCA, LGA and BOS that are marketed by the Company as "Shuttle" flights shall be operated by the Company. Once the provisions of Paragraph 12 of the MTA Scope Supplement are no longer in effect, at least sixty-five (65) percent of flights between DCA, LGA and BOS that are operated by or on the Company's behalf as "Shuttle" flights on weekdays and Sunday, combined, shall be operated by the Company. The mainline percentage of "Shuttle" flights shall be measured on a twelve (12) month rolling average basis, aggregating the "Shuttle" flights between DCA, LGA, and BOS.

h. Hubs and Major Airport Departures.

Beginning with the calendar quarter starting July 1, 2012, and for each calendar quarter thereafter, 85% of departures by turbojet aircraft operated under Section 1.D. and turboprop aircraft counted under section 1.D.4.c.(3) shall be into or out of the following hubs and major airports: DFW, ORD, MIA, LAX, and JFK. If the number of departures scheduled by the Company at any other airport exceeds an average of one hundred (100) per day over a six (6) month period, such airport shall be added to the above list, for as long as the average number of departures at such airport remains above one hundred (100) per day for the previous six (6) months. Departures utilizing commuter slots at slot controlled airports other than those listed above (e.g., DCA) and departures from airports limited to commuter departures by other governmental or aircraft operational restrictions (e.g., SAF), shall not be covered by this provision h.

5. Preference in Hiring.

If pilots of the Company are on furlough, such pilots shall be given preference in the filling of vacancies on Air Carriers operated under Section 1.D. that are Affiliates. The Company shall also attempt to secure preference for such pilots for vacancies occurring at Air Carriers in which the Company or an Affiliate owns a minority equity interest and at independently owned Air Carriers that have franchise-type agreements or other codesharing relationships with the Company or an Affiliate.

6. Information Sharing.

a. Review of Changes to Flying Under Section 1.D..

The Association shall identify individuals to work with the Company's schedule planning department to review contemplated changes in flying under Section 1.D. on routes where passengers will be carried on behalf of the Company. The Association agrees to treat the information provided by the Company pursuant to this provision as confidential.

b. Quarterly Data Review.

On a quarterly basis beginning September 1, 1997, the Company shall review with the Association data that reflects the results of any decisions to substitute flying by Air Carriers operated under this Section 1.D. for the Company's flying and shall review routes, if any, operated by Air Carriers under Section 1.D on behalf of the Company that could be flown by the Company and earn an adequate return on invested capital. The Company shall also procure and share with the Association the data necessary to verify the limits set forth in this Section D.

c. New Codesharing/Ownership Arrangements.

The Company shall discuss with the Association any plans to enter into new codesharing or ownership arrangements with any Air Carrier under Section 1.D. prior to the implementation of such arrangements.

7. Foreign Commuter Air Carrier.

A Commuter Air Carrier that engages in flying only between points outside the United States, its territories or possessions shall not be subject to the limitations set forth in Section D.4.-7.

8. Prohibition on Training.

Neither the Company nor an Affiliate shall provide flight training to any pilot on the seniority list of any Air Carrier that operates under Section 1.D. on any aircraft type owned or operated by the Company.

E. Scope Exception: Fixed Based Operators

The Association recognizes the Company's desire to engage in fixed base operations. Where such operations include Fixed Base Operator Flying, the Association agrees that the provisions of Section 1.C. above shall not apply to such flying as long as it does not supplant the Company's flying and is not utilized in airline service which is offered for sale to the general public through such devices as the Official Airline Guide and airline industry computerized reservations systems.

F. Scope Exception: Livery / Paint Scheme

1. Regional aircraft operated in compliance with Section 1.D. may carry the Company's livery, provided that such aircraft bear the name "American Connection" or "American Eagle" or a similar name connoting a connection with American Airlines (or other name used by the Company).

2. Company aircraft may operate using the livery of a multi-airline alliance, such as the oneworld alliance, provided that the livery on Company mainline aircraft is not identical to any other airline's livery and provided further that any Company mainline aircraft operated using the livery of a multi-airline alliance includes a clear indication that it is operated by "American Airlines" (or other name used by the Company), such as an AA tailfin scheme.

3. The Company shall not give permission for other airlines in a multi-airline alliance, such as the oneworld alliance, to use elements of the Company's livery (such as tailfin scheme or the name "American Airlines") as part of any multi-airline alliance livery, unless: (1) the livery element is used in conjunction with other alliance members' liveries as a depiction of the members within the alliance and includes a clear indication of which airline operates the aircraft and the aircraft livery creates no reasonable basis for customer confusion that any aircraft is operated by the Company, and (2) the Association has been given advance notice and graphics of the proposed livery for review and comment.

G. Scope Exception: Codesharing with Domestic Air Carriers

1. The Company may enter into and maintain codeshare agreements with Domestic Air Carriers under the following conditions:

a. American Airlines, Inc. - US Airways, Inc. codesharing

American Airlines, Inc. and its successor may place the AA designator code on flights operated by US Airways, Inc. and its successor, and US Airways, Inc. and its successor may place the US designator code on flights operated by American Airlines, Inc. and its

successor. The restrictions in Section 1.G.2 below shall not be applicable to such codeshare flying.

b. Alaska Airlines

(1) The Company may engage in unrestricted codesharing with Alaska Airlines (AS), except that the Company's current or future designator code may not be placed on AS code flights between Hawaii and each of DFW, LAX, SAN and ORD.

(2) If the Company is unable to conclude and/or maintain a codeshare agreement or agreements with Alaska, an equivalent number of ASMs available for codeshare on Alaska under (1) above will be added under Paragraph 1.G.2.a. below, subject to the same conditions with respect to flights between Hawaii and each of DFW, LAX, SAN and ORD covered by Section 1.G.1.a.(1).

c. Hawaiian Inter-Island

(1) The Company or its successor may codeshare with Hawaiian Airlines (or its successor) without restriction on flights operating wholly within the Hawaiian Islands, so long as the Company or its successor operates a minimum average of ten (10) flights per day between the mainland and Hawaii measured on a rolling look-back period of twelve (12) months.

(2) Alternatively to Hawaiian Airlines (or its successor), the Company may place its current or future designator code on flights operating wholly within the Hawaiian Islands provided that the Air Carrier (or its parent) upon which the code is placed is not an Affiliate (other than a Commuter Air Carrier) of the Company, or categorized as a ""Group III"" Air Carrier by the U.S. Department of Transportation. Further, if any such Air Carrier upon which the code is placed also operates between Hawaii and the U.S. mainland, and if the Company or its successor operates fewer than 10 daily frequencies between the contiguous 48 states and Hawaii, the Association shall have the right to withdraw its consent to codesharing with such Air Carrier under this provision.

(3) On a quarterly basis, the Company will inform the Association of the number of daily frequencies the Company is operating between Hawaii and the U.S. mainland.

2. Limitation on Codesharing with Domestic Carriers

The Company may also enter codesharing relationships with other Domestic Air Carriers, and through such agreements with Domestic Air Carriers their regional partners, under this section, subject to the following limitations:

a. ASM Cap

The total monthly ASMs of flights with all such Domestic Air Carriers on which the Company places its current or future designator code during any twelve month period (excluding any placement of the Company's current or future designator code under Sections 1.G.1.a. - c.) shall not exceed fifteen percent (15%) of domestic Company mainline scheduled monthly ASMs during the same rolling twelve (12) months.

b. Hub to Hub Flying

The Company may not codeshare on flying by a Domestic Air Carrier on flights between Company Hubs (as specified in Section 1.D.4.h.), except for flying between a Company Hub and a Domestic Air Carrier's hubs as permitted under Section 1.G.2.c.

c. Company Hub to Domestic Air Carrier Hub Flying

The Company shall be permitted to place its current or future designator code on flights between a Company Hub and a Hub of another Domestic Air Carrier (the "Codeshare Partner") under this Section 1.G.2. For each city pair meeting this description and each Codeshare Partner under Section 1.G.2, the "City Pair ASM Ratio" will be defined as the ratio between (x) the ASMs of scheduled mainline flying by the Company on such city pair and (y) the ASMs of scheduled flying by the Codeshare Partner on which the Company places its current or future designator code on such city pair.

For any twelve full calendar months after the date on which codesharing on a city pair begins with a Codeshare Partner under Section 1.G.2., the City Pair ASM Ratio will not be less than 80% of the ratio between (x) the ASMs of scheduled mainline flying by the

Company on such city pair and (y) the ASMs of scheduled flying by the Codeshare Partner on such city pair in each case during the twelve (12) full calendar months immediately prior to the date on which codesharing on such city pair began, or, if the Company placed its designator code on flights of such Codeshare Partner on such city pair on January 1, 2013, during the twelve (12) full calendar months immediately prior to January 1, 2013; provided however, that the restriction in this subsection c. shall not apply to any city pair on which the Company had no scheduled mainline flying during the twelve (12) full calendar months preceding the date on which codesharing on such city pair began.

For the purposes of this Section 1.G.2.c., a "Hub" of an air carrier other than the Company means an airport from which the air carrier, during the six (6) consecutive full calendar months prior to the month for which a measurement is being made, scheduled an average of eighty (80) or more daily departures on its mainline jet aircraft.

d. Reciprocity

In negotiating codesharing agreements with other Domestic Air Carrier, the Company shall use its reasonable efforts to obtain an agreement for reciprocal codesharing, provided however, that reciprocity shall not be a requirement for concluding a codesharing agreement.

H. Scope Exception: Air Freight Feed Operations and Excess Baggage

1. Notwithstanding Section 1.C. above, it is agreed that the Company shall have the right to contract for Air Freight Feed Operations as defined in Section 1.B., above, or to operate such feeders by means of a subsidiary, affiliate, or a division of the Company, or both. If the Company contracts for such operation, and if any Company pilots are on furlough during the performance of such operation, the Company will recall that number of pilots which equals the minimum number of pilots who would be required to perform the operation if the Company, utilizing the same type of aircraft as are actually utilized on the date of commencement of each such operation, performed the operation itself under the terms of this Agreement. The recall of furloughed pilots shall proceed in the manner stated in this Agreement. In the event the Company operates any such Air Freight Feed Operation itself, the rules of this Agreement shall apply.

2. Excess baggage

   a. The Company will be permitted to utilize other airline freighter service, whether scheduled or chartered, from MIA and JFK to any destination in the Caribbean, Central America, and South America, or from such a destination to MIA and JFK, between November 23 and January 6, and during four (4) additional weeks each year designated by the Company, and which must include the Easter/Spring break season and/or the month of July. These four additional weeks will be designated by the Company no later than January 15 of each year. The purpose of this Scope Clause exception to Section 1.C.1.is to enable the Company to accommodate passenger baggage that cannot be accommodated on the same flight as the passenger.

   b. There will be no apportionment pay for using such services.

   c. The Association will be able to audit baggage activity up to 5 times per year, on a schedule agreed by the Scope Committee. At the time of each audit, the Company shall provide the Association with access to all relevant information, facilities, personnel and documentation. The Company will provide a quarterly report to the Association about when and where charter services were used, and how many bags were transported. The Company will conduct an annual joint performance review in the first quarter of each year at the request of the Association.

I. Joint Ventures

1. The parties agree to work toward a fair allocation of flying for the Company in Joint Business Agreements ("JBAs"). The Association has the right to review JBAs and any material changes going forward. During the parties' Quarterly Scope meetings, the Company will discuss and receive input from the Association regarding current and anticipated JBAs.

J. Scope Exception: Transborder

The Company may place its current or future designator code on flights by Canadian Air Carriers as set forth below:

1. Codesharing to Third Countries.

   Codesharing agreements allowing Canadian Air Carriers to carry the Company's code between Canada and a third country must meet the following conditions:

   a. Opportunities to Earn WACC.

      The Company shall always deploy its own aircraft on any international route for which it can obtain authority, so long as that route will earn a return on invested capital at least equal to WACC. The Company shall not use Canadian Air Carriers' flights to third countries as a substitute for opportunities to operate its own international flights from U.S. gateways, provided such Company flights will earn a return on invested capital at least equal to WACC.

   b. Review of Third Country Traffic Flows.

      On September 1, 1997 and every six months thereafter, the Company shall review with the Association the flows of international passengers traveling to third countries on the Company's code on Canadian Air Carriers' flights and on Canadian Air Carriers' codes on the Company's flights. This review shall identify any incremental international operations that meet the criteria in provision 1.a. above. It shall include an evaluation of the size of aircraft and frequency of operations potentially available for the Company. This review shall also assure that the Company is accruing benefits from the traffic carried on its code on Canadian Air Carriers' flights.

   c. Review of Traffic Flows Exceeding Certain Numbers of Passengers on Company Code.

      If, for any period of six consecutive months, Canadian Air Carriers carry more than an average of 50 passengers per flight per day on the Company's code or more than an average of 500 passengers per flight per week on the Company's code, the Company and the Association shall promptly conduct a review as described in 1.b. above to determine whether any opportunity exists to carry that traffic from a U.S. gateway on a Company flight that will earn a return on invested capital at least equal to WACC, assuming that the Company can obtain authority for the operation. Nothing in these provisions 1.a.- c. shall be construed to require the Company to operate a particular route or routes.

   d. Maximizing Use of Canadian Air Carriers' Codes.

      The Company shall attempt to maximize Canadian Air Carrier codesharing on the Company's flights to third country destinations.

2. Ability to Reopen.

   In the event of a change in regulation, law, or industry practice with respect to codesharing, either party retains the right to reopen on this issue of codesharing with a Canadian Air Carrier.

K. Scope Exception: Other International Codesharing

The Company may place or maintain its current or future designator code on flights by Foreign Carriers under the following conditions:

1. General Principles

   a. Importance of International Codesharing.

      The Company and the Association agree that codesharing with Foreign Carriers has become an important element of international competition and that it is in the Company's interest to enter into codesharing agreements with such carriers when those agreements strengthen the Company's international and domestic route networks.

   b. Purpose of Codesharing.

      The purpose of codesharing is to provide feed to the Company's route system and/or establish, maintain, or acquire market presence.

2. Other Airline Codes on Company Flights.

   The Association endorses the maximum use of other airline codes on Company flights. In negotiating codesharing agreements with Foreign Carriers, the Company shall attempt to maximize opportunities to use its own aircraft and personnel.

3. Baseline for International Flying.

   A Baseline for International Flying shall be calculated for each year as described below:

   a. Effective January 1, 2014, the Baseline for International Flying shall be 1,138,159 block hours [the number of international block hours scheduled during January 1, 2013 through December 31, 2013 by the Company (i.e., by US Airways, Inc. and American Airlines, Inc. combined)].

   b. International Baseline for January 1, 2015 and Beyond.

      Effective January 1, 2015, and each January 1 thereafter, the International Baseline for the following year shall be calculated as follows:

      (1) The International Baseline for the previous year shall be adjusted upward by the total block hours of International Flying scheduled by the Company during that year in excess of the previous year's International Baseline, except that the block hours attributable to new routes that have not been flown three consecutive years or more, on either a year round or seasonal basis, shall not be added to the Baseline. Thus, for example, if the January 1, 2014 International Baseline is 1,138,159 and the total block hours for International Flying scheduled during the following twelve (12) months is 1,138,159 + 1000, but 25 of those block hours are attributable to a new route begun that year, then the January 1, 2015 International Baseline shall be 1,138,159 + (1000-25). If the new route is still being flown during the year January 1, 2017 to January 1, 2018, then all those block hours attributable to flying between the third anniversary of the initiation of the flight and January 1, 2018 shall be added to the baseline for January 1, 2018. If the route is still being flown during the year January 1, 2018 to January 1, 2019, then all the block hours attributable to the flight that year not previously added to the baseline in the preceding year shall be added to the baseline for January 1, 2019.

      (2) The International Baseline for the previous year shall carry forward and remain the same if the amount of block hours scheduled by the Company during the previous 12 month period for International Flying, as adjusted for new flying as described in the foregoing paragraph, is less than or equal to the International Baseline for that year.

4. International Flying Below 90% and/or 80% of the Baseline in 2014 and Beyond.

   On January 1, 2015 and on January 1 of each year thereafter, the International Baseline as calculated on the preceding January 1 shall be compared to the total block hours of International Flying scheduled by the Company during the preceding 12 months.

   a. If the Company's scheduled International Flying is below 90% of the previous year's International Baseline, the Company shall have until the succeeding January 1 to cure that deficiency by increasing total scheduled block hours of International Flying to the level that would have met that 90% threshold. If the Company's scheduled International Flying during that additional 12 months does not increase to this required level, then the Association's concurrence shall be required for the Company to enter into new international codesharing agreements whether to place the Company's code on a Foreign Carrier's flights or to carry a Foreign Carrier's code on a Company flight.

   b. If the Company's scheduled International Flying is below 80% of the previous year's International Baseline, the Company shall have until the succeeding January 1 to cure that deficiency by increasing total block hours back to the level that would have been required to meet that 80% threshold. If the Company's scheduled International Flying during that additional 12 months does not increase to this required level, then the Association's concurrence shall be required for renewal or continuation of all codesharing agreements whether to place the Company's code on a Foreign Carrier's flights or to carry a Foreign Carrier's code on a Company flight, with the exception of those specifically listed below:

      Qantas (on AA 10/23/89; by AA 11/15/94)

British Midland (11/1/93)

Gulf Air (transatlantic 7/1/94; UK-Middle East 1/1/94)

5. Opportunities to Earn Adequate Return on Invested Capital.

   a. General.

      The Association and the Company agree that the Company shall continue to seek international route authority and pursue all opportunities for deploying its aircraft assets on international routes where it will earn an adequate return on invested capital.

   b. Review of International Codeshare Traffic.

      On January 1, 2013 and every six months thereafter, the Company shall review with the Association the flows of international codeshare passengers traveling on the Company's code on Foreign Carrier flights and on Foreign Carrier codes on the Company's flights. This review shall identify any incremental international operations that meet the criteria in provision 5.a. above. It shall include an evaluation of the size of aircraft and frequency of operations potentially available for the Company. This review shall also assure that the Company is accruing benefits from the traffic carried on its code on Foreign Carrier flights.

   c. No Codesharing on Routes That Could Earn Adequate Return on Invested Capital.

      The Company shall not, without the Association's consent, place or maintain its code on any international route or frequency operated by a Foreign Carrier, on which the Company could earn an adequate return on invested capital. This analysis shall be performed using the same method to analyze route profitability that the Company then uses internally for route planning. Notwithstanding this prohibition, if the Company orders additional aircraft to fly such an international route, the Company may place or maintain its code on the route or frequency during the time between order and delivery of the additional aircraft. Similarly, if the Company is procuring an airport slot, gate and/or other route authority to fly such a route, the Company may place or maintain its code on the route or frequency during the time required to procure such a slot and/or authority. Nothing in this provision 5 shall be construed to require the Company to operate a particular route or routes.

6. Cabotage.

   If any Foreign Carrier obtains the right to transport local passenger or cargo traffic between airports within the United States or its territories, the Company shall not allow its code to be used on flights carrying such traffic and shall not carry that Foreign Carrier’s code on flights between airports within the United States or its territories.

7. Leaving Company Code in a Market.

   The Company shall not reduce flying in a market and subsequently maintain or place its code on Foreign Carrier service in that market without the Association's concurrence unless:

   a. The route is covered under a Joint Business Agreement; or

   b. The reduction is temporary, based on seasonality, and such flying will be reinstated; or

   c. all of the following three conditions are met:

      (1) the Foreign Carrier is a Major Foreign Carrier; and

      (2) The route/flight failed to earn an adequate return on invested capital over the preceding three (3) months or, if the flying has not continued for three (3) months, then over such shorter period as the flying has actually continued; and

      (3) either there will be no decrease in the Company's total international block hours, as measured on the next January 1 for the preceding calendar year, or there will be a proportionate decrease in international block hours flown by the Company and the codeshare partner on routes codeshared with that partner. (In calculating the proportionate decrease in block hours, such block hours shall be rounded to the nearest number that will enable each carrier to reduce its flying in increments of at least one daily round trip). Examples of such decreases are contained in Letter B.

8. Prior Documentation.

   Prior to any reduction under provision 7 above, the Company shall provide to the Association the information and, if necessary, the documents necessary to demonstrate compliance with that provision.

9. Initiating Codesharing with a Major Foreign Carrier.

   Notwithstanding provisions K.5.c and K7. above, the Company may rationalize flying as part of entering into an initial codesharing agreement with a Major Foreign Carrier even though such rationalization involves withdrawing from a market and maintaining or place the Company's code on the service of the Major Foreign Carrier in that market, or placing the Company code on a flight of a Major Foreign Carrier that could earn an adequate return on invested capital, provided that the following conditions are fulfilled:

   a. As a result of the new codesharing agreement, block hours operated by the Company on routes involved in the codesharing agreement decrease by no more than 10% or by the block hours attributable to one round trip on a route (nonstop flying between any two airports) involved in the codesharing agreement, whichever is greater; and

   b. either there will be no decrease in the Company's total international block hours, as measured on the next January 1 for the preceding calendar year, or there will be a proportionate decrease in international block hours flown by the Company and the new codeshare partner on routes codeshared with that partner as specified in 7.c.(3) above.

   c. Provisions K.5.c. and K.7. shall apply to any subsequent change in service on the codeshared routes. In addition, if the Company withdraws from a route involved in the initial codesharing agreement, and such withdrawal causes block hours operated by the Company on routes involved in the codesharing agreement to drop below the level that would earlier have violated a. above, the Association and the Company shall review the remaining routes on which the Major Foreign Carrier is codesharing. If such review reveals that any route could earn an adequate return on invested capital, the Association shall have the right to require the Company to withdraw its code from one such route for each route from which the Company has withdrawn.

10. Withdrawal from a Codesharing Agreement.

    Where the Company is required by this Agreement to withdraw from an agreement with a codesharing partner, such withdrawal shall take place at the earliest possible date that does not cause the Company to incur a financial penalty that is material in the context of the codesharing agreement with the Foreign Carrier.

L. Equity Ownership Of Foreign Carriers

A Foreign Carrier in which the Company or an Affiliate has an equity investment of more than 15% and with whom the Company codeshares shall be a “Foreign Partner.” The Company may have a Foreign Partner only under the following conditions:

1. When a Foreign Carrier becomes a Foreign Partner, the parties shall establish a “Company Baseline” for that Foreign Partner as follows:

   a. International flights by the Foreign Partner to or from any point in the U.S. that carry the Company code (or that a new codesharing agreement contemplates will carry the Company code) shall be “Covered Flights.”

   b. The Company’s total scheduled block hours for the previous 12 month period in all markets (city pairs) in which there is a Covered Flight shall be the “Company Baseline.”

2. Twelve months after a Foreign Carrier becomes a Foreign Partner and annually thereafter, the Foreign Carrier’s total scheduled block hours attributable to Covered Flights for that twelve months shall be compared to the Foreign Carrier’s previous year’s total scheduled block hours attributable to Covered Flights. The Company’s total scheduled block hours in markets in which the Foreign Partner operates a Covered Flight shall also be compared to the Company’s previous year’s total scheduled block hours in those markets.

   a. If the above comparison in any year shows that the Foreign Partner’s block hours on Covered Flights have increased, the Company’s international block hours shall have increased that year at least the same number of block hours.

b. If the above comparison in any year shows that the Company's block hours in markets in which the Foreign Partner performs Covered Flights have decreased, then the Foreign Partner's block hours on Covered Flights shall have decreased that year or the Company's international block hours shall have increased at least the same number of block hours.

c. If the above comparison in any year shows that the Company's block hours in markets in which the Foreign Partner performs Covered Flights have decreased and the Foreign Partner's block hours on Covered Flights have increased, then the Company's international block hours shall have increased in the same year by the amount of the Company's decrease combined with the amount of the Foreign Partner's increase. For example, if the Company's block hours decrease by 100 hours and the Foreign Partner's block hours increase by 100 hours, the Company's international block hours in that year shall have increased by 200 hours.

d. If the above provisions 2.a., b. or c are violated, the Company shall have the ensuing year to bring itself into compliance. If, at the conclusion of the ensuing year, the Company is still not in compliance, then the Company shall withdraw the Company code from sufficient Covered Flights to bring the Company into compliance.

e. If the comparison in any year shows a decrease in the Company's block hours such that the total is less than the Company Baseline, then the Foreign Partner's block hours on Covered Flights shall not increase until a subsequent year's comparison shows that the Company's block hours are again equal to or greater than the Company's baseline.

M. Furlough Protection

1. Unless the furlough is caused in substantial part by "Conditions beyond the Company's control" as defined in Section 1.D.4.b.1., the Company will not furlough the following pilots:

   a. Brian Bedrossian, date of hire December 3, 2013, and any pilot who was senior to that pilot on the American Airlines Pilots' System Seniority List as of December 9, 2013;

   b. Daniel Bonfield, date of hire December 2, 2013, and any pilot who was senior to that pilot on the US Airways "East" seniority list as of December 9, 2013; and

   c. Justin Aikens, date of hire April 14, 2008, and any pilot who was senior to that pilot on the US Airways "West" seniority list as of December 9, 2013.

   It is understood and agreed that nothing in Section 1.M shall require the Company to recall a pilot from furlough status.

2. As of the implementation of the merged seniority list resulting from the integration of American Airlines pilots and US Airways pilots, furlough protection will be extended to Bedrossian, Bonfield, and Aikens and any pilot senior to Bedrossian, Bonfield, or Aikens on the merged seniority list as of the implementation date. If any of these three identified pilots is not on the merged seniority list as of that date, the identified pilot will be replaced for the purposes of this provision with the most junior pilot who was senior to the identified pilot as of December 9, 2013 and remains on the merged seniority list.

3. Any pilot who meets the conditions in Paragraph 1 above will be protected from furlough regardless of whether the pilot was in active duty as of December 9, 2013. This protection encompasses American Eagle pilots who satisfy Paragraph (1)(a), beginning when they flow up and begin active duty at the Company.

N. Successorship

1. Agreement Binding on Successor.

   The Agreement shall be binding upon any Successor. The Company shall not bring a single step or multi-step Successorship Transaction to final conclusion unless the Successor agrees, in writing, to recognize the Association as the representative of pilots on the American Airlines Pilots Seniority List consistent with the Railway Labor Act, to employ the pilots on that list in accordance with the provisions of this Agreement, and to assume and be bound by this Agreement.

2. Seniority List Merger.

   If the Successor is an Air Carrier or an affiliate of an Air Carrier, the Company shall, at the option of the Association, require the Successor to agree to integrate the pre-transaction pilot seniority list(s) of the Company and the seniority list of the Successor in a fair and equitable manner within 12 months of the Successorship transaction pursuant to Sections 3. and 13. of the Allegheny-Mohawk Labor Protective Provisions ("LPPs"). The requirement of this provision does not apply to the Company's acquisition of all or part of another Air Carrier in a transaction which includes the acquisition of aircraft and pilots.

O. Opportunity To Make Competing Proposal

In the event that any person or entity proposes a transaction which would result in a change of control or potential change of control of the Company or its parent, as those terms are used in AMR's 1988 Long-Term Incentive Plan, whether through a single or multi-step transaction, and the Company determines to pursue or facilitate the proposal, the Company, if consistent with the fiduciary duties of its Board of Directors, shall provide the Association with

1. advance written notice before acting favorably on such proposal; and

2. an opportunity to make a competing proposal.

P. Other Labor Protective Provisions In Substantial Asset Sale

In the event that, within any 12 month period, the Company transfers (by sale, lease, or other transaction) or otherwise disposes of aircraft, slots, or route authorities ("Aircraft-Related Assets") which, net of Aircraft-Related Asset purchases or acquisitions during the same 12 month period, constitute 20% or more of the value of the Aircraft-Related Assets of the Company to an entity or to a group of entities acting in concert that is an Air Carrier or that will operate as an Air Carrier following its acquisition of the transferred Aircraft-Related Assets (any such entity or group, the "Transferee"; any such transaction, a "Substantial Aircraft-Related Asset Sale"):

1. the Company shall require the Transferee to proffer employment to the Company’s pilots in strict seniority order (the "Transferring Pilots"). The number of Transferring Pilots shall be no fewer than the average monthly pilot staffing over the prior 12 months for the Aircraft-Related Assets transferred to the Transferee in connection with the Substantial Aircraft-Related Asset Sale; and

2. the Company shall not finally conclude a transaction under this subsection unless the Transferee agrees to integrate the Transferring Pilots into the Transferee's pilot seniority list pursuant to Sections 3. and 13. of the Allegheny-Mohawk LPPs.

Q. Remedies

1. The Company and the Association agree to arbitrate any grievance filed by the other party alleging a violation of this Section 1 on an expedited basis directly before the System Board of Adjustment sitting with a neutral arbitrator. The arbitrator shall be a member of the National Academy of Arbitrators and experienced in airline industry disputes. The burden of proof will be determined by the arbitrator. The provisions of the Railway Labor Act shall apply to the resolution of any dispute regarding this Section 1.

2. The parties agree that, in addition to any other rights and remedies available under law and this Agreement, an arbitration award under this Section 1 shall be enforceable by equitable remedies, including injunctions and specific performance against the Company, American Airlines Group, Inc., and/or an Affiliate of the Company. The Company and Association agree that in a court proceeding to enforce an arbitration award under this Section 1, the rights and obligations are equitable in nature, that there are no adequate remedies at law for the enforcement of such rights and obligations, and that the Association and the Company's pilots are irreparably injured by the violation of this Section 1.

SECTION 13

SENIORITY

A. Service with Company

Seniority as a pilot shall be based upon the length of service as a flight deck operating crew member with the Company except as otherwise provided in Sections 11 and 12 of this Agreement.

B. Seniority Date

Seniority shall begin to accrue from the date a pilot is first assigned to air line flying duty and shall continue to accrue during such period of duty except as provided in Sections 11 and 12 of this Agreement.

C. Retention of Seniority

A pilot once having established seniority shall not lose such seniority except as provided in this Section, nor shall such pilot's relative position on the Pilots' System Seniority List be changed for any reason, including disciplinary action, except as provided in paragraph B. of this Section.

D. Basic Seniority Rule

Seniority shall govern all pilots in case of promotion, demotion, their retention in case of reduction in force, their recall from furlough, their assignment or reassignment due to expansion or reduction in force or schedules, and their choice of vacancies, provided that the pilot is sufficiently qualified for the conduct of the operation to which he is to be assigned. In the event a pilot is considered not to be sufficiently qualified, the Company shall promptly furnish such pilot written reasons therefore. This paragraph shall apply, provided that certain other rules in this Agreement stipulating specific methods and procedures of applying system seniority shall govern such application of system seniority only to the extent of the specific provisions of such rules.

E. Failure to Qualify in Turn

When a junior pilot is promoted over a senior pilot, by reason of the failure of the latter to qualify in his turn, the senior pilot shall continue to retain his position on the Pilots' System Seniority List.

F. Loss of Seniority

1. Resignations, Retirement and Discharges

   A pilot who resigns from the service of the Company, retires, or is discharged for just cause, shall forfeit all seniority as a pilot.

2. Failure to Return from Furlough

   When a pilot who has been furloughed is offered, by written notice from the Company, the opportunity to return to duty as a pilot and such pilot elects, by written statement to the Company, not to return to such duty, or if a recalled pilot fails to comply with the requirements of Section 17.W. of this Agreement, his seniority right of preference in re-employment shall at that time terminate, and all his seniority as a pilot shall be forfeited.

3. Duration of Recall Rights

   A pilot shall retain recall rights indefinitely until refused under 2. above.

4. Retention of Company Benefits

   Upon return from furlough, a pilot shall receive all Company benefits accruing by reason of his previous active service.

G. System Seniority List

1. Seniority List Supplied by Company

   The Company shall make available to each pilot, within thirty (30) days after July 1st of each year, a Pilots' System Seniority List, effective July 1, which contains the names of all pilots arranged in the order of system seniority, whether active or inactive, and the seniority date of each pilot. Such list shall also reflect each pilot's normal retirement date.

2. Protests

   a. A pilot shall be permitted a period of thirty (30) days after any posting of the Pilots' System Seniority List, each year, in which to protest to the Company any omission or incorrect posting affecting his seniority.

   b. A pilot on leave or away from his base station at the time of posting of the list shall have a period of thirty (30) days from the date of his return to his base station during which to file such protest.

   c. Any incorrect posting or any other discrepancy which went unprotested on the annual list in which it first appeared shall not be protested on any subsequent annual posting except that typographical and clerical errors may be corrected at any time.

EXHIBIT 2

AGREEMENT

between

AMERICAN AIRLINES, INC

and

THE AIRLINE PILOTS

in the service of

AMERICAN AIRLINES, INC.

as represented by the

ALLIED PILOTS ASSOCIATION

EFFECTIVE: MAY 1, 2003

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AGREEMENT
between
AMERICAN AIRLINES, INC.
and
THE AIR LINE PILOTS
in the service of
AMERICAN AIRLINES, INC.
as represented by the
ALLIED PILOTS ASSOCIATION
Effective: May 1, 2003

THIS AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between AMERICAN AIRLINES, INC., hereinafter known as the "Company", and the air line pilots in the service of AMERICAN AIRLINES INC. as represented by the ALLIED PILOTS ASSOCIATION, hereinafter known as the "Association".

In making this Agreement the parties hereto recognize that compliance with the terms of the Agreement and the development of a spirit of cooperation is essential for mutual benefit and for the intent and purpose of this Agreement.

It is hereby mutually agreed:

SECTION 1

RECOGNITION AND SCOPE

A. Recognition

The Allied Pilots Asso ciation has shown satisfactory proof to the Company that it rep resents more than a majority of the airline pilots of the Company, and further, has been ce rtified by the National Mediation Board.

B. Definitions

1. Affiliate

   The term "Affiliate" refers to (a) any entity that Controls the Company or any entity that the Company Controls, and/or (b) any other corporate subsidiary, parent, or entity Controlled by or that Controls any entity referred to in (a) above.

2. Agreement

   The term "Agreement" means this collective bargaining agreement between the Association and the Company and all supplements and letters of agreement between the Association and the Company.

3. Air Carrier

   The term "Air Carrier" means any common carrier by air.

4. Commuter Air Carrier

   The term "Commuter Air Carrier" refers to any Air Carrier utilizing only (a) aircraft that are certificated in the United States and Europe with a maximum passenger capacity of 50 passenger seats or fewer and (b) aircraft that are not certificated in any country with a maximum gross takeoff weight of more than 64,500 pounds. If an aircraft type operated by an Air Carrier otherwise meeting the conditions in the preceding sentence is recertified with a maximum passenger capacity of greater than 50 passenger seats, the Air Carrier operating said aircraft shall remain a Commuter Air Carrier so long as it operates said aircraft with no more than 50 passenger seats.

5. Company

   The term "Company" shall refer to American Airlines, Inc.

6. Comprehensive Marketing Agreement

   The term "Comprehensive Marketing Agreement" means an arrangement between the Company or an Affiliate and a Domestic New Entrant Air Carrier that is not a Commuter Air Carrier that contains at least the following elements:

   a. AAdvantage or any other Company frequent flyer program;

   b. joint marketing arrangements (other than AAdvantage type arrangements); and,

   c. the lease or transfer of gates from the Company or a U.S. Affiliate to the Domestic New Entrant Carrier.

7. Control

   The term "Control" shall have the same meaning as the term had in Arbitrator Stephen Goldberg's decision in the Canadian Arbitration Case No. 12-93 (April 25, 1994).

8. Domestic Air Carrier

   The term "Domestic Air Carrier" refers to any Air Carrier that is a citizen of the United States within the meaning of 49 U.S.C. § 40102(a)(15), as that statute defines citizenship on the effective date of this Agreement.

9. Domestic Commuter Air Carrier

   The term "Domestic Commuter Air Carrier" refers to any Commuter Air Carrier that is a citizen of the United States within the meaning of 49 U.S.C. § 40102(a)(15), as that statute defines citizenship on the effective date of this Agreement.

10. Domestic New Entrant Air Carrier

    The term "Domestic New Entrant Air Carrier" means a Domestic Air Carrier that has entered the passenger air transportation market since deregulation, either initially or through ceasing operations and then re-entering the market.

11. Fixed Base Operator Flying

    The term "Fixed Base Operator Flying" means flying activities in aircraft having a maximum passenger capacity of 30 seats and a maximum payload capacity of 7,500 pounds.

12. Foreign Carrier

    The term "Foreign Carrier" means an Air Carrier other than a Domestic Air Carrier.

13. International Flying

    The term "International Flying" means scheduled flying by the Company that includes a scheduled landing or departure outside the 48 contiguous states. This definition is solely for the purposes of the exception for International Codesharing and the conditions on that exception in Section 1.J.

14. Major Foreign Carrier

    The term "Major Foreign Carrier" means a Foreign Carrier that has had more than $1 billion US, or its equivalent, in annual revenues during its most recent fiscal year.

15. Successor

    The term "Successor" shall include, without limitation, any assignee, purchaser, transferee, administrator, receiver, executor, and/or trustee of the Company or of all or substantially all of the equity securities and/or assets of the Company.

16. Successorship Transaction

    The term "Successorship Transaction" means any transaction, whether single step or multi-step, that provides for, results in, or creates a Successor.

17. Transborder Flying

    The term "Transborder Flying" means flying scheduled by the Company on US-Canada transborder routes.

18. WACC

    The term "WACC" refers to AMR Corporation's weighted average cost of capital as described in the letter agreement between the Association and the Company dated May 1, 2003.

C. SCOPE

1. General.

   All flying performed by or on behalf of the Company or an Affiliate shall be performed by pilots on the American Airlines Pilots Seniority List in accordance with the terms and conditions of this Agreement, except as expressly permitted in provisions D.- K. below.

   a. Company Flying. Such flying shall include without limitation all passenger flying, cargo or freight flying, and ferry flying, whether scheduled or unscheduled, revenue or non-revenue:

      (1) performed on aircraft owned and operated by or on behalf of the Company or an Affiliate, leased to and operated by or on behalf of the Company or an Affiliate, or operated by the Company or an Affiliate, or

      (2) conducted by any other Air Carrier which the Company has permitted to utilize the Company's present or future designator code, trade name or aircraft paint scheme for the other Air Carrier's flight operations except as expressly permitted in Section 1 D - K below, and provided that the portion of this provision referring to trade names will apply only to Company trade names used to describe the Company's flight operations and not trade names such as "AAdvantage."

   b. Prohibited Transactions.

Neither the Company nor an Affiliate shall, without the Association's prior written consent, enter into any transaction, agreement, or arrangement, except as expressly permitted in Section 1.D.- K. below, that permits or provides for:

(1) any form of contracting out or subcontracting out of any Company flying covered by subsection C.1., or any wetleasing from an entity or any chartering of such flying from an entity; or

(2) a Comprehensive Marketing Agreement with a Domestic New Entrant Carrier.

(3) Nothing in this provision C.1.b. shall be construed to permit any other transaction that would violate this provision C.1.

2. Training.

All flight training of American Airlines pilots in Company aircraft shall be performed by American Airlines pilots.

3. Interline Agreements

Nothing in this Section 1 shall be construed to limit the Company or an Affiliate's ability to enter into interline agreements with other Air Carriers.

4. Frequent Flyer Programs.

Nothing in this Section 1 shall be construed to limit the Company or an Affiliate's ability to enter into agreements or arrangements with other Air Carriers involving frequent flyer miles, promotions, awards or other frequent flyer arrangements that are not part of a Comprehensive Marketing Agreement.

5. Captions.

The captions to provisions in this Section 1 are not substantive and should not be considered in construing the meaning of any provision, provided that the Company and the Association do not intend thereby to create an implication as to other captions in this Agreement.

D. Scope Exception: Commuter Air Carriers

1. Commuter Air Carriers and Section 1 Limitations.

The Company or an Affiliate may create, acquire, maintain an equity position in, enter into franchise type agreements with, and/or codeshare with a Commuter Air Carrier, and flying by any such Commuter Air Carrier shall not be subject to the limitations of Section C.1 above, so long as any such Commuter Air Carrier operates in accordance with the limitations set forth in this Section 1.D.

2. American Eagle, Inc. and Executive Airlines, Inc.

American Eagle, Inc. and Executive Airlines, Inc. may operate, in the aggregate, no more than 43 ATR 72 aircraft or other turbo prop aircraft certificated in the United States and Europe for a maximum passenger capacity of between 51 and 70 seats, without losing their status as Commuter Air Carriers.

3. Purpose; Intent of the Parties.

a. Primary Purpose.

The primary purpose of a Commuter Air Carrier is either to provide passenger and/or cargo revenue feed to Company flights and/or to enhance the Company's overall market presence.

b. Role of Commuter Air Carriers in Company's Development.

The parties recognize that Commuter Air Carriers have played a role in the development of the Company as the world's premier airline. Additionally, the Company and the Association acknowledge that the passenger feed provided to the Company's domestic and international system strengthens the Company, thereby providing enhanced career opportunities to American Airlines pilots.

c. Markets in Which the Company Cannot Earn an Adequate Return on Invested Capital

The Company will operate American Airlines service in markets where such service can earn an adequate return on invested capital. This provision will not require the Company to operate a particular service, but instead, if the Company could operate a service and earn an adequate return on invested capital, the Company may not place or maintain the Company code on such service by a Commuter Air Carrier. Notwithstanding this prohibition, if the Company orders additional aircraft to fly such a route, the Company may place or maintain its code on the route or frequency during the time between order and delivery of the additional aircraft. Similarly, if the Company is procuring an airport slot, gate and/or other route authority to fly such a route, the Company may place or maintain its code on the route or frequency during the time required to procure such a slot and/or authority.

d. Parties to Meet in the Event of Problems.

It is not the intent of either the Company or the Association to limit the expansion of Commuter Air Carriers in developing new markets. If at any time it is determined that these provisions are impeding the ability of Commuter Air Carriers to fulfill their primary role in support of the Company's system, the parties agree to promptly meet and discuss appropriate modifications to this Agreement.

4. Cockpit Crewmember Floor.

In the event that the number of cockpit crewmembers employed by the Company on the American Airlines Pilots Seniority List goes below 7300, the parties agree that the commuter exception contained in this Section D. shall be terminable at the option of APA following a 90-day period to provide an opportunity for discussion. If APA elects to require termination of the commuter exception, the Company shall thereafter have a reasonable time to complete the disposition of the operations covered by this Section D. during which period the parties shall meet in good faith and discuss the issues related to such termination. Pilots added to the American Airlines Pilots Seniority List by way of seniority merger shall not count in calculating the number of cockpit crewmembers for purposes of this section 4.

5. Limitations on Commuter Carriers.

a. Aircraft Limit.

Beginning with the six month period starting 7/1/03, for each six month period, the total number of aircraft operated under this Section D. may not exceed a limit, based on Narrowbody aircraft operated during that period as provided in c. below. Aircraft shall be counted toward that limit as provided in d. below.

b. Counting Narrowbody Aircraft.

Effective each January 1 and July 1, the total number of aircraft that are being operated by the Company in a single aisle seating configuration ("Narrowbody Aircraft") that are "in service," as that term is defined in SUPPLEMENT CC Section 1.K., shall be tallied for purposes of determining the applicable limit on the number of aircraft operated pursuant to this Section D. For the purpose of this tally of Narrowbody Aircraft, the "total number of aircraft" being operated by the Company for the six month period shall be the straight average of the number of aircraft in service at the Company on the fifteenth calendar day of each of the previous six months. If any six-month tally involves a fractional aircraft unit, the fractional unit will be rounded down if less than .5, and otherwise rounded up.

(1) Force Majeure.

In the event that the Company's planned aircraft deliveries do not take place as scheduled due to conditions beyond the Company's control, then for 12 months from the scheduled delivery date, so long as the scheduled deliveries remain firm orders to be delivered as soon as circumstances permit, the aircraft shall be counted as though they had been timely delivered.

If the Company is unable to operate Company aircraft due to conditions beyond the Company's control, then the Company may count such aircraft as in operation for purposes of b.(1) above for three months from the date such aircraft go out of operation, or such longer period as necessary, not to exceed fifteen months, if the Company is taking all practicable steps to restore operations, including by repairing or replacing the affected aircraft.

"Conditions beyond the Company's control" shall include, but not be limited to, the following: (1) an act of God, (2) a strike by any other Company employee group or by the employees of a Commuter Air Carrier operating pursuant to Section 1.D., (3) a national emergency, (4) involuntary revocation of the Company's operating certificate(s), (5) grounding of a substantial number of the Company's aircraft, (6) a reduction in the Company's operation resulting from a decrease in available fuel supply caused by either governmental action or by commercial suppliers being unable to meet the Company's demands, (7) the unavailability of aircraft scheduled for delivery.

c. Determining the Maximum Number of Aircraft that Commuter Carriers May Operate.

The maximum average number of aircraft that may be operated under this Section D. during a six-month period is the number of Narrowbody Aircraft multiplied by 110%.

d. Counting Commuter Carrier Aircraft

(1) Two Counts.

Effective each January 1 and July 1, aircraft operated pursuant to this Section D. for the previous six month period shall be counted toward the aircraft limit in c above as a straight average of the number of aircraft in operation on the fifteenth calendar day of each of the previous six months.

Commuter Air Carriers that are Affiliates or that have more than 50% of their RPMs attributable to passengers flying on the Company code shall be counted on a 1 for 1 basis, with fractional units rounded as at the mainline.

Aircraft at Commuter Air Carriers that are not Affiliates and that have 50% or fewer of their RPMs attributable to flying on the Company's code shall be counted toward the aircraft limit as provided in d. (2) below.

(2) Counting Aircraft at Commuter Carriers With 50% or Fewer RPMs on the Company's Code.

At Commuter Air Carriers that are not Affiliates and that have 50% or fewer of their RPMs attributable to passengers flying on the Company's code, aircraft shall be counted in one of two ways, depending on whether or not the Commuter Air Carrier operates a portion of its flights as American Connection (or similarly dedicated operation).

If such Commuter Air Carrier does not operate a portion of its flights as American Connection (or similarly dedicated operation), monthly RPMs flown on the Company's code as a proportion of total monthly RPMs at each such carrier shall be multiplied by the average number of aircraft in operation at that carrier during that month. Fractional units shall be rounded to the nearest hundredth.

Thus, for example, if one third of the monthly RPMs at such a Commuter Air Carrier are attributable to passengers flying on the Company code, then one third of that Commuter Air Carrier's fleet shall be counted toward the overall limit for Commuter Air Carrier aircraft for that month.

If, on the other hand, the Commuter Air Carrier operates a portion of its flights as American Connection or similarly dedicated operation, the aircraft in the dedicated portion of the operation shall be counted on a 1 for 1 basis. If aircraft operated by such a Commuter Air Carrier outside the dedicated portion of the operation carry passengers on the Company code, then:

(a) The aircraft in the dedicated portion shall be counted on a 1 for 1 basis; and

(b) The aircraft in the non-dedicated portion shall be counted in the same manner as aircraft at Commuter Carriers without a dedicated operation, excluding the dedicated portion of the operation from the calculation; and

(c) The number of aircraft in (a) and (b) shall be added together.

Thus, for example, if a Commuter Air Carrier operates 10 aircraft in a dedicated portion of its operations, operates another 10 aircraft in a nondedicated portion of its operations, and if 1/10 of the monthly RPMs in the non-dedicated portion of its operations are attributable to passengers flying on the Company code, then 11

aircraft count toward the overall limit for Commuter Air Carrier aircraft for that month.

e. Penalty for Excess Commuter Carrier Operations.

If, for any six month period, the total number of aircraft operated under this Section D., counted as provided in d. above, exceeds the number permitted under provision c. above, then the number of aircraft that Commuter Air Carriers would otherwise have been permitted to operate during the subsequent six month period shall be reduced by twice the number of such excess aircraft. Moreover, during that subsequent six month period, the Company shall be required to stay within the aircraft limit as calculated on the first day of each month in the period for the previous months in the period. If the Company does not comply during any month of this subsequent six-month period, the Association shall have all available remedies. Nothing herein limits the right of either party to bring a grievance on an expedited basis before the System Board about any dispute regarding compliance with Section 1.D. at any time.

f. Limitations on Aircraft Types in Commuter Air Carriers' Fleets.

No aircraft type in the Company's fleet, or inactive aircraft type previously in the Company's fleet and still under the Company's control, and no orders or options for a Company aircraft type shall be transferred to or operated by a Commuter Air Carrier operated under this Section D.

g. Limits on Certain Non-Stop Flying

Beginning with the calendar quarter starting July 1, 2003, and for each calendar quarter thereafter, Commuter Air Carriers majority owned by AMR Corp. or by an Affiliate shall operate no more than 1% of the total combined scheduled block hours for such Commuter Carriers and the Company in nonstop scheduled service between any of the following airports, without the consent of the Association: DFW, ORD, MIA, JFK, SFO, LAX, LGA, STL and SJU. If the number of departures scheduled by the Company at any other airport exceeds an average of 70 per day over a 12 month period, the Company shall meet with the Association to discuss adding such airport to this list.

No other Commuter Air Carrier operated under this Section 1.D. shall operate nonstop scheduled service between any of the following airports without the consent of the Association: DFW, ORD, MIA, JFK, SFO, LAX, LGA, STL and SJU, except that if Executive Airlines ceases to be a Commuter Carrier that is majority owned by AMR Corp. or an Affiliate, then while Executive Airlines is such a Commuter Carrier, three daily nonstop scheduled roundtrips between SJU and MIA shall not be subject to the restriction in this paragraph. BNA shall be added to the list of restricted airports whenever the Company schedules 40 or more daily departures from BNA. If the number of departures scheduled by the Company at any other airport exceeds an average of 70 per day over a 12 month period, the Company shall meet with the Association to discuss adding such airport to this list.

Section 1.D.5.g amended see Letter VV

h. Hub or Major Airport Departures.

Beginning with the calendar quarter starting July 1, 2003, and for each calendar quarter thereafter, 85% of departures by turbo-jet aircraft at Commuter Air Carriers majority owned by AMR Corp. or by an Affiliate shall be into or out of the following major airports: DFW, ORD, MIA, SJU, SFO, LAX, LGA, STL, and JFK. Other Commuter Air Carriers shall carry passengers on behalf of the Company only into or out of the following airports: DFW, ORD, MIA, SJU, SFO, LAX, LGA, STL and JFK. Departures utilizing commuter slots at slot controlled airports other than those listed above (e.g., DCA) and departures from airports limited to commuter departures by other governmental or aircraft operational restrictions (e.g., SAF), shall not be covered by this provision h.

Section 1.D.5.h amended see Letter VV

6. Preference in Hiring.

If pilots of the Company are on furlough, such pilots shall be given preference in the filling of vacancies on Commuter Air Carriers that are Affiliates. The Company shall also attempt to secure preference for such pilots for vacancies occurring at Commuter Air Carriers in which the Company or an Affiliate owns a minority equity interest and at independently owned

Commuter Air Carriers that have franchise-type agreements or other codesharing relationships with the Company or an Affiliate.

7. Information Sharing.

   a. Review of Changes to Commuter Air Carrier Flying.

      The Association shall identify individuals to work with the Company's schedule planning department to review contemplated changes in flying by Commuter Air Carriers onroutes where passengers will be carried on behalf of the Company. The Association agrees to treat the information provided by the Company pursuant to this provision as confidential.

   b. Quarterly Data Review.

      On a quarterly basis beginning September 1, 1997, the Company shall review with the Association data that reflects the results of any decisions to substitute flying by Commuter Air Carriers operated under this Section 1.D. for the Company's flying and shall review routes, if any, operated by Commuter Air Carriers on behalf of the Company that could be flown by the Company and earn an adequate return on invested capital. The Company shall also procure and share with the Association the data necessary to verify the limits set forth in this Section D.

   c. New Codesharing/Ownership Arrangements.

      The Company shall discuss with the Association any plans to enter into new codesharing or ownership arrangements with any Commuter Air Carrier prior to the implementation of such arrangements.

8. Foreign Commuter Air Carrier.

   A Commuter Air Carrier that engages in flying only between points outside the United States, its territories or possessions shall not be subject to the limitations set forth in Section D.4.-7.

9. Prohibition on Training.

   Neither the Company nor an Affiliate shall provide flight training to any pilot on the seniority list of any Commuter Air Carrier that operates under Section 1.D. on any aircraft type owned or operated by the Company.

E. Scope Exception: Fixed Based Operators

The Association recognizes the Company's desire to engage in fixed base operations. Where such operations include Fixed Base Operator Flying, the Association agrees that the provisions of Section 1.C. above shall not apply to such flying as long as it does not supplant the Company's flying and is not utilized in airline service which is offered for sale to the general public through such devices as the Official Airline Guide and airline industry computerized reservations systems.

F. Scope Exception: Hawaiian Inter-Island

The Company may place its current or future designator code on flights operating wholly within the Hawaiian Islands provided that the Air Carrier (or its parent) upon which the code is placed is not an Affiliate (other than a Commuter Air Carrier) of the Company, or categorized as a "Group III" Air Carrier by the U.S. Department of Transportation. Further, if the Air Carrier upon which the code is placed also operates between Hawaii and the U.S. mainland, and if the Company drops frequencies existing as of December 1996 between the contiguous 48 states and Hawaii, the Association shall have the right to withdraw its consent to this provision.

G. Scope Exception: Air Freight Feed Operations

Notwithstanding Section 1.C. above, it is agreed that the Company shall have the right to contract for Air Freight Feed Operations as defined in SECTION 2, below, or to operate such feeders by means of a subsidiary, affiliate, or a division of the Company, or both. If the Company contracts for such operation, and if any American Airlines pilots are on furlough during the performance of such operation, the Company will recall that number of pilots which equals the minimum number of pilots who would be required to perform the operation if the Company, utilizing the same type of aircraft as are actually utilized on the date of commencement of each such operation, performed the operation itself under the terms of this Agreement. The recall of

furloughed pilots shall proceed in the manner stated in this Agreement. In the event the Company operates any such Air Freight Feed Operation itself, the rules of this Agreement shall apply.

H. Scope Exception: Domestic Air Carriers Other Than Commuter Carriers

The Company may place its current or future designator code, and/or any designator code that the Company directly or indirectly controls, on a Domestic Air Carrier that is not a Commuter Air Carrier as specified below:

1. The Company shall notify the Association at least 30 days in advance of beginning to codeshare with a Domestic Air Carrier that is not a Commuter Air Carrier.
2. The Company and the Association will discuss the proposed domestic codesharing agreement for a period of 30 days after the notice in order to reach an agreement that will allow the implementation of the codeshare agreement. The parties do not intend these discussions to encompass subjects unrelated to the implementation of the codesharing agreement.
3. The parties will engage a mediator/interest-arbitrator to facilitate their discussions. The mediator/arbitrator will be selected by agreement from a list of interest arbitrators knowledgeable about Scope provisions in pilot collective bargaining agreements. If the parties have not reached agreement within the 30 day period, the mediator/arbitrator will resolve the outstanding issues by issuing an award within 10 days after the conclusion of the 30 days period. Any domestic codesharing agreement that the Company enters into before the issuance of the award, or the reaching of an agreement, shall not require the Company to place its code, or any code that it directly or indirectly controls, on flying by the Domestic Air Carrier.
4. In forming the award, the arbitrator will utilize the terms of the then-existing domestic codeshare agreements among domestic air carriers and the provisions of then-existing collective bargaining agreements for pilots at United, Delta, Northwest, Continental and USAirways airlines that are relevant to domestic codesharing. The Arbitrator will apply those agreements to establish an industry standard domestic codeshare agreement for the period of that agreement that is fair to the pilots.
5. The subjects to be considered by the parties and submitted to the arbitrator, if agreement cannot be reached, shall include, but not be limited to:
   a. Procedures for reciprocal codesharing;
   b. Terms of codesharing on flights between and from the Company's and the Domestic Air Carrier's hubs and focus cities;
   c. Conditions for codesharing on flying in overlapping markets;
   d. Conditions for blocked space arrangements;
   e. Code sharing on International Flying;
   f. Codesharing on regional jet flying by the Domestic Air Carrier's associated regional airlines and commuter carriers, if any;
   g. Block hour limitations;
   h. Joint marketing limitations;
   i. Adequate protections for existing AA flying;
   j. The mutual benefits to the Company and the American Airlines pilots.
6. The interest arbitration will be pursuant to the Railway Labor Act.
7. The interest arbitrator will retain jurisdiction to resolve questions and disputes about the implementation of his award.
8. Section 1.C.1.b. (2), concerning Comprehensive Marketing Agreements, shall no longer be effective upon the implementation of a domestic codesharing agreement under this Section pursuant to either an arbitrator's award or agreement with the Association.

I. Scope Exception: Transborder

The Company may place its current or future designator code on flights by Canadian Air Carriers as set forth below:

1. Codesharing to Third Countries.

   Codesharing agreements allowing Canadian Air Carriers to carry the Company's code between Canada and a third country must meet the following conditions:

   a. Opportunities to Earn WACC.

      The Company shall always deploy its own aircraft on any international route for which it can obtain authority, so long as that route will earn a return on invested capital at least equal to WACC. The Company shall not use Canadian Air Carriers' flights to third countries as a substitute for opportunities to operate its own international flights from U.S. gateways, provided such Company flights will earn a return on invested capital at least equal to WACC.

   b. Review of Third Country Traffic Flows.

      On September 1, 1997 and every six months thereafter, the Company shall review with the Association the flows of international passengers traveling to third countries on the Company's code on Canadian Air Carriers' flights and on Canadian Air Carriers' codes on the Company's flights. This review shall identify any incremental international operations that meet the criteria in provision 1.a. above. It shall include an evaluation of the size of aircraft and frequency of operations potentially available for the Company. This review shall also assure that the Company is accruing benefits from the traffic carried on its code on Canadian Air Carriers' flights.

   c. Review of Traffic Flows Exceeding Certain Numbers of Passengers on Company Code.

      If, for any period of six consecutive months, Canadian Air Carriers carry more than an average of 50 passengers per flight per day on the Company's code or more than an average of 500 passengers per flight per week on the Company's code, the Company and the Association shall promptly conduct a review as described in 1.b. above to determine whether any opportunity exists to carry that traffic from a U.S. gateway on a Company flight that will earn a return on invested capital at least equal to WACC, assuming that the Company can obtain authority for the operation. Nothing in these provisions 1.a.- c. shall be construed to require the Company to operate a particular route or routes.

   d. Maximizing Use of Canadian Air Carriers' Codes.

      The Company shall attempt to maximize Canadian Air Carrier codesharing on the Company's flights to third country destinations.

2. Ability to Reopen.

   In the event of a change in regulation, law, or industry practice with respect to codesharing, either party retains the right to reopen on this issue of codesharing with a Canadian Air Carrier.

J. Scope Exception: Other International Codesharing

The Company may place or maintain its current or future designator code on flights by Foreign Carriers under the following conditions:

1. General Principles

   a. Importance of International Codesharing.

      The Company and the Association agree that codesharing with Foreign Carriers has become an important element of international competition and that it is in the Company's interest to enter into codesharing agreements with such carriers when those agreements strengthen the Company's international and domestic route networks.

   b. Purpose of Codesharing.

      The purpose of codesharing is to provide feed to the Company's route system and/or establish, maintain, or acquire market presence.

2. Other Airline Codes on Company Flights.

   The Association endorses the maximum use of other airline codes on Company flights. In negotiating codesharing agreements with Foreign Carriers, the Company shall attempt to maximize opportunities to use its own aircraft and personnel.

3. Baseline for International Flying.

   A Baseline for International Flying shall be calculated for each year as described below:

   a. Effective January 1, 2003, the Baseline for International Flying shall be ___ [the January 1, 2003 International Baseline under the May 1997 Agreement minus the number of block hours that were "double counted" since 1997, (to be determined but not to exceed 18,000 block hours) plus total scheduled block hours in 2002 of Transborder Flying as defined in the May 1997 Agreement].

   b. International Baseline for January 1, 2004 and Beyond.

      Effective January 1, 2004, and each January 1 thereafter, the International Baseline for that year shall be calculated as follows:

      (1) The International Baseline for the previous year shall be adjusted upward by the total block hours of International Flying scheduled by the Company during that year in excess of the previous year's International Baseline. Thus, for example, if the January 1, 2003 International Baseline is *_x_* and the total block hours for International Flying scheduled during 2003 is *_x+ 1000*, then the January 1, 2004 International Baseline shall be *_x_+ 1000*.

      (2) The International Baseline for the previous year shall carry forward and remain the same if the amount of block hours scheduled by the Company during the previous 12 month period for International Flying is less than or equal to the International Baseline for that year.

4. International Flying Below 90% and/or 80% of the Baseline in 2003 and Beyond.

   On January 1, 2004 and on January 1 of each year thereafter, the International Baseline as calculated on the preceding January 1 shall be compared to the total block hours of International Flying scheduled by the Company during the preceding 12 months.

   a. If the Company's scheduled International Flying is below 90% of the previous year's International Baseline, the Company shall have until the succeeding January 1 to cure that deficiency by increasing total scheduled block hours of International Flying to the level that would have met that 90% threshold. If the Company's scheduled International Flying during that additional 12 months does not increase to this required level, then the Association's concurrence shall be required for the Company to enter into new international codesharing agreements whether to place the Company's code on a Foreign Carrier's flights or to carry a Foreign Carrier's code on a Company flight.

   b. If the Company's scheduled International Flying is below 80% of the previous year's International Baseline, the Company shall have until the succeeding January 1 to cure that deficiency by increasing total block hours back to the level that would have been required to meet that 80% threshold. If the Company's scheduled International Flying during that additional 12 months does not increase to this required level, then the Association's concurrence shall be required for renewal or continuation of all codesharing agreements whether to place the Company's code on a Foreign Carrier's flights or to carry a Foreign Carrier's code on a Company flight, with the exception of those specifically listed below:

      Qantas (on AA 10/23/89; by AA 11/15/94)

      British Midland (11/1/93)

      Gulf Air (transatlantic 7/1/94; UK-Middle East 1/1/94)

5. Opportunities to Earn Adequate Return on Invested Capital.

   a. General.

      The Association and the Company agree that the Company shall continue to seek international route authority and pursue all opportunities for deploying its aircraft assets on international routes where it will earn an adequate return on invested capital.

b. Review of International Codeshare Traffic.

On May 1, 2003 and every six months thereafter, the Company shall review with the Association the flows of international codeshare passengers traveling on the Company's code on Foreign Carrier flights and on Foreign Carrier codes on the Company's flights. This review shall identify any incremental international operations that meet the criteria in provision 5.a. above. It shall include an evaluation of the size of aircraft and frequency of operations potentially available for the Company. This review shall also assure that the Company is accruing benefits from the traffic carried on its code on Foreign Carrier flights.

c. No Codesharing on Routes That Could Earn Adequate Return on Invested Capital.

The Company shall not, without the Association's consent, place or maintain its code on any international route or frequency operated by a Foreign Carrier, on which the Company could earn an adequate return on invested capital. This analysis shall be performed using the same method to analyze route profitability that AMR then uses internally for route planning. Notwithstanding this prohibition, if the Company orders additional aircraft to fly such an international route, the Company may place or maintain its code on the route or frequency during the time between order and delivery of the additional aircraft. Similarly, if the Company is procuring an airport slot, gate and/or other route authority to fly such a route, the Company may place or maintain its code on the route or frequency during the time required to procure such a slot and/or authority. Nothing in this provision 5 shall be construed to require the Company to operate a particular route or routes.

6. Cabotage.

If any Foreign Carrier obtains the right to transport local passenger or cargo traffic between airports within the United States or its territories, the Company shall not allow its code to be used on flights carrying such traffic and shall not carry that Foreign Carrier's code on flights between airports within the United States or its territories.

7. Leaving Company Code in a Market.

The Company shall not reduce flying in a market and subsequently maintain or place its code on Foreign Carrier service in that market without the Association's concurrence unless:

a. the reduction is temporary, based on seasonality, and such flying will be reinstated; or

b. all of the following three conditions are met:

(1) the Foreign Carrier is a Major Foreign Carrier; and

(2) the route/flight failed to earn an adequate return on invested capital over the preceding three months or, if the flying has not continued for three months, then over such shorter period as the flying has actually continued; and

(3) either there will be no decrease in the Company's total international block hours, as measured on the next January 1 for the preceding calendar year, or there will be a proportionate decrease in international block hours flown by the Company and the codeshare partner on routes codeshared with that partner. (In calculating the proportionate decrease in block hours, such block hours shall be rounded to the nearest number that will enable each carrier to reduce its flying in increments of at least one daily round trip). Examples of such decreases are contained in Letter B.

8. Prior Documentation.

Prior to any reduction under provision 7 above, the Company shall provide to the Association the information and, if necessary, the documents necessary to demonstrate compliance with that provision.

9. Initiating Codesharing with a Major Foreign Carrier.

Notwithstanding provisions J.5.c and J.7. above, the Company may rationalize flying as part of entering into an initial codesharing agreement with a Major Foreign Carrier even though such rationalization involves withdrawing from a market and maintaining or placing the Company's code on the service of the Major Foreign Carrier in that market, or placing the Company code on a flight of a Major Foreign Carrier that could earn an adequate return on invested capital, provided that the following conditions are fulfilled:

a. As a result of the new codesharing agreement, block hours operated by the Company on routes involved in the codesharing agreement decrease by no more than 10% or by the block hours attributable to one round trip on a route (nonstop flying between any two airports) involved in the codesharing agreement, whichever is greater; and

b. either there will be no decrease in the Company's total international block hours, as measured on the next January 1 for the preceding calendar year, or there will be a proportionate decrease in international block hours flown by the Company and the new codeshare partner on routes codeshared with that partner as specified in 7.b.(3) above.

c. Provisions J.5.c. and J.7. shall apply to any subsequent change in service on the codeshared routes. In addition, if the Company withdraws from a route involved in the initial codesharing agreement, and such withdrawal causes block hours operated by the Company on routes involved in the codesharing agreement to drop below the level that would earlier have violated a. above, the Association and the Company shall review the remaining routes on which the Major Foreign Carrier is codesharing. If such review reveals that any route could earn an adequate return on invested capital, the Association shall have the right to require the Company to withdraw its code from one such route for each route from which the Company has withdrawn.

10. Withdrawal from a Codesharing Agreement.

Where the Company is required by this Agreement to withdraw from an agreement with a codesharing partner, such withdrawal shall take place at the earliest possible date that does not cause the Company to incur a financial penalty that is material in the context of the codesharing agreement with the Foreign Carrier.

K. Equity Ownership Of Foreign Carriers

A Foreign Carrier in which the Company or an Affiliate has an equity investment of more than 15% and with whom the Company codeshares shall be a “Foreign Partner.” The Company may have a Foreign Partner only under the following conditions:

1. When a Foreign Carrier becomes a Foreign Partner, the parties shall establish a “Company Baseline” for that Foreign Partner as follows:
   a. International flights by the Foreign Partner to or from any point in the U.S. that carry the Company code (or that a new codesharing agreement contemplates will carry the Company code) shall be “Covered Flights.”
   b. The Company’s total scheduled block hours for the previous 12 month period in all markets (city pairs) in which there is a Covered Flight shall be the “Company Baseline.”
2. Twelve months after a Foreign Carrier becomes a Foreign Partner and annually thereafter, the Foreign Carrier’s total scheduled block hours attributable to Covered Flights for that twelve months shall be compared to the Foreign Carrier’s previous year’s total scheduled block hours attributable to Covered Flights. The Company’s total scheduled block hours in markets in which the Foreign Partner operates a Covered Flight shall also be compared to the Company’s previous year’s total scheduled block hours in those markets.
   a. If the above comparison in any year shows that the Foreign Partner’s block hours on Covered Flights have increased, the Company’s international block hours shall have increased that year at least the same number of block hours.
   b. If the above comparison in any year shows that the Company’s block hours in markets in which the Foreign Partner performs Covered Flights have decreased, then the Foreign Partner’s block hours on Covered Flights shall have decreased that year or the Company’s international block hours shall have increased at least the same number of block hours.
   c. If the above comparison in any year shows that the Company’s block hours in markets in which the Foreign Partner performs Covered Flights have decreased and the Foreign Partner’s block hours on Covered Flights have increased, then the Company’s international block hours shall have increased in the same year by the amount of the Company’s decrease combined with the amount of the Foreign Partner’s increase. For example, if the Company’s block hours decrease by 100 hours and the Foreign Partner’s block hours increase by 100 hours, the Company’s international block hours in that year shall have increased by 200 hours.

d. If the above provisions 2.a., b. or c are violated, the Company shall have the ensuing year to bring itself into compliance. If, at the conclusion of the ensuing year, the Company is still not in compliance, then the Company shall withdraw the Company code from sufficient Covered Flights to bring the Company into compliance.

e. If the comparison in any year shows a decrease in the Company's block hours such that the total is less than the Company Baseline, then the Foreign Partner's block hours on Covered Flights shall not increase until a subsequent year's comparison shows that the Company's block hours are again equal to or greater than the Company's baseline.

L. Successorship

1. Agreement Binding on Successor.

   The Agreement shall be binding upon any Successor. The Company shall not bring a single step or multi-step Successorship Transaction to final conclusion unless the Successor agrees, in writing, to recognize the Association as the representative of pilots on the American Airlines Pilots Seniority List consistent with the Railway Labor Act, to employ the pilots on the American Airlines Pilots Seniority List in accordance with the provisions of this Agreement, and to assume and be bound by this Agreement.

2. Seniority List Merger.

   If the Successor is an Air Carrier or an affiliate of an Air Carrier, the Company shall, at the option of the Association, require the Successor to agree to integrate the pre-transaction pilot seniority lists of the Company and the Successor in a fair and equitable manner within 12 months of the Successorship transaction pursuant to Sections 3. and 13. of the Allegheny-Mohawk Labor Protective Provisions ("LPPs"). The requirement of this provision does not apply to the Company's acquisition of all or part of another Air Carrier in a transaction which includes the acquisition of aircraft and pilots.

M. Opportunity To Make Competing Proposal

In the event that any person or entity proposes a transaction which would result in a change of control or potential change of control of the Company or its parent, as those terms are used in AMR's 1988 Long-Term Incentive Plan, whether through a single or multi-step transaction, and the Company determines to pursue or facilitate the proposal, the Company, if consistent with the fiduciary duties of its Board of Directors, shall provide the Association with

1. advance written notice before acting favorably on such proposal; and

2. an opportunity to make a competing proposal.

N. Other Labor Protective Provisions In Substantial Asset Sale

In the event that, within any 12 month period, the Company transfers (by sale, lease, or other transaction) or otherwise disposes of aircraft, slots, or route authorities ("Aircraft-Related Assets") which, net of Aircraft-Related Asset purchases or acquisitions during the same 12 month period, constitute 20% or more of the value of the Aircraft-Related Assets of the Company to an entity or to a group of entities acting in concert that is an Air Carrier or that will operate as an Air Carrier following its acquisition of the transferred Aircraft-Related Assets (any such entity or group, the "Transferee"; any such transaction, a "Substantial Aircraft-Related Asset Sale"):

1. the Company shall require the Transferee to proffer employment to pilots from the American Airlines Pilots Seniority List in strict seniority order (the "Transferring Pilots"). The number of Transferring Pilots shall be no fewer than the average monthly pilot staffing over the prior 12

months for the Aircraft-Related Assets transferred to the Transferee in connection with the Substantial Aircraft-Related Asset Sale; and

2. the Company shall not finally conclude a transaction under this subsection unless the Transferee agrees to integrate the Transferring Pilots into the Transferee's pilot seniority list pursuant to Sections 3. and 13. of the Allegheny-Mohawk LPPs.

O. Remedies

1. The Company and the Association agree to arbitrate any grievance filed by the other party alleging a violation of this Section 1 on an expedited basis directly before the System Board of Adjustment sitting with a neutral arbitrator. The arbitrator shall be a member of the National Academy of Arbitrators and experienced in airline industry disputes. The burden of proof will be determined by the arbitrator. The provisions of the Railway Labor Act shall apply to the resolution of any dispute regarding this Section 1.

2. The parties agree that, in addition to any other rights and remedies available under law and this Agreement, an arbitration award under this Section 1 shall be enforceable by equitable remedies, including injunctions and specific performance against the Company, AMR Corp., and/or an Affiliate of the Company. The Company and Association agree that in a court proceeding to enforce an arbitration award under this Section 1, the rights and obligations are equitable in nature, that there are no adequate remedies at law for the enforcement of such rights and obligations, and that the Association and the Company's pilots are irreparably injured by the violation of this Section 1.

SECTION 13

SENIORITY

A. Service with Company

Seniority as a pilot shall be based upon the length of service as a flight deck operating crew member with the Company except as otherwise provided in Sections 11 and 12 of this Agreement.

B. Seniority Date

Seniority shall begin to accrue from the date a pilot is first assigned to air line flying duty and shall continue to accrue during such period of duty except as provided in Sections 11 and 12 of this Agreement.

C. Retention of Seniority

A pilot once having established seniority shall not lose such seniority except as provided in this Section, nor shall such pilot's relative position on the Pilots' System Seniority List be changed for any reason, including disciplinary action, except as provided in paragraph B. of this Section.

D. Basic Seniority Rule

Seniority shall govern all pilots in case of promotion, demotion, their retention in case of reduction in force, their recall from furlough, their assignment or reassignment due to expansion or reduction in force or schedules, and their choice of vacancies, provided that the pilot is sufficiently qualified for the conduct of the operation to which he is to be assigned. In the event a pilot is considered not to be sufficiently qualified, the Company shall promptly furnish such pilot written reasons therefore. This paragraph shall apply, provided that certain other rules in this Agreement stipulating specific methods and procedures of applying system seniority shall govern such application of system seniority only to the extent of the specific provisions of such rules.

E. Failure to Qualify in Turn

When a junior pilot is promoted over a senior pilot, by reason of the failure of the latter to qualify in his turn, the senior pilot shall continue to retain his position on the Pilots' System Seniority List.

F. Loss of Seniority

1. Resignations, Retirement and Discharges

   A pilot who resigns from the service of the Company, retires, or is discharged for just cause, shall forfeit all seniority as a pilot.

2. Failure to Return from Furlough

   When a pilot who has been furloughed is offered, by written notice from the Company, the opportunity to return to duty as a pilot and such pilot elects, by written statement to the Company, not to return to such duty, or if a recalled pilot fails to comply with the requirements of Section 17.W. of this Agreement, his seniority right of preference in re-employment shall at that time terminate, and all his seniority as a pilot shall be forfeited.

3. Duration of Recall Rights

   A pilot shall retain recall rights indefinitely until refused under 2. above.

4. Retention of Company Benefits

   Upon return from furlough, a pilot shall receive all Company benefits accruing by reason of his previous active service.

G. System Seniority List

1. Seniority List Supplied by Company

   The Company shall make available to each pilot, within thirty (30) days after July 1st of each year, a Pilots' System Seniority List, effective July 1, which contains the names of all pilots arranged in the order of system seniority, whether active or inactive, and the seniority date of each pilot. Such list shall also reflect each pilot's normal retirement date.

2. Protests

   a. A pilot shall be permitted a period of thirty (30) days after any posting of the Pilots' System Seniority List, each year, in which to protest to the Company any omission or incorrect posting affecting his seniority.

   b. A pilot on leave or away from his base station at the time of posting of the list shall have a period of thirty (30) days from the date of his return to his base station during which to file such protest.

   c. Any incorrect posting or any other discrepancy which went unprotested on the annual list in which it first appeared shall not be protested on any subsequent annual posting except that typographical and clerical errors may be corrected at any time.

LETTER CC

May 5, 1997

Captain James G. Sovich
President
Allied Pilots Association
P.O. Box 5524
Arlington, TX 76005-5524

Service Credit for Furloughed Pilots

Dear Captain Sovich:

As of May 5, 1997, the Company shall credit, for pay purposes only, all pilots who were on furlough at any time between January 1, 1993, and March 31, 1997, with one (1) day toward their length of service for each two (2) days on furlough. This credit shall remain applicable to a pilot's length of service only until the pilot reaches the first pay step of the A-Scale as it then exists. The pilot shall then remain at that same A-Scale pay step, receiving any general pay scale increases applicable to that pay step, until the pilot's actual length of service would move him or her to a higher pay step. The award of this special credit shall not result in any back pay. As this credit is solely for pay purposes, it shall not impact any other matter, including probationary status.

Very truly yours,

/signed/
Jane G. Allen
Vice President
Employee Relations

Agreed:

/signed/
James G. Sovich
President
Allied Pilots Association

LETTER CC (2)

July 10, 2001

Captain John E. Darrah
President – Allied Pilots Association
14600 Trinity Boulevard #500
Fort Worth, Texas 76155-2512

Re: Furlough Length of Service

Dear Captain Darrah:

Effective as of April 10, 2001, all American Pilots previously furloughed by American Airlines will have the length of time they were on furlough added to their total accredited service for all purposes, including, but not limited to computing pay rates, vacation accrual and calculating credited service under the Pilot Retirement Benefit Program (the Plan) in accordance with the following guidelines:

- Pilots furloughed prior to April 1, 1977 shall have company service restored for vacation accrual.
- Pilots furloughed on or after April 1, 1977 and during the 1980's shall have company service restored for vacation accrual and credited service restored for pension benefits.
- Pilots furloughed in the 1990's shall have company service restored for vacation accrual and pay, and credited service restored for pension benefits.

American Airlines will provide APA with a list of American Pilots affected by this provision, along with back-up data and documentation for the calculation implementing this provision. American Airlines will also notify and provide each affected American Pilot with back-up data and documentation on the corrections to their Plan benefits.

For pilots whose credited service is adjusted by the above language, the amount of any benefit payable under the Pilot Retirement Benefit Plan shall not be reduced by any benefit which a pilot is entitled to receive under any other related Plan if the benefit provided by any such other Plan is provided for a period for which a member's credited service is adjusted pursuant to this Agreement. As previously agreed, all Plan amendments shall be subject to APA's agreement on the terms of the amendment.

American will implement the pay provision within 120 days after the execution of this agreement. The remaining provisions must be implemented by December 31, 2001. All provisions are fully retroactive to April 10, 2001.

Sincerely,

AMERICAN AIRLINES, INC.

By: __/ *signed* /____
Jeffrey Brundage
Vice President
Employee Relations

AGREED (as of the date
first written above):

ALLIED PILOTS ASSOCIATION

By: __/ *signed* /____
Captain John Darrah
President

EXHIBIT 3

AGREEMENT
between
AMERICAN AIRLINES, INC.
and
THE AIR LINE PILOTS
in the service of
AMERICAN AIRLINES, INC.
as represented by the
ALLIED PILOTS ASSOCIATION
Effective: May 5, 1997

THIS AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between AMERICAN AIRLINES, INC., hereinafter known as the "Company", and the air line pilots in the service of AMERICAN AIRLINES INC. as represented by the ALLIED PILOTS ASSOCIATION, hereinafter known as the "Association".

In making this Agreement the parties hereto recognize that compliance with the terms of the Agreement and the development of a spirit of cooperation is essential for mutual benefit and for the intent and purpose of this Agreement.

It is hereby mutually agreed:

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SUPPLEMENTAL AGREEMENTS

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[DISCLAIMER]

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SECTION 1

RECOGNITION AND SCOPE

. RECOGNITION

The Allied Pilots Association has shown satisfactory proof to the Company that it represents more than a majority of the airline pilots of the Company, and further, has been certified by the National Mediation Board.

B. DEFINITIONS

1. Affiliate

The term "Affiliate" refers to (a) any entity that Controls the Company or any entity that the Company Controls, and/or (b) any other corporate subsidiary, parent, or entity Controlled by or that Controls any entity referred to in (a) above.
<*See Letter AA*>

2. Agreement

The term "Agreement" means this collective bargaining agreement between the Association and the Company and all supplements and letters of agreement between the Association and the Company.

3. Air Carrier

The term "Air Carrier" means any common carrier by air.

4. Commuter Air Carrier

The term "Commuter Air Carrier" refers to any Air Carrier utilizing only aircraft (a) that are certificated with a maximum passenger capacity of 70 passenger seats or fewer; (b) that are certificated with a maximum gross takeoff weight of 75,000 pounds or less; and (c) that, other than the ATR 72, were not certificated in any country at the time of purchase for a maximum passenger capacity of more than 70 passenger seats. If an aircraft type operated by an Air Carrier otherwise meeting the conditions in the preceding sentence is recertified with a maximum passenger capacity of greater than 70 passenger seats, the Air Carrier operating said aircraft shall remain a Commuter Air Carrier so long as it operates said aircraft with no more than 70 passenger seats.

5. Commuter Jet

The term "Commuter Jet" means a jet aircraft certificated in any country at the time of purchase with a maximum passenger capacity of at least 45 passenger seats but not more

than 70 passenger seats and with a maximum certificated gross takeoff weight not in excess of 75,000 pounds.

6. Company

   The term "Company" shall refer to American Airlines, Inc.

7. Comprehensive Marketing Agreement

   The term "Comprehensive Marketing Agreement" means an arrangement between the Company or an Affiliate and a Domestic New Entrant Air Carrier that is not a Commuter Air Carrier that contains at least the following elements: (a) AAdvantage or any other Company frequent flyer program; (b) joint marketing arrangements (other than AAdvantage type arrangements); and (c) the lease or transfer of gates from the Company or a U.S. Affiliate to the Domestic New Entrant Carrier.

8. Control

   The term "Control" shall have the same meaning as the term had in Arbitrator Stephen B. Goldberg's decision in the Canadian Arbitration Case No. 12-93 (April 25, 1994).

9. Domestic Air Carrier

   The term "Domestic Air Carrier" refers to any Air Carrier that is a citizen of the United States within the meaning of 49 U.S.C. § 40102(a)(15), as that statute defines citizenship on the effective date of this Agreement.

10. Domestic Commuter Air Carrier

    The term "Domestic Commuter Air Carrier" refers to any Commuter Air Carrier that is a citizen of the United States within the meaning of 49 U.S.C. § 40102(a)(15), as that statute defines citizenship on the effective date of this Agreement.

11. Domestic New Entrant Air Carrier

    The term "Domestic New Entrant Air Carrier" means a Domestic Air Carrier that has entered the passenger air transportation market since deregulation, either initially or through ceasing operations and then re- entering the market.

12. Fixed Base Operator Flying

    The term "Fixed Base Operator Flying" means flying activities in aircraft having a maximum passenger capacity of 30 seats and a maximum payload capacity of 7,500 pounds.

13. Foreign Carrier

    The term "Foreign Carrier" means an Air Carrier other than a Domestic Air Carrier.

14. International Flying

    The term "International Flying" means scheduled flying by the Company that includes a scheduled landing or departure outside the 48 contiguous states, except for Transborder Flying. This definition is solely for the purpose of calculating the Baseline for International Flying in Section 1.H.

15. Major Foreign Carrier

The term "Major Foreign Carrier" means a Foreign Carrier that has had more than $1 billion US, or its equivalent, in annual revenues during its most recent fiscal year.

16. Successor

The term "Successor" shall include, without limitation, any assignee, purchaser, transferee, administrator, receiver, executor, and/or trustee of the Company or of all or substantially all of the equity securities and/or assets of the Company.

17. Successorship Transaction

The term "Successorship Transaction" means any transaction, whether single step or multi-step, that provides for, results in, or creates a Successor.

18. Transborder Flying

The term "Transborder Flying" means flying scheduled by the Company on US-Canada transborder routes.

19. WACC

The term "WACC" refers to AMR Corporation's weighted average cost of capital as described in the letter agreement between the Association and the Company dated May 5, 1997.

C. SCOPE

1. General. All flying performed by or on behalf of the Company or an Affiliate shall be performed by pilots on the American Airlines Pilots Seniority List in accordance with the terms and conditions of this Agreement, except as expressly permitted in provisions D. - H. below.
    a. Company Flying. Such flying shall include without limitation all passenger flying, cargo or freight flying, and ferry flying, whether scheduled or unscheduled, revenue or non-revenue:
        i. performed on aircraft owned and operated by or on behalf of the Company or an Affiliate, leased to and operated by or on behalf of the Company or an Affiliate, or operated by the Company or an Affiliate, or
        ii. conducted by any other Air Carrier which the Company has permitted to utilize the Company's present or future designator code, trade name or aircraft paint scheme for the other Air Carrier's flight operations except as expressly permitted in Section 1.D. - H. below, and provided that the portion of this provision referring to trade names will apply only to Company trade names used to describe the Company's flight operations and not trade names such as "AAdvantage."
    b. Prohibited Transactions. Neither the Company nor an Affiliate shall, without the Association's prior written consent, enter into any transaction, agreement, or arrangement, except as expressly permitted in Section 1.D. below, that permits or provides for:
        i. any form of contracting out or subcontracting out of any Company flying covered by subsection C.(1), or any wetleasing from an entity or any chartering

of such flying from an entity; or

ii. a Comprehensive Marketing Agreement with a Domestic New Entrant Carrier.

iii. Nothing in this provision C(1)(b) shall be construed to permit any other transaction that would violate this provision C(1).

2. Training. All flight training of American Airlines pilots in Company aircraft shall be performed by American Airlines pilots.

3. Interline Agreements. Nothing in this Section 1 shall be construed to limit the Company or an Affiliate's ability to enter into interline agreements with other Air Carriers.

4. Frequent Flyer Programs. Nothing in this Section 1 shall be construed to limit the Company or an Affiliate's ability to enter into agreements or arrangements with other Air Carriers involving frequent flyer miles, promotions, awards or other frequent flyer arrangements that are not part of a Comprehensive Marketing Agreement.

5. Captions. The captions to provisions in this Section 1 are not substantive and should not be considered in construing the meaning of any provision, provided that the Company and the Association do not intend thereby to create an implication as to other captions in this Agreement.

D. SCOPE EXCEPTION: COMMUTER AIR CARRIERS

1. Commuter Air Carriers and Section 1 Limitations. The Company or an Affiliate may create, acquire, maintain an equity position in, enter into franchise type agreements with, and/or codeshare with a Commuter Air Carrier, and flying by any such Commuter Air Carrier shall not be subject to the limitations of Section 1.C. above, so long as any such Commuter Air Carrier operates in accordance with the limitations set forth in this Section 1.D.

2. Purpose; Intent of the Parties.

   a. Primary Purpose. The primary purpose of a Commuter Air Carrier is either to provide passenger and/or cargo revenue feed to Company flights and/or to enhance the Company's overall market presence.

   b. Role of Commuter Air Carriers in Company's Development. The parties recognize that Commuter Air Carriers have played a role in the development of the Company as the world's premier airline. Additionally, the Company and the Association acknowledge that the passenger feed provided to the Company's domestic and international system strengthens the Company, thereby providing enhanced career opportunities to American Airlines pilots.

   c. Markets in Which the Company Cannot Earn WACC. The Company will operate American Airlines service in markets where such service can earn a return on invested capital at least equal to WACC. This provision will not require the Company to operate a particular service, but instead, if the Company could operate a service and earn a return on invested capital at least equal to WACC, the Company may not place or maintain the Company code on such service by a Commuter Air Carrier. Notwithstanding this prohibition, if the Company orders additional aircraft to fly such a route, the Company may place or maintain its code on the route or frequency during the time between order and delivery of the additional aircraft. Similarly, if the Company is procuring an airport slot, gate and/or other route authority to fly such a

route, the Company may place or maintain its code on the route or frequency during the time required to procure such a slot and/or authority.

d. Parties to Meet in the Event of Problems. It is not the intent of either the Company or the Association to limit the expansion of Commuter Air Carriers in developing new markets. If at any time it is determined that these provisions are impeding the ability of Commuter Air Carriers to fulfill their primary role in support of the Company's system, the parties agree to promptly meet and discuss appropriate modifications to this Agreement.

3. Cockpit Crewmember Floor.

a. In the event that the number of cockpit crewmembers employed by the Company on the American Airlines Pilots Seniority List goes below 7,300, the parties agree that the commuter exception contained in this Section D. shall terminate. The Company shall have a reasonable time to complete the disposition of the operations covered by this Section D. during which period the parties shall meet in good faith and discuss the issues related to such termination. Pilots added to the American Airlines Pilots Seniority List by way of seniority merger shall not count in calculating the number of cockpit crewmembers for purposes of this section (3)(a).

b. When the number of cockpit crewmembers employed by the Company on the American Airlines Pilots Seniority List is below 8,342, Commuter Air Carriers operating pursuant to this Section D. shall not increase either the number of turboprops or the number of Commuter Jets operating pursuant to this Section D.

4. Limitations on Commuter Air Carriers

a. Block Hour and ASM Limitations. Beginning with the 12 month period ending 12/31/96, for each 12 month period, the total number of block hours that may be scheduled by all Commuter Air Carriers operated under this Section D. may not exceed 40% of the total block hours scheduled by the Company, and the total number of available seat miles ("ASMs") that may be scheduled by all Commuter Air Carriers operated under this Section D. may not exceed 5% of the total ASMs scheduled by the Company during the same period. This limitation shall not apply to ASMs scheduled by Commuter Air Carriers operated under this Section 1.D. on new service on a route (nonstop service between any two airports) that the Company has not served since March 1, 1993. For Commuter Air Carriers that have 50% or fewer of their Revenue Passenger Miles ("RPMs") attributable to passengers flying on the Company code, ASMs and block hours shall be counted in accordance with provision (6)(b) below for purposes of applying these limitations.

b. Effect of Furlough. In the event of a furlough of pilots on the American Airlines Pilots Seniority List, the impact shall be as follows:

i. Impact on ASMs. The total size of all Commuter Air Carriers operated under this Section D. as measured by ASMs shall be frozen at the actual levels in effect at the time of the furlough.

ii. Impact on Block Hours. The total block hours for all Commuter Air Carriers as of the date of the furlough cannot be increased, and further, the total number of

block hours that may be scheduled by such Commuter Air Carriers may not exceed 40% of the total block hours scheduled by the Company.

iii. Recall of Company Pilots. Once the furloughees have all been recalled, the Commuter Air Carriers shall again be subject to the ASM and block hour limitations set forth in Section (4)(a), above.

c. Limits on Certain Non-Stop Flying. No Commuter Air Carrier operated under this Section D. shall operate nonstop scheduled service between any of the following airports without the consent of the Association: DFW, ORD, MIA, JFK, SFO, LAX, LGA, and SJU. BNA shall be added to this list whenever the Company schedules 40 or more daily departures from BNA. If the number of departures scheduled by the Company at any other airport exceeds an average of 70 per day over a 12 month period, the Company shall meet with the Association to discuss adding such airport to this list.

d. Limitations on Aircraft in Commuter Air Carriers' Fleets. No aircraft type in the Company's fleet, or inactive aircraft type previously in the Company's fleet and still under the Company's control, and no orders or options for a Company aircraft type shall be transferred to or operated by a Commuter Air Carrier operated under this Section D.

e. Seat Limitations; 50 Seat Average. No Commuter Air Carrier operated under this Section D. shall seek recertification of an aircraft type for greater than 70 passenger seats. The average passenger seating for all aircraft operated by Commuter Air Carriers under this Section D. shall not exceed 50 seats.

5. Limitations on Commuter Jets at Commuter Air Carriers. In addition to the protections found in provision (4) above, the following limitations shall apply to Commuter Jets operated under this Section D.:

a. 628 Company Jets or Fewer. If the Company is operating 628 jets or fewer, the number of Commuter Jets operated by Commuter Air Carriers under this Section D. shall not exceed 9% of the total number of jets in the combined fleets of the Company and such Commuter Air Carriers. In addition, in the event that the Company begins operating fewer than 628 aircraft, the Commuter Air Carriers operating pursuant to this Section 1.D. shall remove from service from the then existing fleet of Commuter Jets one Commuter Jet for every two aircraft fewer than 628 in operation by the Company. The preceding sentence shall not apply if the reduction in aircraft below 628 is caused by conditions beyond the Company's control, such as, but not limited to, the following: (1) an act of God, (2) a strike by any other Company employee group or by the employees of a Commuter Air Carrier operating pursuant to Section 1.D., (3) a national emergency, (4) involuntary revocation of the Company's operating certificate(s), (5) grounding of a substantial number of the Company's aircraft, (6) a reduction in the Company's operation resulting from a decrease in available fuel supply caused by either governmental action or by commercial suppliers being unable to meet the Company's demands, (7) the unavailability of aircraft scheduled for delivery.

b. 629-700 Company Jets. For every 3 jets operated by the Company above 628 and below 701, such Commuter Air Carriers may operate one Commuter Jet more than the maximum 62 Commuter Jets allowed by the 9% limitation specified in (5)(a) above.

c. 701 Company Jets or More. For every two (2) jets operated by the Company above 700, such Commuter Air Carriers may operate one Commuter Jet more than specified in (5)(b) above.

d. 67 Commuter Jets Cap. Notwithstanding the above, such Commuter Air Carriers may operate no more than 67 Commuter Jets until this Agreement is amended.

e. Hub or Major Airport Departures. Beginning with the calendar quarter ending June 30, 1997, and for each calendar quarter thereafter, 85% of Commuter Jet departures shall be into or out of the following major airports: DFW, ORD, MIA, SJU, SFO, LAX, LGA, and JFK. Commuter Jet departures utilizing commuter slots at slot controlled airports other than those listed above (e.g., DCA) and departures from airports limited to commuter departures by other governmental or aircraft operational restrictions (e.g., SAF), shall not be covered by this provision.

f. Average Stage Length. Beginning with the calendar quarter ending June 30, 1997, and for each calendar quarter thereafter, the average stage length of Commuter Jet departures shall be limited to 550 nautical miles.

6. Limitations on Commuter Carriers With Fewer Than 50% Company RPMs. In addition to the restrictions above, for Commuter Air Carriers which have 50% or fewer of their RPMs attributable to passengers flying on the Company code:

a. 1.5% Limit. Beginning with the 12 month period ending December 31, 1996, and for each 12 month period thereafter, such RPMs cannot exceed 1.5% of the Company's RPMs.

b. Rules for Counting. The following rules shall apply for purposes of counting the jets, block hours, ASMs, seats and departures of such Commuter Carriers in determining compliance with provisions (4) and (5) above.

i. Counting Commuter Jets. For purposes of counting Commuter Jets, the monthly RPMs flown on the Company's code as a proportion of the total monthly RPMs flown by a Commuter Jet shall be counted. Thus, if 1/3 of the monthly RPMs of a Commuter Jet are attributable to passengers flying on the Company's code, then that Commuter Jet shall count as 1/3 of a Commuter Jet toward the limitations in (5)(a)-(d) above.

ii. Counting Block Hours. For purposes of counting block hours, the same proportion of an aircraft's monthly block hours as the proportion of the aircraft's RPMs attributable to passengers traveling on the Company's code shall be counted. Thus, if 1/3 of the aircraft's RPMs are attributable to passengers flying on the Company's code, then 1/3 of the aircraft's block hours shall be counted toward the limitations in provision (4) above.

iii. Counting ASMs. For purposes of counting ASMs, the same proportion of an aircraft's monthly ASMs as the proportion of the aircraft's RPMs attributable to

passengers traveling on the Company's code shall be counted. Thus, if 1/3 of the aircraft's RPMs are attributable to passengers flying on the Company's code, then 1/3 of the aircraft's ASMs shall be counted toward the limitations in provision (4) above.

iv. Counting Aircraft and Seats. For purposes of counting aircraft and seats to apply the 50 seat-average limitation in provision (4)(e) above, aircraft shall be counted in the same manner as in (b)(i) above, and the same proportion of an aircraft's seats shall be counted as the proportion of the aircraft's RPMs attributable to passengers traveling on the Company's code. Thus, if 1/3 of the aircraft's RPMs are attributable to passengers flying on the Company's code, then the aircraft shall count as 1/3 of an aircraft and 1/3 of the aircraft's seats shall be counted for purposes of applying the 50 seat-average limitation.

v. Counting Departures. For purposes of counting departures to apply the limitations in 5(e)-(f) above, the same proportion of quarterly departures in a given city pair shall be counted as the proportion of RPMs attributable to passengers traveling on the Company's code in that city pair. Thus, if 1/3 of the RPMs in a city pair are attributable to passengers flying on the Company's code, then 1/3 of the departures in that city pair shall count for purposes of applying the limitations in 5(e)-(f) above.

vi. Computing Average Stage Length. For purposes of computing average stage length to apply the limitation in 5(f), above, the same proportion of the miles flown in a given city pair during a quarter as the proportion of the aircraft's RPMs attributable to passengers traveling on the Company's code in that city pair shall be counted. Thus, if 1/3 of the RPMs in a city pair are attributable to passengers flying on the Company's code, then 1/3 of the miles flown in that city pair shall be counted toward the limitation in provision 5(f) above.

7. Preference in Hiring. If pilots of the Company are on furlough, such pilots shall be given preference in the filling of vacancies on Commuter Air Carriers that are Affiliates. The Company shall also attempt to secure preference for such pilots for vacancies occurring at Commuter Air Carriers in which the Company or an Affiliate owns a minority equity interest and at independently owned Commuter Air Carriers that have franchise-type agreements or other codesharing relationships with the Company or an Affiliate.

8. Information Sharing.

a. Review of Changes to Commuter Air Carrier Flying. The Association shall identify individuals to work with the Company's schedule planning department to review contemplated changes in flying by Commuter Air Carriers on routes where flying will carry the Company's code. The Association agrees to treat the information provided by the Company pursuant to this provision as confidential.

b. Quarterly Data Review. On a quarterly basis beginning September 1, 1997, the Company shall review with the Association data that reflects the results of any decisions to substitute flying by Commuter Air Carriers operated under this Section 1.D. for the Company's flying and shall review routes, if any, operated by Commuter Air Carriers carrying the Company's code that could be flown by the Company and

earn a return on invested capital at least equal to WACC. The Company shall also procure and share with the Association the data necessary to verify the ASM, block hour, departure and RPM limits set forth in this Section D.

c. New Codesharing/Ownership Arrangements. The Company shall discuss with the Association any plans to enter into new codesharing or ownership arrangements with any Commuter Air Carrier prior to the implementation of such arrangements.

9. Foreign Commuter Air Carrier. A Commuter Air Carrier that engages in flying only between points outside the United States, its territories or possessions shall not be subject to the limitations set forth in Section D.(3)-(8).

10. Prohibition on Training. Neither the Company nor an Affiliate shall provide flight training to any pilot on the seniority list of any Commuter Air Carrier that operates under Section 1.D. on any aircraft type owned or operated by the Company.

E. SCOPE EXCEPTION: FIXED BASED OPERATORS

The Association recognizes the Company's desire to engage in fixed base operations. Where such operations include Fixed Base Operator Flying, the Association agrees that the provisions of Section 1.C. above shall not apply to such flying as long as it does not supplant the Company's flying and is not utilized in airline service which is offered for sale to the general public through such devices as the Official Airline Guide and airline industry computerized reservations systems.

F. SCOPE EXCEPTION: HAWAIIAN INTER-ISLAND

The Company may place its current or future designator code on flights operating wholly within the Hawaiian Islands provided that the Air Carrier (or its parent) upon which the code is placed is not an Affiliate (other than a Commuter Air Carrier) of the Company, or categorized as a "Group III" Air Carrier by the U.S. Department of Transportation. Further, if the Air Carrier upon which the code is placed also operates between Hawaii and the U.S. mainland, and if the Company drops frequencies existing as of December 1996 between the contiguous 48 states and Hawaii, the Association shall have the right to withdraw its consent to this provision.

G. SCOPE EXCEPTION: CANADIAN AIRLINES

The Company may place its current or future designator code on flights by Canadian Airlines and its Canadian feeder carriers ("Canadian") as set forth below:
<*See Letter U*>

1. Transborder Flying

a. Baselines

i. The January 1, 1997 Transborder Baseline. The January 1, 1997 transborder baseline shall be _____ block hours.

ii. Annual Baseline Adjustments. On January 1, 1998, and each January 1 thereafter, the transborder baseline shall be adjusted in the following manner:

w. upward by the total block hours of new Transborder Flying (i.e., flying within 12 months of initiation between a new city pair or due to increased frequency) scheduled by the Company during the preceding 12 months; and

x. upward downward by the total scheduled block hours included in the baseline, as adjusted in accordance with provision (w) above, of Transborder Flying initiated by the Company after September 1995 that is discontinued during the preceding 12 months and within 12 months of initiation, or that is discontinued during the preceding 12 months and within 24 months of initiation due to loss of route authority or failure to earn a return on invested capital at least equal to WACC. The return on invested capital shall be measured for this purpose over the three months immediately preceding the discontinuation of the flying.

b. Block Hour Protections

i. Transborder Flying Below 95% of Transborder Baseline. On January 1, 1998, and on January 1 of each year thereafter, before the baseline is adjusted in accordance with provision (a)(ii) above, the baseline as calculated on the preceding January 1 shall be compared to the total block hours of Transborder Flying scheduled by the Company during the preceding 12 months. If the Company's total scheduled block hours of Transborder Flying for the preceding 12 months drops below 95% of the baseline as calculated on the preceding January 1, the Company shall not place or maintain its code, without the Association's prior approval, on any flights scheduled by Canadian on which the Company did not have its code on the preceding January 1.

ii. Transborder Flying Below Certain Thresholds. If, on January 1, 1998, or on January 1 of any year thereafter, (x) the Company's total scheduled block hours of Transborder Flying for the preceding 12 months drops below 50,915 block hours, and (y) the total block hours scheduled by Canadian on US-Canada transborder routes on which the Company is codesharing during the preceding 12 months (excluding the block hours described in the last sentence of this provision (ii)) is above 6,996 block hours, then continuation of all of the Company's US-Canada transborder codesharing with Canadian shall be subject to the Association's review and approval. For purposes of this provision (ii), placement of the Company's code on Canadian flights that were part of Canadian's schedule for 1995 between YVR and SFO, LAX, or ORD shall not be included in calculating the total block hours scheduled by Canadian on US-Canada transborder routes on which the Company is codesharing.

c. Specific Route Protections

i. Protection for YYZ-LGA, YUL-ORD and YYZ-ORD. In recognition of the long history of its presence in the YYZ- LGA, YUL-ORD, and YYZ-ORD markets, the Company agrees that if it abandons this flying or transfers this flying to Canadian, the Company shall not place or maintain its code on Canadian flights in these markets unless the slots previously used for such flights at these airports will be used by the Company on routes, whether transborder or non- transborder, that will result in more scheduled block hours than the transferred or abandoned flying.

ii. Protection for YVR-ORD and YUL-LGA. If the Company initiates transborder flights in the markets YVR- ORD or YUL-LGA, those markets shall be

afforded the protection established in provision (c)(i) above.

iii. Frequency Protections. The Company agrees that for each of the US-Canada transborder markets listed below in this provision (iii), the Company shall not reduce the daily frequencies listed below and subsequently maintain or place the Company's code on Canadian flights in any such market without the Association's approval.

City Pair	Daily Frequency
DFW-YYZ	3
DFW-YVR	2
DFW-YYC	3
MIA-YYZ	2

iv. Additional Frequency Protections. If the Company initiates transborder flights between YYZ, YVR, or YUL and MIA, DFW, LAX, JFK, or EWR and such flights continue for 12 months after initiation, such markets shall be afforded the protection established in provision (c)(iii) above. For each such market, the protection shall be afforded for the daily frequency at which such flights were initiated.

d. Economic Support to Canadian. Neither the Company nor an Affiliate shall transfer or provide to Canadian, at below market rates, any aircraft assets, loan guarantees, or other forms of economic support that could directly or indirectly be used for aircraft purchases or leases, except that nothing in this provision (d) shall prevent the Company or an Affiliate from infusing operating capital into Canadian for the sole purpose of keeping Canadian solvent.

e. Cabotage. If Canadian obtains the right to transport local traffic between airports within the United States, the Company shall not place its code on such flights.

f. Opportunities for the Company to Earn WACC.

i. General. The Company shall continue to seek route authority and to pursue all opportunities for deploying its aircraft assets on US-Canada transborder routes where the Company can earn a return on invested capital at least equal to WACC.

ii. Review of Transborder Traffic. On September 1, 1997 and every six months thereafter, the Company shall review with the Association the flows of US-Canada transborder passengers traveling on the Company's code on Canadian flights and on Canadian's code on the Company's flights. This review shall identify any incremental US-Canada transborder operations that meet the criteria in provision (f)(i) above. It shall include an evaluation of the size of aircraft and frequency of operations scheduled by Canadian and of the size of aircraft and frequency of operations potentially available for the Company. This review shall also assure that the Company is accruing benefits from the traffic carried using its code on Canadian flights.

iii. No Codesharing on Routes That Could Earn WACC. The Company shall not, without the Association's consent, place or maintain its code on any transborder

route or frequency operated by Canadian, on which the Company could earn a return on invested capital at least equal to WACC. This analysis shall be performed using the same method to analyze route profitability that the Company then uses internally for route planning. Notwithstanding this prohibition, if the Company orders additional aircraft to fly such a transborder route, the Company may place or maintain its code on Canadian on the route or frequency during the time between order and delivery of the additional aircraft. Similarly, if the Company is procuring an airport slot, gate or other route authority to fly such a route, the Company may place or maintain its code on the route or frequency during the time required to procure such a slot, gate or other route authority. Nothing in this provision shall be construed to require the Company to operate a particular route or routes.

2. Codesharing to Third Countries.

Codesharing agreements allowing Canadian to carry the Company's code between Canada and a third country must meet the following conditions:

a. Opportunities to Earn WACC. The Company shall always deploy its own aircraft on any international route for which it can obtain authority, so long as that route will earn a return on invested capital at least equal to WACC. The Company shall not use Canadian flights to third countries as a substitute for opportunities to operate its own international flights from U.S. gateways, provided such Company flights will earn a return on invested capital at least equal to WACC.

b. Review of Third Country Traffic Flows. On September 1, 1997 and every six months thereafter, the Company shall review with the Association the flows of international passengers traveling to third countries on the Company's code on Canadian flights and on Canadian's code on the Company's flights. This review shall identify any incremental international operations that meet the criteria in provision (2)(a) above. It shall include an evaluation of the size of aircraft and frequency of operations potentially available for the Company. This review shall also assure that the Company is accruing benefits from the traffic carried on its code on Canadian flights.

c. Review of Traffic Flows Exceeding Certain Numbers of Passengers on Company Code. If, for any period of six consecutive months, Canadian carries more than an average of 50 passengers per flight per day on the Company's code or more than an average of 500 passengers per flight per week on the Company's code, the Company and the Association shall promptly conduct a review as described in (2)(b) above to determine whether any opportunity exists to carry that traffic from a U.S. gateway on a Company flight that will earn a return on invested capital at least equal to WACC, assuming that the Company can obtain authority for the operation. Nothing in these provisions (2)(a)-(c) shall be construed to require the Company to operate a particular route or routes.

d. Maximizing Use of Canadian Code. The Company shall attempt to maximize Canadian codesharing on the Company's flights to third country destinations.

e. Japanese Authority. The Company shall operate all of the following Japanese authority:

DFW - NRT
SEA - NRT
SJC - NRT

3. Ability to Reopen. In the event of a change in regulation, law, or industry practice with respect to codesharing, either party retains the right to reopen on this issue of codesharing with Canadian.

H. SCOPE EXCEPTION: OTHER INTERNATIONAL CODESHARING

The Company may place or maintain its current or future designator code on flights by Foreign Carriers under the following conditions:
<*See Letter U*>

1. General Principles
    a. Importance of International Codesharing. The Company and the Association agree that codesharing with Foreign Carriers has become an important element of international competition and that it is in the Company's interest to enter into codesharing agreements with such carriers when those agreements strengthen the Company's international and domestic route networks.
    b. Purpose of Codesharing. The purpose of codesharing is to provide feed to the Company's route system and/or establish, maintain, or acquire market presence.
2. Other Airline Codes on Company Flights. The Association endorses the maximum use of other airline codes on Company flights. In negotiating codesharing agreements with Foreign Carriers, the Company shall attempt to maximize opportunities to use its own aircraft and personnel.
3. Original Baseline for International Flying. The term "Original Baseline for International Flying" shall refer to a number of block hours as described below:
    a. January 1, 1997 Baseline. The January 1, 1997 Original Baseline for International Flying shall equal block hours.
    b. January 1, 1998 Baseline. Effective January 1, 1998, the Original Baseline for International Flying shall equal _____ block hours less the total block hours scheduled during 1995 on any International Flying that is discontinued during calendar year 1997 due to loss of route authority or failure to earn a return on invested capital at least equal to WACC. The return on invested capital shall be measured for this purpose over the three months immediately preceding the discontinuation of the flying, or, if the flying continued for less than three months, then over such shorter period as the flying actually continued.
    c. January 1, 1999 Baseline and Beyond. Effective January 1, 1999, and for each January 1 thereafter, the Original Baseline for International Flying shall be the number of block hours specified in (3)(b).
4. Annual Baseline for International Flying. The term "Annual Baseline for International Flying" or "Annual Baseline" shall refer to a number of block hours as described below:
    a. January 1, 1997 Baseline. The January 1, 1997 Annual Baseline for International Flying shall equal block hours.

b. January 1, 1998 Baseline. Effective January 1, 1998, the Annual Baseline for International Flying shall equal the total number of scheduled block hours indicated in (4)(a) above, as adjusted by the following criteria, if applicable:

   i. downward by the total block hours scheduled during 1995 on any International Flying that is discontinued during calendar year 1997 due to loss of route authority or failure to earn a return on invested capital at least equal to WACC. For this provision, the return on invested capital shall be measured over the three months immediately preceding the discontinuation of the flying, or, if the flying continued for less than three months, then over such shorter period as the flying actually continued; and then

   ii. upward by the total block hours scheduled by the Company during calendar year 1997 for International Flying during the first 12 months of operation of that flying (e.g., International Flying between a new city pair or due to increased frequency); and then

   iii. downward by the total scheduled block hours included in January 1, 1997 Annual Baseline as modified by (4)(b)(i) and (ii) for any International Flying discontinued by the Company during calendar year 1997 and within 24 months of initiation due to loss of route authority or failure to earn a return on invested capital at least equal to WACC, as measured in (4)(b)(i) above.

   An example of how the Annual Baseline calculation will work is as follows:

   Example:

   - An international flight is added on 9/1/96.
   - It is scheduled for 100 block hours per month.
   - It is discontinued on 11/1/97 due to loss of route authority.

   To determine the Annual Baseline for 1/1/98, adjust the Annual Baseline from 1/1/97 as follows:

   - per (4)(b)(i) make no change -- flight was not scheduled in 1995; and then
   - per (4)(b)(ii) increase by 800 hours for block hours scheduled in 1997 that fall within the first 12 months of operation (i.e., block hours from 1/1/97 to 8/31/97); and then
   - per (4)(b)(iii) reduce by 1200 hours to remove the 800 hours just added to the Annual Baseline pursuant to (4)(b)(ii) above and the 400 hours (representing block hours scheduled from 9/1/96 - 12/31/96) previously included in the parties calculation of the January 1, 1997 Annual Baseline.

c. Annual Baseline for January 1, 1999 and Beyond. Effective January 1, 1999, and each January 1 thereafter, the Annual Baseline shall be calculated as follows:

   i. the Annual Baseline for the previous year shall be adjusted upward by the total block hours scheduled by the Company during the previous 12 month period

for International Flying during the first 12 months of operation of that flying (e.g., International Flying between a new city pair or due to increased frequency); and then

ii. the Annual Baseline for the previous year shall be adjusted downward by the total scheduled block hours included in the previous year's Annual Baseline as modified by (4)(c)(i) for any International Flying discontinued by the Company during the preceding 12 months and within 24 months of initiation due to loss of route authority or failure to earn a return on invested capital at least equal to WACC. For this provision, the return on invested capital shall be measured over the three months immediately preceding the discontinuation of the flying, or, if the flying continued for less than three months, then over such shorter period as the flying actually continued.

5. International Flying Below 90% of the Annual Baseline During 1997. On January 1, 1998, the Annual Baseline for International Flying as calculated on the preceding January 1, and then adjusted in accordance with (4)(b)(i), shall be compared to the total block hours of International Flying scheduled by the Company during the preceding 12 months. If the Company's scheduled International Flying is below 90% of the previous year's Annual Baseline as so adjusted, the Association's concurrence shall be required for the Company to enter into new codesharing agreements that put the Company's code on Foreign Carrier flights.

6. International Flying Below The Original Baseline Or Below 80% of the Annual Baseline During 1997. On January 1, 1998, the total block hours of International Flying scheduled by the Company during the preceding 12 months shall be compared to both the Original Baseline effective on that date and the previous year's Annual Baseline, which has been adjusted in accordance with (4)(b)(i). If the Company's scheduled International Flying is below the current year's Original Baseline or is below 80% of the previous year's Annual Baseline, as so adjusted, whichever is greater, the Association's concurrence shall be required for renewal or continuation of all codesharing agreements that put the Company's code on Foreign Carrier flights, with the exception of those specifically listed below:

   Qantas (on AA 10/23/89; by AA 11/15/94)
   South African (11/1/92)
   British Midland (11/1/93)
   Gulf Air (transatlantic 7/1/94; UK-Middle East 1/1/94)
   Transwede (6/15/94)
   Canadian (6/19/95)

7. International Flying Below 90% of the Baseline in 1998 and Beyond. On January 1, 1999 and on January 1 of each year thereafter, the Annual Baseline for International Flying as calculated on the preceding January 1 shall be compared to the total block hours of International Flying scheduled by the Company during the preceding 12 months. If the Company's scheduled International Flying is below 90% of the previous year's Annual Baseline, the Association's concurrence shall be required for the Company to enter into new international codesharing agreements that put the Company's code on Foreign Carrier flights.

8. International Flying Below The Original Baseline or Below 80% of the Baseline in 1998

and Beyond. On January 1, 1999 and on January 1 of each year thereafter, the total block hours of International Flying scheduled by the Company during the preceding 12 months shall be compared to the Original Baseline as specified in (3)(c) above, and the previous year's Annual Baseline. If the Company's scheduled International Flying is below the Original Baseline as specified in (3)(c) above, or is below 80% of the previous year's Annual Baseline, whichever is greater, the Association's concurrence shall be required for renewal or continuation of all codesharing agreements that put the Company's code on Foreign Carrier flights, with the exception of those specifically listed in (6) above.

9. Opportunities to Earn WACC.
    a. General. The Association and the Company agree that the Company shall continue to seek international route authority and pursue all opportunities for deploying its aircraft assets on international routes where it will earn a return on invested capital at least equal to WACC.
    b. Review of International Codeshare Traffic. On September 1, 1997 and every six months thereafter, the Company shall review with the Association the flows of international codeshare passengers traveling on the Company's code on Foreign Carrier flights and on Foreign Carrier codes on the Company's flights. This review shall identify any incremental international operations that meet the criteria in provision (9)(a) above. It shall include an evaluation of the size of aircraft and frequency of operations potentially available for the Company. This review shall also assure that the Company is accruing benefits from the traffic carried on its code on Foreign Carrier flights.
    c. No Codesharing on Routes That Could Earn WACC.

    The Company shall not, without the Association's consent, place or maintain its code on any international route or frequency operated by a Foreign Carrier, on which the Company could earn a return on invested capital at least equal to WACC. This analysis shall be performed using the same method to analyze route profitability that AMR then uses internally for route planning. Notwithstanding this prohibition, if the Company orders additional aircraft to fly such an international route, the Company may place or maintain its code on the route or frequency during the time between order and delivery of the additional aircraft. Similarly, if the Company is procuring an airport slot, gate and/or other route authority to fly such a route, the Company may place or maintain its code on the route or frequency during the time required to procure such a slot and/or authority. Nothing in this provision (9) shall be construed to require the Company to operate a particular route or routes.
10. Cabotage. If any Foreign Carrier obtains the right to transport local passenger or cargo traffic between airports within the United States or its territories, the Company shall not allow its code to be used on flights carrying such traffic.
11. Equity Ownership and International Codesharing. Any codesharing agreement putting the Company's code on the flights of a Foreign Carrier in which the Company or an Affiliate has an equity investment of more than 15% shall require the Association's concurrence.
12. Leaving Company Code in a Market. The Company shall not reduce flying in a market and subsequently maintain or place its code on Foreign Carrier service in that market without the

Association's concurrence unless:

a. the reduction is temporary, based on seasonality, and such flying will be reinstated; or

b. all of the following three conditions are met:

i. the Foreign Carrier is a Major Foreign Carrier; and

ii. the route/flight failed to earn a return on invested capital at least equal to WACC over the preceding three months or, if the flying has not continued for three months, then over such shorter period as the flying has actually continued; and

iii. either there will be no decrease in the Company's total international block hours, as measured on the next January 1 for the preceding calendar year, or there will be a proportionate decrease in international block hours flown by the Company and the codeshare partner on routes codeshared with that partner. (In calculating the proportionate decrease in block hours, such block hours shall be rounded to the nearest number that will enable each carrier to reduce its flying in increments of at least one daily round trip). Examples of such decreases are contained in Letter B.

13. Prior Documentation. Prior to any reduction under provision (12) above, the Company shall provide to the Association the information and, if necessary, the documents necessary to demonstrate compliance with that provision.

14. Initiating Codesharing with a Major Foreign Carrier. Notwithstanding provisions H.(9)(c) and H.(12) above, the Company may rationalize flying as part of entering into an initial codesharing agreement with a Major Foreign Carrier even though such rationalization involves withdrawing from a market and maintaining or placing the Company's code on the service of the Major Foreign Carrier in that market, or placing the Company code on a flight of a Major Foreign Carrier that could earn a return on invested capital at least equal to WACC, provided that the following conditions are fulfilled:

a. As a result of the new codesharing agreement, block hours operated by the Company on routes involved in the codesharing agreement decrease by no more than 10% or by the block hours attributable to one round trip on a route (nonstop flying between any two airports) involved in the codesharing agreement, whichever is greater; and

b. either there will be no decrease in the Company's total international block hours, as measured on the next January 1 for the preceding calendar year, or there will be a proportionate decrease in international block hours flown by the Company and the new codeshare partner on routes codeshared with that partner as specified in (12)(b)(iii) above.

c. Provisions H.(9)(c) and H.(12) shall apply to any subsequent change in service on the codeshared routes. In addition, if the Company withdraws from a route involved in the initial codesharing agreement, and such withdrawal causes block hours operated by the Company on routes involved in the codesharing agreement to drop below the level that would earlier have violated (a) above, the Association and the Company shall review the remaining routes on which the Major Foreign Carrier is codesharing. If such review reveals that any route could earn a return on invested capital at least

equal to WACC, the Association shall have the right to require the Company to withdraw its code from one such route for each route from which the Company has withdrawn.

15. Withdrawal from a Codesharing Agreement. Where the Company is required by this Agreement to withdraw from an agreement with a codesharing partner, such withdrawal shall take place at the earliest possible date that does not cause the Company to incur a financial penalty that is material in the context of the codesharing agreement with the Foreign Carrier.

I. SUCCESSORSHIP

1. Agreement Binding on Successor. The Agreement shall be binding upon any Successor. The Company shall not bring a single step or multi-step Successorship Transaction to final conclusion unless the Successor agrees, in writing, to recognize the Association as the representative of pilots on the American Airlines Pilots Seniority List consistent with the Railway Labor Act, to employ the pilots on the American Airlines Pilots Seniority List in accordance with the provisions of this Agreement, and to assume and be bound by this Agreement.
2. Seniority List Merger. If the Successor is an Air Carrier or an affiliate of an Air Carrier, the Company shall, at the option of the Association, require the Successor to agree to integrate the pre-transaction pilot seniority lists of the Company and the Successor in a fair and equitable manner within 12 months of the Successorship transaction pursuant to Sections 3. and 13. of the Allegheny-Mohawk Labor Protective Provisions ("LPPs"). The requirement of this provision does not apply to the Company's acquisition of all or part of another Air Carrier in a transaction which includes the acquisition of aircraft and pilots.

J. OPPORTUNITY TO MAKE COMPETING PROPOSAL

In the event that any person or entity proposes a transaction which would result in a change of control or potential change of control of the Company or its parent, as those terms are used in AMR's 1988 Long-Term Incentive Plan, whether through a single or multi-step transaction, and the Company determines to pursue or facilitate the proposal, the Company, if consistent with the fiduciary duties of its Board of Directors, shall provide the Association with

1. advance written notice before acting favorably on such proposal; and
2. an opportunity to make a competing proposal.

K. OTHER LABOR PROTECTIVE PROVISIONS IN SUBSTANTIAL ASSET SALE

In the event that, within any 12 month period, the Company transfers (by sale, lease, or other transaction) or otherwise disposes of aircraft, slots, or route authorities ("Aircraft-Related Assets") which, net of Aircraft-Related Asset purchases or acquisitions during the same 12 month period, constitute 40% or more of the value of the Aircraft-Related Assets of the Company to an entity or to a group of entities acting in concert that is an Air Carrier or that will operate as an Air Carrier following its acquisition of the transferred Aircraft-Related Assets (any such entity or group, the "Transferee"; any such transaction, a "Substantial Aircraft-Related Asset Sale"):

1. the Company shall require the Transferee to proffer employment to pilots from the American Airlines Pilots Seniority List in strict seniority order (the "Transferring Pilots"). The number of Transferring Pilots shall be no fewer than the average monthly pilot staffing

over the prior 12 months for the Aircraft-Related Assets transferred to the Transferee in connection with the Substantial Aircraft-Related Asset Sale; and

2. the Company shall not finally conclude a transaction under this subsection unless the Transferee agrees to integrate the Transferring Pilots into the Transferee's pilot seniority list pursuant to Sections 3. and 13. of the Allegheny-Mohawk LPPs.

L. REMEDIES

1. The Company and the Association agree to arbitrate any grievance filed by the other party alleging a violation of this Section 1 on an expedited basis directly before the System Board of Adjustment sitting with a neutral arbitrator. The arbitrator shall be a member of the National Academy of Arbitrators and experienced in airline industry disputes. The burden of proof will be determined by the arbitrator. The provisions of the Railway Labor Act shall apply to the resolution of any dispute regarding this Section 1.
2. The parties agree that, in addition to any other rights and remedies available under law and this Agreement, an arbitration award under this Section 1 shall be enforceable by equitable remedies, including injunctions and specific performance against the Company, AMR Corp., and/or an Affiliate of the Company. The Company and Association agree that in a court proceeding to enforce an arbitration award under this Section 1, the rights and obligations are equitable in nature, that there are no adequate remedies at law for the enforcement of such rights and obligations, and that the Association and the Company's pilots are irreparably injured by the violation of this Section 1.

<*See Letter AA*>

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1997 AA/APA Contract
Section 2: Definitions

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SECTION 2

DEFINITIONS

A. Air Freight Feed Operation

A freight operation conducted with non-turbojet aircraft whose primary purpose is to "feed" the Company's aircraft and which is flown with active or furloughed pilots of the Company or under contract.

B. Calendar Month

"Calendar month", as used herein, shall mean the period from the first day of, to and including the last day of each calendar month of the year, except that for pilot scheduling and pay purposes January, February and March will each be considered a thirty (30) day month through the addition of January 31 and March 1 to the month of February. Leap year will make February a thirty-one (31) day month.

The Company may, at its option and prior to the annual vacation bidding for a given year, declare that up to any other four (4) months containing thirty-one (31) calendar days be deemed thirty (30) day contractual months by taking the first or last day of each such month and adding it to each or all of the other thirty (30) calendar day months.

C. Captain

"Captain" means a pilot who is in command of the aircraft and is responsible for the manipulation of, or who manipulates the flight controls of an aircraft while under way, including takeoff and landing of such aircraft, and who is properly qualified to serve as, and holds a current airman's certificate authorizing service as a captain and who holds a captain bid status.

D. Co-terminals as used in this Agreement shall mean:

1. Kennedy/Newark/LaGuardia
2. Midway/O'Hare
3. Dallas/Fort Worth International Airport/Love Field
4. Washington/Dulles International
5. Tampa/St. Petersburg
6. Miami/Fort Lauderdale

The above shall become and remain in effect when crew bases are maintained in the respective cities.

E. Contractual Month

"Contratual month" as used herein, shall mean the period of time, for pilot scheduling and pay purposes, during which allocated flying and the associated trip selections shall be effective, when the thirty (30) day provision of Section 2.B. (calendar month) is utilized.

F. Credited Projection (PROJ)

A pilot's total time for the month, including fly through time credited at the beginning of the month, the greater of scheduled or actual for flying already performed, scheduled time for flying yet to be performed, credits as provided in Section 15 Hours of Service (E. - minimum pay and credit for an on duty period, F. - minimum pay and credit for time away from base, and G. - minimum and average pay and credit for an on duty period), and credit for scheduled flight time when relieved of flying duties as provided in Section 5, [trips missed due to paid sick leave, a training program of more than five (5) days, vacation, jury duty, and Association leave] and credited time for any credit/no pay removals (for example, unpaid sick). Credited Projection (PROJ) is used in conjunction with Scheduled Projection (SPROJ) to determine a pilot's legality in accordance with Section 15 Hours of Service.

G. Crew Tracking Trip Sequence(s)

Any pairing or repairing of a trip or trip sequence by Crew Tracking, or any flying that is not planned in advance to permit inclusion in a pilot's monthly trip selection, shall be called a "Crew Tracking Sequence".

H. Day Flying - Night Flying

"Day flying" shall include all flying between the hours of 0600 and 1800 local time and "night flying" shall include all flying between the hours of 1800 and 0600 local time.

I. First Officer

"First officer" means a pilot who is second in command of the aircraft and any part of whose duty is to assist or relieve the captain in the manipulation of the flight controls of the aircraft while under way, including takeoff and landing of such aircraft, and who is properly qualified to serve as, and holds a current airman's certificate authorizing service as a first officer and who holds a first officer bid status. On any international flight requiring a three (3) pilot cockpit crew, the first officer shall also be required to possess an ATPC and a type rating on the equipment flown. <*See Letter O*>

J. Flight Officer

"Flight officer" means a pilot who holds a current airman's certificate authorizing service as a flight engineer, whose primary duty it is to perform the flight engineer function as prescribed by the Company, and to provide emergency relief necessary to assist the pilot then in command in the event of incapacitation in flight of either the captain or first officer and who holds a flight officer bid status.

K. Furlough

"Furlough" means the removal of a pilot from active duty as a pilot with the Company without prejudice, due to a reduction in force, or the period of time during which such pilot is not in the active employ of the Company as a pilot due to such reduction in force.

L. Greater Time to Date (GTD)

A running accumulation of a pilot's duty periods for the month, including duty periods credited for a crew schedule error affecting a reserve pilot (as provided in Section 18.D.2.), but not including credit for duty periods involved in future flying, relief from future flying, or reserve proficiency displacement flying (as provided in Section 18.G.2.). Greater Time to Date (GTD) includes all duty periods completed and/or credited to date, plus a credit of one-half (½) of a duty period for each calendar day missed due to a credited absence. Greater Time to Date (GTD) is used to determine reserve low time assignments (as provided in Section 18.D.1.c., e., f., h. and i., and 18.D.2.l.). [See Q&A #86]

M. International Officer

"International Officer" means a pilot who is assigned to international flights and who holds, in addition to a first officer qualification, an ATPC and a type rating on the equipment flown, and whose duties as specified by the Company and as directed by the pilot in command, include the assistance or relief of the captain or first officer.

N. International Relief Flight Officer

"International Relief Flight Officermeans a pilot who is assigned to international flights and who holds a flight engineer qualification on the equipment being flown, and whose duties, as specified by the Company and as directed by the pilot in command, include assistance or relief at the third crewmember position.

O. Misconnect

Misconnect means that a particular segment, including deadhead, of a pilot's sequence operates sufficiently late into a station so as to cause such pilot to miss the next segment of such pilot's sequence. [See Q&A #106]

P. Pay or Compensation

"Pay" or "compensation", for purposes of this Agreement, means longevity, hourly, gross weight, mileage and, if applicable, international override pay.

Q. Pay Projection (PPROJ)

A pilot's total paid time for the month based on fly through time applied to the Credited Projection (PROJ) at the beginning of the month, the greater of scheduled or actual for flying already performed, scheduled time for flying yet to be performed, credits as provided in Section 15 Hours of Service (E. - minimum pay and credit for an on duty period, F. - minimum pay and credit for time away from base, and G. - minimum and average pay and credit for an on duty period), for scheduled time when relieved of flying duties as provided in Section 5, [trips missed due to paid sick leave, a training program of more than five (5) days, vacation, jury duty, and Association leave], and for any pay/no credit applications [for example, trips missed due to a training program of five (5) days or less as provided in Section 6.D.1.a.]. Pay adjustments will be made at the end of the month for training pay (Section 6.D.), minimum guarantee (Section 4), apportionment pay (Section 6.C.2.), CPA fill up (Section 15.A.7.a.), CPA spill back (Section 15.A.7.b.) and CPA pay out (Sup. N).

R. Pilot

"Pilot" shall include and mean captain, first officer, international officer, flight officer, and international relief flight officer.

S. Satellite Base

A satellite base is a station where pilots domiciled at a certain crew base as specified herein, may be scheduled to originate and terminate trip sequences. All satellite trip selections must contain only sequences which are scheduled to originate and terminate at the same satellite for the entire contractual month, unless excepted below. The following satellites shall become and remain in effect when crew bases are maintained in the respective cities:

Crew Bases	Satellites
Los Angeles	Ontario (ONT) / Santa Ana (SNA) / Long Beach (LGB)
San Francisco	Oakland (OAK)/San Jose (SJC)
Washington	Baltimore (BWI)
Tampa/St. Petersburg	Sarasota (SRQ)
Miami/Fort Lauderdale	West Palm Beach (PBI)

Any Los Angeles based reserve pilot who originates and terminates a trip sequence at a Los Angeles satellite will have the off duty periods immediately preceding and immediately following such trip sequence extended by one hour (1:00) each.

In any contractual month up to thirty-five percent (35%) of the total trip selections for the satellites of Long Beach (LGB), Santa Ana (SNA), and Ontario (ONT) only, may, at the Company's option, be constructed subject to the following exceptions:

a. for Long Beach (LGB), one (1) trip sequence for each trip selection may originate and terminate at Santa Ana (SNA);
b. for Ontario (ONT), one (1) trip sequence for each trip selection may originate and terminate at Santa Ana (SNA);
c. for Santa Ana (SNA) within the same month, one (1) trip sequence for each trip selection may originate and terminate at Long Beach (LGB), or one (1) trip sequence for each trip selection may originate and terminate at Ontario (ONT), but no single trip selection can contain more than one (1) origination and termination away from Santa Ana (SNA).

<*See Letter I*>

T. Schedule

"Schedule" means the operating schedule used by the Company in its operations.

U. Scheduled Projection (SPROJ)

A pilot's total scheduled time for the month, based on the pilot's trip selection award after adjustment for fly through time. Scheduled Projection (SPROJ) includes credits as provided in Section 15 Hours of Service (E. - minimum pay and credit for an on duty period, F. - minimum

pay and credit for time away from base, and G. - minimum and average pay and credit for an on duty period), and credit for scheduled time when relieved of flying duties as provided in Section 5 [trips missed due to paid sick leave, a training program of more than five (5) days, vacation, jury duty, and Association leave]. Scheduled Projection (SPROJ) is adjusted only for underfly on a leg by leg (block to block) basis, an assignment or reassignment (domestic: at base or away from base; international: at base only), an award or assignment of open flying at base (through make-up, reserve, VJA or trip trading with open time), trip trading (with another pilot or with open time), an uncredited removal from all or part of a scheduled trip sequence which results in less time than was originally scheduled (for example, a cancellation). Scheduled Projection (SPROJ)is used in conjunction with Credited Projection (PROJ) to determine a pilot's legality in accordance with Section 15 Hours of Service.

V. Scheduled Trip or Trip Sequence

A "scheduled trip or trip sequence" is a published pairing of flying and/or deadheading, consisting of two or more flight segments, which originates and terminates at a crew base.

W. Service

"Service" means the period of time assigned to active duty as a flight deck operating crew member or supervisor with the Company.

X. Supervisory Pilot

Any pilot listed on the American Airlines Pilot Seniority List who is serving in a managerial or instructional capacity and has not been awarded a monthly trip selection, except that a pilot may be utilized as a temporary supervisory pilot under the provisions of Supplement O, or may be appointed to a supervisory position during the course of the month.

Y. Third Crew Member

"Third crew member" means an employee assigned to and serving at the third crew member position on all aircraft operated by the Company with a minimum cockpit crew of three (3) or more, and includes flight officers covered by this Agreement and flight engineers covered by the Flight Engineer Agreement.

Z. Trip Selection

"Trip selection" means any monthly regular, relief, supernumerary or reserve flying assignment. <*See Letter E*>

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1997 AA/APA Contract
Section 17: Vacancies, Displacements, etc

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SECTION 17

FILLING VACANCIES, DISPLACEMENTS, REINSTATEMENTS, FURLOUGHS, AND RECALLS
[Revised 7 August 1998]

A. Bid Status

1. All pilot positions are identified by their bid status which consists of four elements:
    a. Base
    b. Category
    c. Equipment
    d. Division
2. Each bid status is ranked according to its elements. Bases have no ranking. Within a base, all captain positions are higher than all first officer positions and all first officer positions are higher than all flight officer/flight engineer positions. Within a base and category, bid status is ranked by equipment on the basis of certificated gross weight -- the higher the certificated gross weight, the higher the ranking. If two or more models exist within an equipment type, the average certificated gross weight of the models is used to determine the ranking. Within a base, category and equipment, a bid status is ranked according to division with International being higher than Domestic.

B. Change in Bid Status

A pilot's bid status can only change as follows:

1. A pilot may bid for and be awarded a vacancy in a different bid status, which may be higher, lower or lateral (lateral meaning the same category and equipment -- different division and/or base) than such pilot's current bid status.
2. A pilot who is displaced from a bid status, because the pilot's position was eliminated or because such pilot was displaced by a more senior pilot, may displace a more junior pilot.
3. A pilot may proffer and be awarded a displacement which would have otherwise affected a junior pilot.
4. A pilot who is displaced from a bid status may later be reinstated to a vacancy in that bid status.
5. A pilot may be awarded a vacancy as a result of an entitlement which was awarded while serving a lock-in.
6. A pilot may be assigned to a bid status by the Company.

C. Qualifications Required for Bidding and Filling a Vacancy

1. All pilots may bid for and be awarded any vacancy with the following exceptions:
    a. A flight officer who has never upgraded to first officer cannot bid for a captain vacancy.
    b. A probationary pilot cannot bid for a captain vacancy.
    c. In order to be eligible to be awarded a bid status that requires or results in an Airline Transport Pilot Certificate, a pilot must possess such certificate or have previously entered the date of the successful completion of the required written examination for said certificate into the Company's computer data base.
    d. As provided in L. of this Section, a pilot serving a lock-in may, at the Company's discretion, only be awarded an entitlement to fill a future vacancy.
    e. A pilot who is being withheld from occupying a bid status position in accordance with M.1.b. or c. of this Section, may only bid for a bid status lateral to (same category and equipment -- different division and/or base) or higher than the bid status from which withheld.
    f. If a pilot is awarded a different bid status, either as a result of bidding for or being assigned to a vacancy or as a result of being displaced, such pilot's bid(s) for other vacancies processed prior to the effective date of the pending bid status award will be given consideration as follows:
        1. For a pilot who will be required to fulfill a lock-in in the pending bid status award,
            a. If such pilot is the successful bidder for a vacancy which is lateral (same category and equipment -- different division and/or base) to the pending bid status award, the pilot's bid for the lateral vacancy will be awarded, or
            b. If such pilot is the successful bidder for a vacancy in a bid status which is higher or lower than the pending bid status award, such pilot may only be awarded an entitlement to such bid status, in accordance with Section 17.L.5.
        2. If a pilot will not be required to fulfill a lock-in in the pending bid status award, such pilot may bid for and be awarded a vacancy in any other bid status.
2. A pilot who is awarded a different bid status, either as a result of bidding for or being assigned to a vacancy or as a result of being displaced, shall be afforded the opportunity to acquire the necessary route qualifications, equipment qualifications or ratings within a reasonable period of time.
3. A pilot may be awarded or assigned a flight officer/flight engineer bid status position only if such position has not been awarded to a flight engineer in accordance with the priority and seniority guaranteed to flight engineers under the Tripartite Agreement (Supplement C). When such pilot does not have the required route qualifications, equipment qualifications or ratings, such pilot shall be afforded the opportunity to acquire such qualifications and ratings within a reasonable period of time.

D. Displacements

1. A pilot shall be considered displaced if any one of the following occurs:
    a. The Company eliminates all positions in a bid status, in which case all pilots holding a position in such bid status shall be considered displaced.
    b. The Company reduces the number of positions in a bid status, in which case, to the extent necessary to accomplish the reduction, the pilots within the bid status being reduced who have the least system seniority shall be considered displaced.
    c. A pilot who has been displaced under any provision of this section may displace a more junior pilot in accordance with 7. below, in which case the more junior pilot may then also be considered displaced.
2. Proffer of Displacements
    a. When a junior pilot is to be displaced from a bid status, the displacement shall be proffered in seniority order to all pilots in that bid status.
    b. Displacement into another bid status is based upon the junior pilot's seniority. (For example, junior pilot A would otherwise be displaced; senior pilot B in the same bid status proffers the displacement; senior pilot B displaces into a bid status indicated on senior pilot B's bid preference list based on junior pilot A's seniority. Once senior pilot B is in the new bid status, bidding trip selections, vacations, etc. will be done with pilot B's own seniority.)
    c. A pilot is eligible to proffer displacement provided:
        1. The pilot must fulfill a lock-in in accordance with Section 17.L.1., unless waived at the Company's discretion, except that the lock-in for a pilot who displaces to a lower bid status and only requires a short requalification training program shall be the same as a pilot bidding to a higher bid status.
        2. The pilot can fulfill the lock-in in c.1. above prior to normal retirement unless waived at the Company's discretion.
        3. A pilot fulfilling a lock-in may only proffer displacement to a lateral bid status (same category and equipment -- different division and/or base) unless released from the lock-in at the Company's discretion.
        4. A flight officer who has never upgraded to first officer cannot proffer displacement to a captain bid status.
        5. A probationary pilot cannot proffer displacement to a captain bid status.
        6. In order to be eligible to be awarded a bid status that requires or results in an Air Transport Pilot certificate, a pilot must possess such certificate or have previously entered the date of the successful completion of the required written examination for said certificate into the Company's computer data base.
        7. The pilot has not begun, or is not within five (5) days of beginning training for another bid status as a result of a previous award.
    d. A pilot proffering displacement does not have a reinstatement right.
3. Each pilot shall have access to and shall be responsible for maintaining a displacement preference list as a part of his or her standing bid list. On the displacement preference list a pilot may list in order of preference any bid status to which the pilot would prefer to

displace in the event such pilot is displaced. A pilot may add to, delete from, or rearrange the order of displacement preferences at any time prior to the date on which the bid award procedure is implemented.

4. Displacements may be processed once during each month; simultaneously with reinstatements, entitlements and bid preferences for vacancies.
5. Displacements shall always be effective on the first day of a contractual month, and they shall never be effective earlier than the first day of the first contractual month following the date on which they are processed.
6. The Company shall provide at least fifteen (15) days advance notice of the date on which displacements will be processed. Between the date on which advance notice is given and the date on which displacements are processed, pilots may continue to access and make changes to their displacement preference lists.
7. A displaced pilot may fill a vacancy or displace a more junior pilot. The vacancy or the position to which such pilot is displacing may be in a higher, lateral, or lower bid status than the bid status of the position from which such pilot was displaced. The order of awarding a new bid status to a displaced pilot is as follows:
    a. A displaced pilot shall fill a vacancy from such pilot's bid preference list.
    b. From such pilot's displacement preference list, the pilot shall be awarded the highest preference to which entitled by seniority.
        1. Such pilot shall have a reinstatement right to the bid status from which displaced, and
        2. Shall not incur a lock-in in the bid status awarded.
        3. Such pilot who is awarded, from the displacement preference list, a lateral bid status (same category and equipment -- different division and/or base) or the highest bid status in the system to which entitled by seniority shall, if the location of the bid status position is at a base other than the one from which displaced, be eligible for moving expenses as provided in Section 8, provided:
            . Such pilot relocates to the base to which displacing.
            b. Such pilot incurs a lock-in in the bid status to which displacing equal to the down-bid lock-in specified in Section 17.L.1.b.
            c. Such pilot forfeits any reinstatement right to the bid status from which displaced.
        4. When such pilot is awarded a bid status from the displacement preference list, the junior pilot who held that bid status may then be considered displaced.
    c. If the seniority of a displaced pilot does not entitle such pilot to a bid status from either the bid preference list or the displacement preference list, such pilot shall be assigned to a different bid status at that pilot's base.
        1. Such assignments shall be made in the following order:
            a. The displaced pilot will be assigned a vacancy in the highest bid status above the displaced status to which entitled by seniority at that pilot's base.

b. The displaced pilot will displace a more junior pilot in the highest bid status above the displaced status to which entitled by seniority at that pilot's base.

c. The displaced pilot will be assigned a vacancy in the next lower bid status if available at that pilot's base. If no vacancy is available, the pilot will displace a more junior pilot in that same next lower bid status at that pilot's base.

d. Step (c) will be repeated at each successively lower bid status until the displaced pilot is assigned a bid status at that pilot's base.

2. A pilot so assigned shall have a reinstatement right to the bid status from which displaced, and

3. Shall not incur a lock-in in the bid status to which assigned.

d. If a displaced pilot cannot be awarded a vacancy at that pilot's base and there is no more junior pilot at that base, such pilot may be proffered those vacancies in the system for which there are no bidders, and then, if necessary, be assigned to such a vacancy.

1. Such pilot shall have a reinstatement right to the bid status from which displaced, and

2. Shall not incur a lock-in in the bid status awarded or to which assigned.

8. A pilot can only be displaced once in any contractual month, but a pilot who has been displaced may be displaced again in a later month. A pilot who has been displaced more than once may hold multiple reinstatement rights in accordance with E. of this Section.

E. Reinstatement Rights

1. A reinstatement right provides a displaced pilot with the right to be reinstated to a vacancy in the bid status from which displaced before such vacancy is awarded to any other pilot who does not have a reinstatement right.

2. When a pilot is displaced and is awarded another bid status, such pilot shall have a reinstatement right, unless the pilot is either awarded a bid status which was on the bid preference list or the pilot is entitled to receive moving expenses in accordance with D.7.b.(3) of this Section. As provided in D.2.d. of this Section, a pilot proffering displacement does not have a reinstatement right.

3. When two (2) or more pilots have a reinstatement right to the same bid status, their reinstatement rights will be honored in seniority order.

4. A pilot who has a reinstatement right to a bid status will automatically be reinstated if a vacancy becomes available in that bid status.

5. A pilot shall lose a reinstatement right to a bid status if reinstated to that bid status or if awarded any bid status which is on such pilot's bid preference list.

6. If a pilot has a reinstatement right, it will be included on the standing bid list and will be identified as a reinstatement right.

7. A pilot who has a reinstatement right may choose to forfeit such right at any time by deleting it from the standing bid list. If a pilot has more than one reinstatement right, such

pilot may choose to forfeit one or more such rights in this manner without affecting any other reinstatement rights.

8. A pilot who has been displaced more than once may have a reinstatement right to more than one (1) bid status. The reinstatement of such a pilot shall terminate reinstatement right(s) to any bid status which the pilot has ranked lower than the one to which reinstated but shall not affect reinstatement right(s) to any bid status which the pilot has ranked higher than the one to which reinstated. However, if such a pilot is awarded any bid status which is on such pilot's bid preference list, that pilot shall forfeit all reinstatement rights.

F. Advance Notice of Vacancies to be Filled

1. At least fifteen (15) days before implementing the bid award procedure, the Company shall provide notification of the following:
    a. The date on which the bid award procedure will be implemented.
    b. The number of known vacancies identified by bid status.
    c. The effective date of all known vacancies.
    d. A forecast of the total number of positions in the system for the first, third and sixth months, with the first month being the first month in which the vacancies are effective.
        1. The forecasts for the first and third months will be by bid status at each base or satellite base.
        2. The sixth month forecast will be for the system by category, equipment and division.
2. The forecasts required in 1. shall be the best estimates which the Company can provide, but they shall be made available solely as a guide and shall not, in any way, represent a commitment that the number and/or distribution of forecasted bid status positions will actually develop or be maintained.
3. Following the notification required in 1., pilots may continue to access and make changes to their standing bid lists at any time prior to the date on which the bid award procedure is implemented.

G. Bid Award Procedure

1. When there are known vacancies and/or displacements, the Company shall, once during each month, simultaneously award bids for vacancies, and process displacements, reinstatements, entitlements, and also process displacements and vacancies resulting from such awards. All awards shall be based on system seniority giving first priority to reinstatement rights, second priority to entitlements and then bids for vacancies. Only those bids or displacement preferences indicated on pilots' standing bid lists will be considered in the bid award procedure.
2. With the exception of V. (Furloughs) and W. (Method of Recall) of this Section, none of the procedures in Section 17. (bidding for vacancies, displacements, etc.) shall apply to the M&E pilot positions at the Tulsa Base.

H. Standing Bid List

1. Each pilot shall indicate preferences for any change in bid status on a standing bid list. A

pilot's standing bid list shall be the only method of bidding for vacancies or expressing preferences for bid status positions should such pilot be displaced. Each pilot's standing bid list may include any or all of the following:

a. Bid Preference List
    1. A pilot's bid preference list shall include all of that pilot's bids for any other desired bid status positions, listed in order of preference by the pilot. [See Q&A #111]
    2. The bid status positions listed need not be vacant at the time they are placed on a pilot's bid preference list.
    3. If a pilot is displaced, such pilot shall be awarded the highest preference on his or her bid preference list to which such pilot is entitled by seniority, provided the position is vacant.

b. Displacement Preference List
    1. A pilot's displacement preference list shall include all of that pilot's preferences for bid status positions to which such pilot would displace in the event of displacement from his or her present bid status position.
    2. Displacement preferences shall be listed in order of preference by the pilot.
    3. If a pilot is displaced and a vacant bid status position cannot be awarded from such pilot's bid preference list, such pilot will displace to the highest preference on his or her displacement preference list to which entitled by seniority.
    4. If pilots are displaced and have expressed no bid or displacement preferences, or they are not entitled by seniority to a position on either their bid preference lists or their displacement preference lists, such pilots shall be assigned to positions by the Company in accordance with Section 17.D.7.c. or d.

c. Reinstatement Rights
    1. If a pilot has a reinstatement right to a bid status from which displaced, it shall appear on such pilot's bid preference list but it shall be identified as a reinstatement right.
    2. A pilot who has been displaced more than once may have more than one reinstatement right, in which case all such rights shall appear on such pilot's bid preference list.
    3. A pilot may arrange bid preferences and reinstatement right(s) in any order on the bid preference list.
    4. pilot may forfeit a reinstatement right by deleting it from the bid preference list.

d. Entitlements
    1. If a pilot has an entitlement which was awarded while serving a lock-in, the entitlement shall appear on such pilot's bid preference list but it shall be identified as an entitlement.
    2. A pilot may have only one entitlement.
    3. A pilot serving a lock-in who already has an entitlement may be awarded another entitlement, in which case the previous entitlement will automatically

be deleted from such pilot's bid preference list.

4. Pilots may arrange their entitlements and bid preferences in any order on their bid preference lists.
5. A pilot may forfeit an entitlement by deleting it from the bid preference list.

2. A pilot may add, delete, or otherwise alter the preferences on the standing bid list at any time prior to the date on which the bid award procedure is implemented. All preferences on a pilot's standing bid list on the date the bid award procedure is implemented shall be considered, and any resulting change in bid status shall be binding on the pilot.

I. Notice of Bid Status Positions Awarded
<*See Letter T*>

1. Following the implementation of the bid award procedure, the Company shall expeditiously provide electronic notification of all bid status positions which were awarded.
2. Each pilot whose bid status changed as a result of the bid award procedure shall be individually notified of such change.
3. Following the award/assignment of training associated with the results of the bid award procedure, the Company shall provide electronic notification of the dates of all such training awarded/assigned.
<*See Letter X*>

J. Effective Date Of Bid Status
<*See Letter E*>

1. The effective date of a bid status position shall always be on the first day of a contractual month, and shall not be more than three (3) months after the date such position was awarded, except as provided in R. and S. of this Section for the introduction of new equipment or the opening or reactivation of a crew base.
2. A pilot will be paid the applicable rates of pay for a bid status commencing with the effective date of such bid status. However, a pilot who is scheduled to fly or flies in more than one (1) bid status during a contractual month as the result of a fly through trip sequence shall be paid and credited on the basis of the bid status contained in the fly through trip sequence until the fly through sequence terminates.

K. Reporting To A Different Base

1. A pilot who receives a bid status award which involves transferring from one base to another, shall normally be given a period of not less than fifteen (15) days to report to such new base from the date on which notification of the bid award was made.
2. A pilot under 1. above who is required by the Company to report to another base in less than fifteen (15) days shall be afforded reasonable time off at a later date, not to exceed fifteen (15) days, at the time of such pilot's household move, to facilitate completing moving arrangements. The pilot's schedule will be so arranged at the new base as to minimize, insofar as is possible, loss of flying time during such reasonable time off in which moving arrangements are being completed. Such pilot shall be allowed actual reasonable expenses for himself or herself only at the new base station for the number of days equivalent to the difference between the standard fifteen (15) day reporting date and the date on which such pilot was actually required to report. Where Company Regulations or any provision of this

Agreement provides additional moving expenses for specific moves, such expenses shall be in addition to, but not in duplication of, the expense provisions of this paragraph.

L. Lock-Ins

1. A pilot awarded a bid status from the bid preference list or who is assigned a bid status as provided in Section 17.N.1., 2., 3., 4., or 5., shall be subject to the following period of lock-in:
    a. If awarded/assigned a higher bid status -- twelve (12) months,
    b. If awarded/assigned a lower bid status -- eighteen (18) months,
    c. If awarded/assigned a lateral bid status (same category and equipment -- different division and/or base) - - no new lock-in, but such pilot shall continue to serve the balance of any existing lock-in.
    d. A pilot who is serving a lock-in shall not be awarded a higher or lower bid status but may be awarded a lateral bid status (same category and equipment -- different division and/or base). However, a pilot who is serving a lock-in shall be released to initially upgrade to the next higher category after fulfilling six (6) months of such lock-in.
    e. A pilot who is displaced from a bid status while serving a lock-in shall, if later reinstated to that same bid status, resume the lock-in and serve the balance which remained at the time of displacement. However, upon reinstatement, such pilot shall be credited with any time served in the same category and equipment while displaced.
    f. A pilot who is displaced from a bid status shall not be required to serve a lock-in in the bid status assumed after displacement unless such bid status is awarded from the bid preference list.
    g. A pilot who proffers a displacement from a bid status shall be required to serve a lock-in in the bid status assumed after displacement, except that the lock-in for a pilot who displaces to a lower bid status and only requires a short requalification training program shall be the same as a pilot bidding to a higher bid status.
    h. If a pilot, who is awarded/assigned a position in a lower bid status and is subject to the eighteen (18) month lock-in in b. above, is withheld from such bid status in accordance with M. of this Section, the lock-in shall be reduced by one (1) month for each month such pilot is withheld beyond the third (3rd) month after the effective date of the position from which withheld.
    i. A pilot awarded/assigned a bid status on "new equipment" or at a newly opened or reactivated base shall be subject to the lock-in provisions of R. or S. of this Section, as applicable.
2. [Revised 7 August 1998]
A newly hired pilot shall serve a six (6) month lock-in in the bid status of initial assignment.
    a. Such pilot may be awarded/assigned a lateral bid status (same category and equipment -- different division and/or base), in which case the pilot shall not incur a new lock-in but shall continue to serve the balance of the existing lock-in.
    b. If such initial assignment lock-in would prevent a flight officer from being awarded a first officer position, the lock-in shall be terminated and the pilot shall be awarded the

first officer position, or withheld from such position in accordance with M. of this Section.

3. Lock-ins shall become effective as follows:
    a. A lock-in shall not commence prior to the effective date of the award.
    b. A pilot who completes required training prior to the effective date of an award shall begin any applicable lock- in on the effective date of such award.
    c. A pilot who completes required training after the effective date of an award shall begin any applicable lock- in on the first day of the contractual month following the completion of training, but no later than the first day of the second (2nd) contractual month following the commencement of training.
    d. Any lock-in required for a pilot who has been withheld, shall begin when the pilot's period of withholding ceases, irrespective of when the pilot trains.
4. Lock-ins are a function of a change in bid status and are not mitigated or satisfied by previous or current qualifications or previous lock-ins.
5. A pilot who is serving a lock-in may bid for vacant bid status positions; however, if such pilot is the successful bidder such pilot may, at the Company's discretion, only be awarded an entitlement to the bid status. After such pilot has served the lock-in the entitlement may be exercised only when there is a vacancy in the bid status. Entitlements to a vacancy are awarded immediately after reinstatement rights. A pilot with an entitlement to a bid status will be awarded a vacancy before any pilot who does not have a reinstatement right or an entitlement. If more than one pilot has an entitlement to the same bid status, a single vacancy is awarded to the most senior.
6. Nothing herein shall prevent the Company from terminating a pilot's lock-in at its discretion.

M. Withholding From A Bid Status Position

1. A pilot who is eligible to be awarded a bid status position may, at the Company's discretion, be withheld from occupying such position under the following circumstances:
    a. Consideration of age,
    b. Anticipated eligibility for and commitment to occupy a higher bid status than that from which such pilot is being withheld, as indicated on that pilot's bid preference list at the time such pilot is withheld,
    c. Operational reasons, such as manning requirements or availability of training or equipment.
2. [Revised 7 August 1998]
   Withholding Time Limits - General
    a. If it is necessary to withhold a pilot from a bid status preference, the period of withhold will be no greater than six (6) contractual months from the effective date of the bid status award. The six (6) month limit shall not apply to the following exceptions:
        1. A pilot being withheld from a bid status preference in consideration of the pilot’s age.
        2. The withholding period for a first year flight officer withheld from a first

officer position at a different base shall be limited to a total of three months.

3. The withholding period for a first year pilot withheld from a lateral position shall be limited to a total of two months.
4. Extraordinary circumstances. If withholding in excess of six (6) months is necessary due to extraordinary circumstances, the Company and the Association will meet and agree on an appropriate duration for such withholding. Extraordinary circumstances, include but are not limited to:
    - An act of God,
    - A strike by any other Company employee group,
    - A national emergency,
    - Involuntary revocation of the Company's operating certificate(s),
    - Grounding of a fleet type or a substantial number of the Company's aircraft,
    - The elimination of a fleet type,
    - A reduction in the Company's operation resulting from a decrease in available fuel supply caused by either governmental action or the suppliers being unable to meet the Company's demands,
    - The unavailability of aircraft scheduled for delivery,
    - Start up of a new division (e.g., South America)

b. Withholding in excess of twelve (12) months shall only occur if fleet specific training facilities that are owned, leased, or operated by the Company or an affiliate are fully utilized for American Airlines pilot training and no contract training capacity exists at any outside training facility.

3. Withholding From A Displacement Preference

a. A pilot may be withheld from a displacement preference bid status if, the Company projects the pilot will subsequently be displaced from the displacement preference, that the pilot is entitled to by seniority, within three (3) contractual months of the effective date of the displacement. If the pilot is withheld from a displacement preference and is assigned a displacement preference at the same base as the withheld displacement preference, the Company may, if the original three (3) month estimate is in error, extend the withhold period for up to three (3) additional months if the Company projects that the pilot will be displaced in that time period. For each bid status from which a pilot is withheld, the three (3) month limitation and the three (3) month extension provided for in this paragraph will apply beginning on the effective date of the pilot's withhold from each such bid status.

b. A pilot who is withheld from a displacement preference, and is assigned a displacement preference at a different base from the withheld displacement preference, shall receive priority passes for travel between the pilot's base and the AA station nearest the pilot's residence to cover any flying obligation while that pilot is being withheld. The pilot does not qualify for priority passes after the pilot is either awarded a bid status preference, or is subsequently displaced from the withheld displacement preference.

c. If a pilot does not have sufficient displacement preferences listed to indicate a displacement preference to a bid status other than from what the pilot would be withheld, the Company shall contact that pilot and obtain additional displacement preferences.

d. A pilot withheld from a displacement preference shall be entitled to a reinstatement right to each displacement preference from which such pilot is being withheld. Multiple reinstatement rights are permitted. Such pilot shall be paid for the highest four part bid status from which that pilot is being withheld.

e. If a pilot can occupy the withheld bid status position at the end of the time period outlined in Paragraph a. above, the pilot shall assume the bid status effective with the next contractual month.

4. Effective Date Of Withholding Pay

a. A pilot will be considered withheld commencing with the effective date of the bid status position from which withheld, and shall as of that date, be paid the highest equipment rate of pay for the bid status from which withheld or the rate of pay for the flying actually performed, whichever is greater.

b. Such pilot shall be advised at the time of withholding the reason for withholding and the estimated duration of withholding.

c. Pilots being withheld shall retain their current bid status.

5. Termination Of Withholding/Withholding Pay

a. Withholding pay protection shall cease:

1. When a pilot withheld under 1.a. above:

a. No longer has a more junior pilot flying in the withheld status, or

b. Is awarded a different bid status from the bid preference list.

2. When a pilot under 1.b. above:

a. Is assigned to a position in the withheld bid status, or

b. Is assigned to a position in the higher bid status which such pilot had committed to accept when withheld, or

c. No longer has a more junior pilot flying in the withheld bid status, or

d. Is awarded from the bid preference list a position in a bid status lateral to or higher than that from which withheld.

3. When a pilot under 1.c. above:

a. Is assigned to a position in the withheld bid status, or

b. Is awarded from the bid preference list a position in a bid status lateral to or higher than that from which withheld, or

c. Has a more senior pilot displaced from the bid status from which withheld.

b. 1. When a pilot's period of withholding ceases in accordance with (1)(a), (2)(c), or (3)(c) above, the pilot will be considered displaced from the withheld bid

status.

2. a. Such pilot will then be awarded a bid status position in accordance with D. above (Displacements), or withheld from such bid status position in accordance with M. above (Withholding From A Bid Status Position).

b. The provisions of D.2. above (Proffer of Displacements) do not apply when a pilot is displaced from a withheld bid status, i.e., the displacement is not proffered to other pilots.

3. In accordance with E. above (Reinstatement Rights), such pilot will be eligible for a reinstatement right to the bid status for which withholding ceased.

6. When a pilot's period of withholding ceases, such pilot shall, as of that date begin serving any lock-in which may be required by the provisions of L. of this Section. If a pilot has been withheld from a lower bid status, the provisions of L.1.h. may apply.

N. Assignment to a Bid Status

The Company may assign a pilot to a bid status in the following circumstances:

1. If there are no bidders for a captain vacancy, assign at the base where the vacancy exists:
   a. The most senior pilot who has upgraded to first officer but has not upgraded to captain, provided such pilot is not deferring a next-in-turn to qualify for captain under the provisions of O. of this Section. If there are no such pilots,
   b. Assign the most junior pilot, on the same equipment, in the same division, who is deferring a next-in-turn to qualify for captain under the provisions of O. of this Section.
2. If the senior bidder for a captain vacancy is junior to the pilot described in 1.a. above, assign the pilot described in 1.a.
3. [Revised 7 August 1998]
   If there are no bidders for a first officer vacancy, assign as follows:
   a. The most senior flight officer at the base where the vacancy exists, who has not upgraded to first officer, and is no longer deferring a next-in-turn to qualify for first officer in accordance with the provisions of O. of this Section. If no such pilot exists, assign in accordance with b. below.
   b. If the Company is hiring pilots and to the extent that first officer training positions are available for newly hired pilots, assign, as an initial assignment, to a newly hired pilot. [See Q&A #121]
   c. If a vacancy remains following steps a. and b. above, assign the most junior flight officer at the base where the vacancy exists, who has not upgraded to first officer, and has not begun deferring a next-in-turn to qualify for first officer in accordance with the provisions of O. of this Section. If no such pilot exists, assign in accordance with d. below.
   d. Assign the most junior flight officer at the base where the vacancy exists, who has not upgraded to first officer, and is deferring a next-in-turn to qualify for first officer under the provisions of O. of this Section. If no such pilot exists, assign in accordance

with e. below.

e. If a vacancy remains following steps a. through d. above, or if the vacancy is at a base where there are no flight officers, assign the most junior flight officer in the system who has not upgraded to first officer, and is not deferring a next-in-turn to qualify for first officer in accordance with O. of this Section. If no such pilot exists, assign in accordance with f. below.

f. Assign the most junior flight officer in the system who has not upgraded to first officer and is deferring a next-in-turn to qualify for first officer in accordance with O. of this Section.

4. If the senior bidder for a first officer vacancy is junior to the pilot described in 3.a. above, assign the pilot described in 3.a.

5. [Revised 7 August 1998]
If there are no bidders for a flight officer vacancy, assign as follows:

a. Assign, as an initial assignment, to a newly hired pilot. A pilot so assigned shall be subject to the six (6) month lock-in provided in Section 17.L.2. [See Q&A #121]

b. Assign to the most junior flight officer at the base who has fulfilled the six (6) month initial assignment lock-in (17.L.2.), provided such assignment is not to a lower bid status. A pilot so assigned shall be subject to the lock-in provisions of Section 17.L., R., and S., as applicable.

c. Assign to the most junior flight officer at the base who is currently fulfilling a six (6) month initial assignment lock-in (17.L.2.), provided such assignment is not to a lower bid status. A pilot so assigned shall be subject to the remainder of the 17.L.2. lock-in as well as any other lock-in provisions in Section 17.L., R., and S. which may be applicable.

d. Assign to the most junior flight officer in the system who has fulfilled the six (6) month initial assignment lock-in (17.L.2.), provided such assignment is not to a lower bid status. A pilot so assigned shall be subject to the lock-in provisions of Section 17.L., R., and S., as applicable.

e. Assign to the most junior flight officer in the system who is currently fulfilling a six (6) month initial assignment lock-in (17.L.2.), provided such assignment is not to a lower bid status. A pilot so assigned shall be subject to the remainder of the 17.L.2. lock-in as well as any other lock-in provisions in Section 17.L., R., and S. which may be applicable.

6. [Revised 7 August 1998]
In accordance with the provisions of 17.D.7.c. and d., the Company may assign displaced pilots to a bid status.

7. [Revised 7 August 1998]
Except for a newly hired pilot, a pilot assigned in accordance with 1., 2., 3., or 4. above shall serve a twelve (12) month lock-in in accordance with L.1.a. of this Section.

8. [Revised 7 August 1998]
A newly upgraded Captain may be assigned First Officer flying to acquire experience. Such

pilot will be given a temporary bid to that First Officer status and will bid for trip selections according to seniority within that First Officer status. Such pilot will be paid rates of pay according to that pilot's current status or the assigned status, whichever is greater.

9. [Revised 7 August 1998]
Each month the Company shall provide the Association with information detailing the initial bid status assignments of all newly hired pilots and all pilots who were withheld from such bid status.

O. Requirement to Qualify in Turn and Deferral [See Q&A #110, #111]

1. All pilots are required to qualify in turn for the next higher pilot category at their base. In no case shall a probationary pilot be assigned to upgrade to a captain vacancy, and in no case shall a flight officer who has not upgraded to first officer be assigned to upgrade to a captain vacancy. A pilot will only be required to upgrade to first officer one (1) time. A pilot will only be required to upgrade to captain one (1) time.
2. [Revised 7 August 1998]
When a pilot is required to qualify in turn for the next higher category as provided in 1. above, such pilot at his or her option may defer the opportunity to upgrade from flight officer to first officer or from first officer to captain for a period of thirty (30) consecutive contractual months, starting with the effective date of the bid status so declined. Such pilot shall receive written notification of the start date of the deferral period. However, the last six (6) months of such deferral period shall be limited, in whole or in part, if the Company determines that, as a result of the last six (6) months of the deferral period, or part thereof, the pilot is unlikely to complete upgrade to captain by age sixty (60).
3. [Revised 7 August 1998]
If the Company extends additional opportunities to upgrade during the period of automatic deferral as provided in 2. above, such pilot may accept an upgrade bid status, thereby terminating the deferral.
4. [Revised 7 August 1998]
After the period of automatic deferral as provided in 2. above, a pilot may continue to defer upgrading for up to an additional twenty-four (24) consecutive contractual months provided such extension is approved by the Vice President of Flight. A pilot’s request for such extension may be submitted at any time during the initial deferral period and should be submitted a minimum of ninety (90) days before the end of the initial deferral period. The pilot should receive a written response from the Vice President of Flight no later than 30 days from the date of receipt of the pilot’s request for such extension. The Vice President of Flight’s approval of the extension will be based on consideration of the individual pilot’s circumstances and reason for requesting the extension, and shall not be unreasonably withheld. If the Vice President of Flight determines that, as a result of any extension of a pilot’s deferral, pursuant to this paragraph, the pilot submitting the request is unlikely to complete upgrade to captain by age sixty (60), such request shall be denied in whole or in part.
5. A pilot who has received written notice of the start date of the deferral period and who transfers to another base may:
    a. continue to defer category upgrade at the new base subject to the deferral period established at the previous base(s), or

b. accept a new bid status to which entitled by seniority.

6. The Company may assign such a pilot to upgrade in accordance with N. of this Section.

P. Failure to Qualify

When a successful bidder fails to qualify for an awarded bid status within thirty (30) days from the effective date of the award -- subject to weather, equipment availability, or extent of qualification requirements -- such pilot shall forthwith return to his or her former bid status at such pilot's own expense. The unfilled vacancy shall then be considered a new vacancy.

Q. Cancellation Of Vacancy

If the Company awards a pilot a bid status and then cancels that award prior to its effective date, the pilot shall be considered to have been displaced from the bid status awarded. If, as a result of such displacement, a pilot is awarded a vacancy from the bid preference list, the determination of any lock-in shall be based on the bid status the pilot held at the time the future award was canceled.

R. Introduction of New Equipment

1. When new equipment is introduced at a base, it will be considered "new equipment" for the first twelve contractual months following the effective date of the first vacancy, and the Company may award vacancies on such new equipment up to six (6) months in advance of their effective dates. However, if the Company makes no vacancies available on the new equipment for any three (3) consecutive months, it will no longer be considered new equipment.
2. Vacancies on new equipment will be filled using pilots' standing bid lists and the regular bid status award procedure.
3. Pilots awarded or assigned a bid status on new equipment will serve a lock-in of twelve (12) months. This lock-in applies to all pilots, including those who may have held a lateral bid status (same category and equipment -- different division and/or base).
4. Pilots who are serving a lock-in at the time the Company announces the introduction of new equipment may bid for vacancies on the new equipment. If they are awarded a bid status on the new equipment, their existing lock-in will terminate and they will begin a lock-in on the new equipment.
5. Once the Company has announced the introduction of new equipment, pilots who begin training or begin a lock-in not associated with a bid status on the new equipment can not bid for the new equipment until they complete their lock- in, unless they are bidding for the new equipment from a lateral bid status (same category and equipment -- different division and/or base). If such pilots are awarded a lateral bid status on the new equipment, their existing lock-in will terminate and they will begin a lock- in on the new equipment.
6. With respect to bid status on new equipment, as with all other bid status, the Company may terminate pilots' lock-ins at its discretion, and the Company has the option to withhold pilots from a bid status.

S. Opening, Reactivating, or Closing a Base

1. Opening or Reactivating a Base

a. When a base is reactivated or a new base is opened, these procedures will be in effect

for the first twelve contractual months following the effective date of the first vacancy.

b. Vacancies at a new or reactivated base will be filled using pilots' standing bid lists and the regular bid status award procedure. However, pilots will be able to qualify their bids by indicating the lowest seniority position which will be acceptable to them in the status for which they are bidding, and the Company may award vacancies at such new or reactivated base up to six (6) months in advance of their effective dates.

c. Pilots awarded or assigned a bid status at a new or reactivated base will serve a lock-in of twelve (12) months. This lock-in applies to all pilots, including those who may have held a lateral bid status (same category and equipment -- different division and/or base). While serving a lock-in at a new or reactivated base, pilots may not assume a lateral bid status at a different base.

d. Pilots who are serving a lock-in at the time the Company announces a new or reactivated base may bid for vacancies at the new or reactivated base. If they are awarded a bid preference at the new or reactivated base, their existing lock-in will terminate and they will begin a new lock-in.

e. Once the Company has announced a new or reactivated base, pilots who begin training or begin a lock-in not associated with the new or reactivated base may not bid for the new or reactivated base until they complete their lock- in, unless they are bidding for a lateral bid status (same category and equipment -- different division and/or base). If such pilots are awarded a lateral bid status at the new or reactivated base, their existing lock-in will terminate and they will begin a new lock-in.

f. With respect to bid status at a new or reactivated base, as with all other bid status, the Company may terminate pilots' lock-ins at its discretion, and the Company has the option to withhold pilots from a bid status.

2. Closing of a Base

a. The Company will announce the closing date of a base at least six (6) months prior to the closing; except that such notice is not required when a base is closed due to unforeseeable circumstances.

b. During the period between the announcement of closing and the closing of the base, the Company will maintain the level of earnings of all pilots assigned to such base.

c. During the period between the announcement of the closing and the closing of the base, a pilot may bid and be awarded a position in another bid status, but such pilot may be withheld from such bid status.

d. Once the base closing is announced, each pilot assigned to such base should indicate to the Company, using the standing bid list, preferences for bid status assignment at a different base.

e. When vacancies and displacements are processed for the month in which the base will close, each pilot assigned to such base will indicate to the Company, using the standing bid list, preferences for bid status assignment at a different base.

f. The moving expenses of pilots who transfer to other bases in accordance with this provision will be paid by the Company in accordance with Section 9 of this

Agreement.

T. Mutual Bid Status Exchanges

A mutual exchange of bid status between pilots shall not be permitted.

U. Change of Base Due to Hardship

The Vice President-Flight of the Company and the President of the Allied Pilots Association will consider each request for a change of base due to hardship on a case-by-case basis, giving due consideration to the particular circumstances involved.

V. Furloughs

1. When a curtailment of operations results in fewer pilots being employed by the Company, the most junior pilots in the system, irrespective of their bid status or any rights that have accrued to them, shall be furloughed on a system-wide basis in reverse order of system seniority.
2. In the event of a furlough, the Company will notify all pilots that it will consider all requests for Leaves of Absence in order to mitigate the number of furloughs.
3. Pilots to be furloughed will be given thirty (30) days' notice before the effective date of the furlough. Such notice will not be applicable in cases of emergency which include, but are not limited to acts of God or a strike by employees of the Company.
4. A pilot furloughed by the Company due to a reduction in force shall continue to accrue seniority during the period of such furlough, provided that such accrual of seniority shall not continue beyond a period of ten (10) consecutive years. Length of service for pay purposes shall not accrue during such period of furlough.
5. Furlough Pay
    a. A pilot who has completed one (1) or more years of service with the Company as a flight deck crewmember and who is furloughed shall receive furlough pay based upon such pilot's earnings for the last full month prior to the announcement of furlough, but not less than reserve guarantee for the bid status such pilot held that month, for the period of time specified below, except that no furlough pay will be paid when furloughs are caused by an act of God, a national emergency, involuntary revocation of the Company's operating certificate(s), a strike by any Company employee group, or a reduction in the Company's operation resulting from a decrease in available fuel supply caused by either governmental action or by commercial suppliers being unable to meet the Company's demands.

        If a pilot has completed:

1 year of service	½ month's furlough pay
2 years of service	1 month's furlough pay
3 years of service	1 month's furlough pay
4 years of service	1½ months' furlough pay
5 years of service	2 months' furlough pay
6 years of service	2½ months' furlough pay
7 years of service	3 months' furlough pay
8 years of service	3½ months' furlough pay
9 years of service	4 months' furlough pay
10 years of service and thereafter	4½ months' furlough pay

b. A pilot eligible for furlough pay shall receive such pay starting at the time of furlough and such payments for the amounts due shall be at regular pay periods and continue until all furlough pay credit is used, except that in no event shall any such pay be due after the effective date of recall or, if such pilot elects to defer recall in accordance with W.3. of this Section, the effective date of such deferral.

W. Method of Recall

1. All pilots furloughed from the Company shall file proper addresses with the Vice President-Flight of the Company at the time of furlough. Any changes in address must be supplied promptly to the Vice President-Flight of the Company. A pilot shall not be entitled to preference in re-employment if such pilot does not comply with the foregoing requirements.
2. Furloughed pilots who are recalled to the employ of the Company shall be allowed a period of twenty-one (21) days to return to the service of the Company after date of postmark of reply-requested telegram or cablegram, or certified return-receipt-requested letter, of such pilot's reassignment to duty with the Company, sent to the last address on file with the Vice President- Flight of the Company.
3. Furloughed pilots referred to above who are recalled to the employ of the Company must respond to such recall in accordance with paragraph 2. above, provided, however, such recalled pilot may defer return to the active flight payroll for a period not to exceed twenty-four (24) months from the date of postmark on the notice of recall or the date the least senior furloughee is recalled, whichever date comes first, provided further that such deferring pilot may cancel such deferral, in writing, and become eligible for recall at the next recall date. When a pilot's deferral period has expired, such pilot will be eligible for recall and such pilot will be recalled when the needs of the Company require such recall. Pilots electing to defer their return to the Company in accordance with the above must notify the Company by telegram, cablegram, or certified letter, return-receipt-requested, of their decision and length of requested deferral, within twenty-one (21) days of postmark on their recall notice. Pilots electing to defer their return to active flight duty will continue to accrue occupational seniority, but length of service for pay purposes shall not accrue during such deferral period.
4. When a furloughed pilot is recalled and placed on active pilot status with the Company,

such pilot shall have no prior right or claim to any vacancy or vacancies that have been filled during the period of such furlough. However, if the pilot had a reinstatement right at the time of furlough, the pilot may reclaim such reinstatement right. If more than one reinstatement right was held, the pilot may select one such reinstatement right.

X. Number of Bid Status Positions

1. The minimum number of monthly positions in each bid status shall be no less than:
   a. Total regularly scheduled flight time, plus
   b. Total scheduled flight time credit, plus
   c. Total charter and extra section flight time, plus
   d. Ten percent (10%) of the total of a., b., and c. above (reserve), plus
   e. Total anticipated hours of vacation, plus
   f. Total anticipated hours of training,
   g. Divided by seventy-five hours (75:00).
2. In flex months, as provided in Supplement L, the divisor shall be increased in proportion to the increase in the monthly maximum in the appropriate bid status.
3. The above formula shall not prohibit the Company from increasing the number of pilot positions in a bid status above the minimums determined above.
4. By the fifteenth day of the month, the Company shall forward the Association a report of all flying planned and flown in the previous month.

Y. Pilot Status Listing

The Company shall publish a list each month on which shall appear the names and status of all of the pilots in the employ of the Company and the stations at which they are currently based. Such list shall include the bid status of pilots, their seniority numbers, the bid status for which reinstatement rights are held, entitlements, lock-ins, and deferrals. Three (3) current copies of such list shall be distributed monthly to the Flight Department offices at each base, one (1) additional current copy of such list shall be posted on the Bulletin Board at all bases and co-terminals, and one (1) current copy shall be furnished to the Chairman and Vice Chairman of each Domicile and the President of the Association. Such lists shall be made available at all times for examination by pilots, and no such list shall be removed from Company property.

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HTML by APA Internet Services webmaster@alliedpilots.org
Updated: 14 June 1999

1997 AA/APA Contract
Letter AA: Affiliation of AMR Corporation

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LETTER AA

May 5, 1997

James G. Sovich
President
Allied Pilots Association
P.O. Box 5524
Arlington, TX 76005-5524

Affiliation of AMR Corporation

Dear Captain Sovich:

We write to confirm the following agreement made between the Allied Pilots Association ("APA") and the AMR Corporation ("AMR") and between APA and American Airlines, Inc. ("American") in the negotiations leading to the 1997 APA-AA collective bargaining agreement (the "Agreement").

AMR agrees that it is an Affiliate of American and that it is bound by Section 1 of the Agreement in the same manner as American. Any disputes among APA, American, and/or AMR that arise out of grievances or that concern the interpretation or application of this letter or Section 1 of the Agreement will be determined through final and binding arbitration before the APA-American System Board of Adjustment pursuant to Section 1 (L) of the Agreement. AMR expressly agrees to be subject to Section 1 (L) in all respects.

Very truly yours,

Donald J. Carty
Executive Vice President
AMR Corporation

Jane G. Allen
Vice President
Employee Relations
American Airlines, Inc.

Agreed to this date:

James G. Sovich
President

1997 AA/APA Contract
Letter CC: Service Credit Furlough Pilots

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LETTER CC

May 5, 1997

James G. Sovich
President
Allied Pilots Association
P.O. Box 5524
Arlington, TX 76005-5524

Service Credit for Furloughed Pilots

Dear Captain Sovich:

As of May 5, 1997, the Company shall credit, for pay purposes only, all pilots who were on furlough at any time between January 1, 1993, and March 3,1997, with one (1) day toward their length of service for each two (2) days on furlough. This credit shall remain applicable to a pilot's length of service only until the pilot reaches the first pay step of the A-Scale as it then exists. The pilot shall then remain at that same A-Scale pay step, receiving any general pay scale increases applicable to that pay step, until the pilot's actual length of service would move him or her to a higher pay step. The award of this special credit shall not result in any back pay. As this credit is solely for pay purposes, it shall not impact any other matter, including probationary status.

Very truly yours,

Jane G. Allen
Vice President
Employee Relations

Agreed:

James G. Sovich
President
Allied Pilots Association

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EXHIBIT 4

In the Matter of the Arbitration Between:	)	
AIR LINE PILOTS ASSOCIATION, INTERNATIONAL,	)	Grievance Under Letter Three/Supplement W
and	)	
AMERICAN EAGLE AIRLINES, INC.,	)	Case No. FLO-0903 (Former TWA Pilots)
and	)	
ALLIED PILOTS ASSOCIATION,	)	**OPINION AND AWARD**
and	)	
AMERICAN AIRLINES, INC.	)	

Hearing Date: June 28, 2006
Hearing Location: Sacramento, CA
Date of Award: May 11, 2007

JOHN B. LaROCCO
Arbitrator
2001 H Street
Sacramento, CA 95814-3109

APPEARANCES

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Washington, DC 20005

For American Airlines, Inc.
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1111 Pennsylvania Avenue, NW
Washington, DC 2004

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Grievance Under Letter 3/Supplement W

Case No. FLO 0903
(Former TWA Pilots)

OPINION

I. INTRODUCTION

On November 26, 2003, the Air Line Pilots Association, International (ALPA) filed a grievance invoking the dispute resolution procedures in Section VI of Letter 3/Supplement W, an agreement between four parties: ALPA, American Eagle Airlines, Inc. (AE), Allied Pilots Association (APA) and American Airlines, Inc. (AA). On January 15, 2004, ALPA properly progressed the grievance to the undersigned Arbitrator for a decision on its merits. [ALPA Exhibit 2]

At the June 28, 2006 hearing, the four parties stipulated that the first issue is whether former Trans World Airlines (TWA) pilots placed on the AA seniority list filled or may fill "new hire positions" in "new hire classes" within the meaning of Section III.A of Letter 3/Supplement W. The second issue is what is the appropriate seniority number remedy for AE CJ (Commuter Jet) Captains covered by Letter 3/Supplement W, Section III? If the answer to the first issue is affirmative, the parties stipulated that the Arbitrator shall remand the second issue back to the parties for a possible resolution with the Arbitrator retaining jurisdiction over the case. [TR 9]

At the hearing, the parties also stipulated that all evidence, including testimonial evidence, of prior arbitrations adjudicated under Letter 3/Supplement W is admitted into the record herein. The parties specifically alluded to two prior arbitration awards. *American Airlines, American Eagle Airlines, Allied Pilots Association and Air Line Pilots Association, FLO-0203 (Bloch, 2004)* and *Air Line Pilots Association, Allied Pilots*

Association, American Airlines and American Eagle Airlines, Nos. FLO-0201, FLO-0301, FLO-0401, and FLO-0501 (Kasher, 2003).[1]

At the conclusion of the hearing, the parties reserved the rights to: 1) submit additional documentation to clarify or augment evidence submitted during the hearing, and; 2) move to reopen the evidentiary record. ALPA submitted additional documents to complete certain exhibits that it had proffered during the hearing. The Arbitrator granted APA's motion to reopen the record to admit the declaration of Ralph Hunter but denied a motion to supplement the record with an AE brief from a prior arbitration. The three other parties, ALPA, AE and AA, waived the opportunity to cross-examine Hunter.

Subsequent to the hearing, the parties filed opening and reply post-hearing briefs. The Arbitrator received the reply post-hearing briefs on or about March 12, 2007 and the matter was deemed submitted.

II. PERTINENT AGREEMENT PROVISIONS AND FAA ORDERS

Letter 3/Supplement W became effective in 1997.[2] Sections III and IV of Letter 3/Supplement W established pilot mobility between AE and AA. AE pilots may flow through or up to AA while AA pilots may flow back or down to AE. AA pilot hiring triggers the flow through process while an AA pilot furlough triggers the flow down process. The dispute in this case centers on the first trigger, that is, what precisely constitutes AA pilot hiring.

Section III of Letter 3/Supplement W sets forth AA employment opportunities for AE pilots. The gravamen of this case rests on the proper interpretation of the phrases

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[1] **The Arbitrator will respectively cite these two Awards as the *Bloch Decision* and the *Kasher Decision*.**
[2] **The four party agreement is labeled "Letter 3" to the Basic Agreement between ALPA and AE and it is labeled "Supplement W" to the Basic Agreement between APA and AA. [Joint Exhibits 1 and 2]**

"new hire positions" and "new hire class" that appear in Letter 3/Supplement W, Section III.A, which is quoted below.

III. Employment Opportunities at AA for AMR Eagle, Inc. Pilots

A. At least one (1) out of every two (2) new hire positions per new hire class at AA will be offered to CJ Captains who are line pilots and who have completed their IOE at AMR Eagle, Inc. Such positions will be offered to the CJ Captains who are line pilots in order of their AMR Eagle, Inc. seniority. [Joint Exhibits 1 and 2]

Other subsections of Section III are relevant to this case. The remainder of Section III reads:

B. If a CJ Captain is unable to fill a new hire position at AA in accordance with Paragraph III.A above, due to a training freeze or other operation constraint, (see Paragraph III.J. below), such CJ Captain will be placed on the AA pilots Seniority List and will count toward the number of new hire positions. The pilot's AA occupational seniority date and number will be established as if he were able to fill such new hire position at AA and had attended the new hire training class referenced in Paragraph III.A above. Such pilot's length of service for pay purposes, date of hire for pension purposes, and length of service for vacation accrual will be established in accordance with III.C. below. The number of such CJ Captains will not exceed the difference between the number of CJ Captains who are able to fill new hire positions at AA and the number of new hire positions which must be offered to CJ Captains in accordance with Paragraph III.A above.

C. A CJ Captain's (1) placement on the AA Pilots Seniority List (except as provided in Paragraph III.B. above which is only applicable for placement on the AA Pilots Seniority List in order to establish an AA occupational seniority date and number), (2) length of service for pay purposes, and (3) "date of hire" for pension purposes will be based on the date such pilot is entered on the AA payroll. Such pilot's length of service for vacation accrual will be based on the cumulative total of the pilot's service at AMR Eagle, Inc. and AA

D. If a CJ Captain is placed on the AA Pilots Seniority List per III.B. above, such CJ Captain will receive priority based on his AA seniority in filling a new hire position in the next new hire class, following release from a training freeze or other AMR Eagle, Inc. imposed operational constraint. Such CJ Captains will not count toward the number of new

hire positions offered to CJ Captains at AMR Eagle, Inc., under Paragraph III.A above.

E. Each of the first 125 AMR Eagle, Inc. pilots who successfully complete transition training as a CJ Captain must fulfill a training freeze for a period of eighteen (18) months from the date said pilot completes IOE. All other pilots who successfully complete transition training as CJ Captains must fulfill a training freeze for a period of two (2) years from the date each pilot completes IOE, unless released from such training freeze by AMR Eagle, Inc.

F. An AMR Eagle, Inc. pilot may, not later than the completion of IOE for a CJ Captain position or at such time as the pilot is able to demonstrate hardship, elect to forfeit the opportunity to secure a position on the AA Pilots Seniority List as provided by this Supplemental Agreement. Such pilot will hereinafter be referred to as an "Eagle Rights CJ Captain," and will not be eligible for a future new hire position at AA which may otherwise become available under Paragraph III of this Supplemental Agreement. The existence of a hardship for this purpose shall be approved by the ALPA AMR Eagle MEC Chairman and the appropriate management official(s).

G. A CJ Captain who is awarded a new hire position at AA will be issued the lowest seniority number at AA in the applicable new hire class, subject to AA's policy concerning the assignment of seniority numbers to new hire pilots who have previous service in other employee classifications. AMR Eagle, Inc. pilots will receive their AA seniority number in order of their seniority at AMR Eagle, Inc.

H. A CJ Captain who accepts a new hire position at AA may bid and will be awarded a bid status vacancy based upon such pilot's AA seniority at the time of this transfer to AA. Such pilot must fulfill a one year lock-in, in the bid status which is awarded or assigned. Such pilot will not be required to serve a probationary period at AA.

I. A CJ Captain who accepts a new hire position at AA must qualify for the initial bid status position which such pilot is awarded or assigned at AA. A pilot who meets the physical requirements at his AMR Eagle, Inc. carrier will be deemed to have met the physical requirements at AA, provided that a pilot who accepts a new hire position at AA must have an FAA First Class Medical Certificate, and must not be on the disability list or the long term sick list. In addition, at the time such pilot accepts a position at AA, he must meet AA's then current criteria for future promotion to Captain at AA.

> J. A CJ Captain who accepts a new hire position at AA may be withheld from such position for operational reasons, provided the pilot is paid the greater of the rate of pay for the CJ Captain flying being performed at the applicable AMR Eagle, Inc. pay rates, or the highest equipment rate of pay for the AA bid status from which withheld up to the applicable AA monthly maximum. Such withholding will be limited to a maximum of six (6) months. [Joint Exhibits 1 and 2]

Section IV of Letter 3/Supplement W governs the rights of pilots furloughed from AA to displace to AE CJ Captain positions. Sections IV.A, IV.B and IV.D provide:

> IV. Furlough Protection at AMR Eagle, Inc. for Pilots Furloughed from AA
>
> A. A pilot furloughed from AA may displace a CJ Captain at an AMR Eagle, Inc. carrier provided that the number of CJ Captain positions available to furloughed AA pilots will be limited to the total number of CJ Captain positions at AMR Eagle, Inc. less the number of Eagle Rights CJ Captains.
>
> B. A furloughed AA pilot may displace
>
> 1. A CJ Captain, other than an Eagle Rights CJ Captain, who has not been awarded a seniority number at AA, in reverse order of AMR Eagle, Inc. seniority; and then
>
> 2. A CJ Captain who has accepted a position on the AA Pilots Seniority List pursuant to Paragraph III.B. above, or a CJ Captain who was previously furloughed from AA, in reverse order of AA seniority.
>
> * * * *
>
> D. Eagle Rights CJ Captains are not subject to displacement by furloughed AA pilots, or any pilot who has been awarded an AA seniority number pursuant to Paragraph III.B. above. [Joint Exhibits 1 and 2]

The terms and conditions of the parties' Basic Collective Bargaining Agreements continue to apply except that provisions of Letter 3/Supplement W supersede provisions of the Basic Agreements if the former conflicts with the latter. Section I.C of Letter 3/Supplement W states:

C. This Supplemental Agreement supplements and makes certain exceptions to the Basic Agreements between the parties. The provisions of the Basic Agreements will continue to apply, except as modified herein and, in the event of a conflict, the provisions herein shall apply. [Joint Exhibits 1 and 2]

Besides Letter 3/Supplement W, the parties also rely on certain provisions from their Basic Agreements. ALPA cited Section 13.A of the APA/AA Basic Agreement which reads:

A. Service with Company

Seniority as a pilot shall be based upon the length of service as a flight deck operating crew member with the Company except as otherwise provided in Sections 11 and 12 of this Agreement. [Joint Exhibit 3]

APA cited and contrasted Section 13.B.2 with Sections 1.C.1 and 1.C.2 of the ALPA/AE Basic Agreement. Sections 1.C.1 and 1.C.2 of the ALPA/AE Basic Agreement state:

C. MERGER PROTECTION

1. Merger with an ALPA represented carrier

In the event the Company acquires a carrier (or part thereof) whose pilots are represented by the Association, the pilots of the Company and the pilots of the acquired carrier will each operate pursuant to their own collective bargaining agreement, with their respective seniority lists, without transfer of aircraft between the Company and the acquired carrier, until:

a. Conclusion of negotiation of only such provisions, if any, as may be necessary to cover such acquired carrier's flying under this Agreement, and

b. Integration of seniority lists of the respective pilot groups. Such seniority integration will be governed by the Association's Merger Policies. There will be no "system flush" as the result of seniority integration.

2. Merger with a non-ALPA represented carrier

a. In the event the Company acquires a carrier (or part thereof) whose pilots are not represented by the Association, the pilots of the acquired carrier will operate pursuant to the terms and conditions of employment (whether collectively bargained or otherwise established) applicable at the acquired carrier until:

1.) conclusion of negotiation of only such provisions, if any, as may be necessary to cover such acquired carrier's flying under this Agreement, and

2.) integration of seniority lists of the respective pilot groups. Such seniority integration will be accomplished in a fair and equitable manner, including negotiations between the carriers and the representatives of the pilot group affected. There will be no "system flush" as a result of seniority integration.

b. In the event of failure to reach a negotiated resolution, the seniority integration dispute will be resolved in accordance with Sections 3 and 13 of the Allegheny-Mohawk Labor Protective Provisions. Pending such resolution, there will be no transfer of aircraft between the Company and the acquired carrier. [Joint Exhibit 1]

Section 13.B.2 of the ALPA/AE Basic Agreement provides:

B. SENIORITY DATE AND LIST

2. Newly hired pilots will be placed on the Seniority List in order of date of hire. When two (2) or more pilots are employed on the same date, they will be placed on the Seniority List according to their age; i.e. the older pilot will be given the lower number. [Joint Exhibit 1]

On November 8, 2001, which was after AA entered into a contract to purchase the assets of TWA, a debtor in bankruptcy, the APA and AA entered into an agreement, memorialized as Supplement CC, to govern the seniority consolidation of former TWA

pilots with existing AA pilots once the National Mediation Board (MMB) designated AA as a single carrier. Section II of Supplement CC, which is entitled "Construction of Modified System Seniority Lists", provides:

> The modified System Seniority List will be constructed by integrating the April 10, 2001 AA Pilot Seniority List (i.e., adjusted for hiring and attrition through April 10, 2001) and the TWA Pilot Seniority List as of April 10, 2001 (i.e., adjusted for hiring and attrition through April 10, 2001(in the following manner.
>
> A. TWA Pilots J.G. Upp, DOH 12/2/63 through Raymond Camus, DOH 3/20/89 will be inserted in the AA Pilot Seniority List on a ratio of approximately one TWA Pilot to 8.1762556 AA Pilots, commencing immediately following AA Pilot W.H. Elder, DOH 10/8/85 and ending immediately following AA Pilot B.D. White, DOH 4/9/01.[3]
>
> B. The remaining TWA Pilots commencing with TWA Pilot Theron Clark, DOH 3/23/89, will be placed in seniority order immediately following TWA Pilot Raymond Camus, DOH 3/20/89.
>
> C. All pilots hired by American after April 10, 2001 who had been assigned to air line flying duty as of October 1, 2001 will be placed on the modified System Seniority List following pilots referred to in Section II.B above in accordance with their length of service as flight deck crew members at American, in accordance with Section 13 of the Green Book.
>
> D. After furloughed pilots (if any) have been recalled and new pilot positions become available, American will offer employment, in seniority order, to all pilots who were hired by American after April 10, 2001 but who had not been assigned to air line flying duty as of October 1, 2001. Each such pilot will be placed on the modified System Seniority List on the date he is first assigned to air line flying duty with American in accordance with Section 13 of the Green Book, following all pilots then on the modified System Seniority List. [Joint Exhibit 3]

[3] **The ratio of 1 to 8.1762556 specified in Section II.A of Supplement CC will henceforth be referred to as the 1:8 ratio.**

The first sentence of Supplement CC, Section III.B provided that the modified seniority list would apply beginning on the "implementation date". Supplement CC Section I.G defined "implementation date" as follows:

> G. For purposes of this Supplement CC, the term "Implementation Date" means the date on which the National Mediation Board issues a decision finding that American and TWA LLC are or have become a single carrier. [Joint Exhibit 3]

Section IV of Supplement CC built a fence enclosing the former TWA pilots by vesting them with paramount (or prior) rights to cockpit positions at St. Louis. [Joint Exhibit 3]

Section V.A of Supplement CC barred former TWA pilots from access to Section IV of Letter 3/Supplement W subject to a condition precedent. Supplement CC, Section V.A reads:

> A. Furloughs
>
> Furloughs will be administered in inverse system seniority order, and recalls from furlough will be administered in system seniority order, in accordance with the Green Book as modified by the Transition Agreement and Supplement CC. The parties agree that the TWA Pilots will be covered by Section IV. of Supplement W of the Green Book when pilot J.K. Viele, DOH 8/20/01, is given notice of recall from furlough. [Joint Exhibit 3]

In the May 1, 2003 APA/AA Basic Agreement (sometimes called the "Restructuring Agreement"), APA and AA modified Section V.A of Supplement CC. Paragraph 10 of Letter OO, attached to the 2003 APA/AA Basic Agreement, states:

> 10. Pilots with No Job Available will be those identified for furlough, with the earliest furlough date being July 2003. Such pilots will not be trained to another bid status at American Airlines. These pilots will also have access to Supplement W implementation as described in the "Small Jets Letter of Agreement". [Joint Exhibit 3]

The above paragraph gave former TWA pilots, who were furloughed from AA subsequent to May 2003, access to Section IV of Letter 3/Supplement W. Thus, Paragraph 10 lifted the ban contained in Supplement CC, Section V.A.

ALPA and AE cited and relied on *Federal Aviation Administration Order 8400.10* which covers pilot training and qualifications.

FAR 8400.10, Chapter 2, Section 1, Paragraph 283 delineates categories of training as follows:

> *Categories of Training:* The classification of instructional programs by the regulatory requirement the training fulfills. Categories of training consist of one or more curriculums. The categories of training are initial new-hire, initial equipment, transition, upgrade, recurrent, and requalification.

The category classified as Initial New Hire is covered in great detail in *Paragraph 289* of the same section. *FAR 8400.10, Chapter 2, Section 1, Paragraph 289(A)* reads:

> *Initial New-Hire Training:* This training category is for personnel who have not had previous experience with the operator (newly-hired personnel). It also applies however, to personnel employed by the operator who have not previously held a crewmember or dispatcher duty position with that operator. Initial new-hire training includes basic indoctrination training and training for a specific duty position and aircraft type. Except for a basic indoctrination curriculum segment, the regulatory requirements for "initial new-hire" and "initial equipment" training are the same. Since initial new-hire training is usually the employee's first exposure to specific company methods, systems, and procedures, it must be the most comprehensive of the six categories of training. For this reason, initial new-hire training is a distinct separate category of training and should not be confused with initial equipment training. As defined by this handbook, initial equipment training is a separate category of training. [Emphasis added]

Later, *Subsection G (1) of Paragraph 289* states:

> G. *Summary of Categories of Training*. The categories of training are summarized in general terms as follows:

(1) All personal not previously employed by the operator must complete *initial new-hire training.*

Paragraphs 361, 363 and 365 of FAR 8400.10, Chapter 2, Section III, read:[4]

361. GENERAL. This section specifies the objectives and content of basic indoctrination curriculum segments. This training is required for all flight crewmembers who are enrolled in an initial new-hire category of training. Basic indoctrination is normally the first curriculum segment of instruction conducted for newly-hired flight crewmembers. It serves as the initial introduction for the new-hire employee to the operator and, in many cases, to the operational requirements of Part 121 and/or Part 135.

363. OBJECTIVE OF BASIC INDOCTRINATION. The objective of basic indoctrination training is to introduce the new-hire flight crewmember to the operator and its manner of conducting operations in air transportation. It specifically acquaints the student with the operator's policies, procedures, forms, organizational and administrative practices, and ensures the student has acquired basic airman knowledge. The flight crewmember basic indoctrination curriculum segment consists of training modules which contain information applicable to the student's specific duty position. Two general subject areas are required during basic indoctrination training. These subject areas are "operator-specific" and "airman-specific" training. These two areas serve to acquaint the student with the operator's means of regulatory compliance and to ensure that basic knowledge has been acquired by the student before entering aircraft ground and flight training. These two areas are not always mutually exclusive and in many cases may be covered in the same training module.

365. OPERATOR-SPECIFIC INDOCTRINATION TRAINING.

A. The first subject area, "operator-specific," must include training modules in at least the following:

- Duties and responsibilities of flight crewmembers.
- Appropriate provisions of the Federal Aviation Regulations.
- Contents of the certificate holder's operating certificate and operations specifications.

[4] **These three paragraphs appear consecutively in Section III.**

B. Operator-specific training modules should also include information about the company which the student needs in order to properly perform his duties as an employee of the operator. This information may include such items as the operator's history, organization, policies, scope of operation, administrative procedures, employee rules of conduct, compensation, benefits, and contracts.

FAR 8400.10, Chapter 2, Section III, Paragraph 371(A) reads:

371. TRAINING HOURS

A. FAR 121.415 specifies a minimum of 40 programmed hours of instruction for basic indoctrination training. Normally, 40 hours should be the minimum number of training hours for basic indoctrination for Part 121 operators who employ personnel with little or no previous Part 121 experience. Reductions to the programmed hours in certain situations, however, may be appropriate for several reasons. One example would be a merger or acquisition situation where flight crewmembers new to the surviving certificate holder may only require "operator-specific" training modules. Another example would be the operator's enrollment prerequisites requiring a high level of Part 121 experience.

III. BACKGROUND AND SUMMARY OF FACTS

A. AA Purchases TWA's Assets

On January 9, 2001, AA entered into an agreement with TWA to purchase its assets. [ALPA Exhibit 15] Inasmuch as the asset purchase arrangement contemplated that AA would acquire TWA's assets while TWA was a debtor in bankruptcy, TWA filed for bankruptcy on January 10, 2001. [AA Exhibit 1; ALPA Exhibit 15] On February 15, 2001, TWA LLC was established to operate the debtor airline under a separate air carrier operating certificate. [TR 163; AA Exhibit 1]

AA purchased the assets of the debtor on April 10, 2001. [TR 161-162] Jim Anderson, an AA Employee Relations Principal, related that subsequent to April 10, 2001, some TWA LLC aircraft moved to AA while others were retired.[5] [TR 163]

Article 10 of the Asset Purchase Agreement is entitled "Employee Matters". Sections 10.1, 10.2 and 10.5 of Article 10 provided:

> 10.1 Hiring Obligations. Upon the occurrence of the Closing, Purchaser shall (i) offer all of Sellers' U.S.-based union employees (other than personnel who (A) have previously been terminated by Purchaser or an entity controlled by Purchaser or (B) would not be qualified for employment under Purchaser's general hiring policies as in effect at Closing) employment by Purchaser or one or more entities controlled by Purchaser at compensation levels substantially equivalent to those currently enjoyed by similarly situated employees of Purchaser or such controlled entity, (ii) offer employment to certain members of TWA's executive management and non-union employees on a case-by-case basis at Purchaser's sole discretion and (iii) provide employment benefits and post-retirement benefits to all employees actually hired by Purchaser pursuant to (i) and (ii) above at levels substantially no less favorable than those benefits provided to Purchaser's similarly situated employees. Any Seller employees to be hired by Purchaser or an entity controlled by Purchaser in accordance with this Section 10.1 will be hired in accordance with terms and conditions established by Purchaser or such entity (and, where applicable, in accordance with and pursuant to collective bargaining agreements relating to employees of Purchaser or such controlled entity).
>
> 10.2 Union Matters. All offers of employment made by Purchaser in accordance with Section 10.1(i) above and all benefits to be provided pursuant to Section 10.1 (iii) above will be conditioned on acceptance by all such employees of Purchaser's work rules then in effect and in effect after the Closing Date from time to time that are generally applicable to similarly situated employees of Purchaser. Purchaser and Sellers agree to encourage their respective unions to negotiate in good faith to resolve fair and equitable seniority integration. Prior to Closing, TWA shall amend all existing Collective Bargaining Agreements relating to any present or former employee of TWA to provide that (i) scope, successorship, and benefits provisions of the Collective Bargaining Agreements are not applicable to or being assumed by Purchaser as part of or as the result of the transactions contemplated by this Agreement, and (ii) consummation of the transactions contemplated by this Article X will

[5] **Anderson stated that the TWA LLC operating certificate was formally retired in August, 2004. [TR 163]**

not violate or breach in any manner any provision of any Collective Bargaining Agreement (collectively, the "CBA Amendments").

* * * *

10.5 Tax Reporting. If requested by Purchasers, Purchaser, TWA and each other Seller agree that, pursuant to the "Alternative Procedure" provided in Section 5 of the Revenue Procedure 96-60, 1996-2 C.B. 399, (i) Purchaser, TWA and each other Seller will report on a predecessor-successor basis as set forth therein, (ii) TWA and each other Seller will be relieved from filing a Form W-2 with respect to any employee of TWA and each other Seller who accepts employment with Purchaser, and (iii) Purchaser will file (or cause to be filed) a Form W-2 for each such employee for the year that includes the Closing Date (including the portion of such year that such employee was employed by TWA or any other Seller). TWA agrees to provide Purchaser with all payroll and employment-related information reasonably requested by Purchaser with respect of each employee of TWA and each other Seller who commences employment with Purchaser. [ALPA Exhibit 15]

Pursuant to Article 10.1 of the Asset Purchase Agreement, AA rejected a handful of TWA pilots for AA employment. For example, AA refused to employ former TWA pilot Susan Smith because she had previously been terminated from AA.[6] Smith did not prevail in a suit she brought against AA challenging AA's decision to refrain from employing her subsequent to AA's purchase of TWA's assets. *Smith v. American Airlines, Nos. 04-1405 and 04-1757 (8th Cir. 2005)* [ALPA Exhibit 5]

B. The Addition of Former TWA Pilots to the AA Seniority Roster

On November 8, 2001, AA and APA entered into Supplement CC in anticipation of integrating the former TWA pilots into the AA seniority list. Anderson declared that in late 2002 and early 2003, TWA LLC pilots were either furloughed or transferred to AA. [TR 163-164] Anderson elaborated that both groups of former TWA pilots were

[6] **Apparently, AA deemed Smith and six other former TWA pilots ineligible for AA employment pursuant to the first sentence of Article 10.1. [ALPA Exhibit 3]**

integrated into the AA seniority list per Supplement CC which also established a protected cell at St. Louis for the former TWA pilots. [TR 165]

On March 5, 2002, the NMB adjudged that AA and TWA LLC operated as a single carrier for purposes of Union representation. *45 U.S.C. §152, Ninth, Section 2.* On April 3, 2002, the NMB certified APA as the exclusive bargaining representative for the class and craft of cockpit crew members on AA. [AA Exhibit 1] Consequently, April 3, 2002 became the implementation date specified in Section I.G of Supplement CC. [Joint Exhibit 3; AA Exhibit 1]

APA and AA constructed a modified (post acquisition) AA pilot seniority list. As described in Supplement CC, Section II.A, the former TWA pilots were integrated into the AA seniority list according to the 1:8 ratio between the specified hire dates. Camus was the last former TWA pilot incorporated into the seniority roster as a product of the 1:8 ratio. Pursuant to Supplement CC, Section II.B, the remaining former TWA pilots, commencing with Clark, were consecutively appended to the bottom of the AA seniority roster in the order of their TWA seniority. These pilots became known as the "Staplees". [TR 130; ALPA Exhibit 11] David Ryter, ALPA MEC Vice Chair at AE, counted 167 former TWA pilots integrated into the AA seniority list pursuant to the 1:8 ratio and 1,225 former TWA pilots stapled to the bottom of the AA seniority list. [7] [TR 126] Ryter also pointed out that five flow through AE CJ Captains appear on the seniority list immediately below former TWA Pilot Stremler and another group of fifteen AE flow through pilots with AA seniority numbers appear in the midst of the staplees. [ALPA Exhibit 11; TR 127] The staplees plus several junior former TWA pilots integrated into

[7] Ryter deduced, and the AA seniority roster demonstrates, that the date in the column "date of hire" lists the particular pilot's date of hire with TWA. [ALPA Exhibit 11; TR 145]. According to Ryter, 13,992 pilots are listed on the AA seniority roster. [TR 130; ALPA Exhibit 11]

the AA seniority list according to the 1:8 ratio were furloughed directly from TWA LLC and thus, they did not perform any training or active service at AA. [ALPA Exhibit 11] Ryter explained that former TWA Pilot Stremler, who was one of the pilots integrated into the AA roster by the 1:8 ratio, was the most junior former TWA pilot that AA trained. [TR 116] Ryter further explained that every former TWA pilot junior to Stremler was furloughed directly from TWA LLC and never worked at AA. [TR 118-119]

Brian Sweep, ALPA MEC Grievance Chair at AE, declared that the integration of former TWA pilots into the AA roster did not generate AA seniority numbers for any AE CJ Captains. [ALPA Exhibit 11; TR 156].

C. The Furlough of AA Pilots After September 11, 2001

At the time that AA and APA constructed the post-acquisition AA seniority list, Supplement CC, Section V.A prevented former TWA pilots, furloughed at AA, from flowing down to AE. [Joint Exhibit 3]

Ryter testified that, after the former TWA pilots were added to the AA seniority list but prior to Letter OO, some previously furloughed AA pilots were recalled to service causing the furlough of several former TWA pilots. [TR 148] Ryter stressed that these former TWA pilots did not have access to Section IV of Letter 3/Supplement W because former TWA Pilot Viele, who is expressly mentioned in Supplement CC, Section V.A, had not been given notice of a recall from furlough. [TR 150] Ryter declared that AA furloughed about 1,000 pilots between late 2001 and May, 2003 which raises the reasonable inference that the possibility of Viele receiving a recall notice was miniscule, if not nil. [TR 151]

Prior to the cataclysmic and tragic September 11, 2001 attacks which precipitated gigantic upheavals in the airline industry, a substantial number of AE CJ Captains received AA seniority numbers pursuant to Section III of Letter 3/Supplement W. [AE Exhibit 1] A large group of AE CJ Captains, who apparently received AA seniority numbers almost coincident with September 11, 2001, have yet to "physically" go to AA. [TR 128] William Couette, an AE CJ Captain, was aware that AE CJ Captains flowed through to AA after TWA LLC was established but before the September 11, 2001 attacks, inasmuch as AA was hiring pilots off the street. [TR 109]

On May 1, 2003, APA and AA entered into the Restructuring Agreement with attached Letter OO. Ryter related that, for those former TWA pilots furloughed from AA after May 2003, Paragraph 10 of Letter OO abolished the prohibition contained in Section V.A of Supplement CC. [TR 148, 151] Sweep testified that, commencing in late 2003, some former TWA pilots flowed down to AE from AA. [TR 154-155] Sweep emphasized that allowing the former TWA pilots access to Section IV of Letter 3/Supplement W had "everything" to do with ALPA filing the instant grievance because the former TWA pilots henceforth displaced AE pilots. [TR 155] AA furloughed 672 pilots between May and August, 2003 and the bulk of these were former TWA pilots. According to AE, 174 of the 368 pilots who flowed down to AE were former TWA pilots.[8] Most of the AA furloughees were former TWA pilots and more than 400 attempted to flow down to AE. [9]

The *Bloch Decision* held that Section IV of Letter 3/Supplement W does not distinguish among the furloughees based on how they came to AA. Arbitrator Bloch

[8] **American Eagle Airlines Post Hearing Brief at P. 8.**
[9] **ALPA Post Hearing Brief at P. 21. Presumably, more former TWA pilots would have actually flowed down to AE but for the cap in Section IV.A of Letter 3/Supplement W.**

concluded that the former TWA pilots were "fully" qualified, furloughed AA pilots and so, they were eligible to utilize the flow down provisions in Section IV.B of Letter 3/Supplement W. [ALPA Exhibit 9]

D. Training Former TWA Pilots

Christopher Broom, Managing Director of AA Flight Training Operations, extensively described the training that AA provided to some (but far from all) of the former TWA pilots.[10] At the onset, Broom related that AA developed the training program pursuant to *FAA Order 8400.10* and the FAA approved the training. [TR 40, 48, 63]

The "Prerequisites", for entering TWA training, enumerated at pages 5 and 6 of the AA Advanced Qualification Program, state:

> Candidate is a cockpit crewmember or instructor who is currently or was previously qualified in their respective duty position at TWA LLC and is transferring to American Airlines into the same or different duty position.
>
> NOTE: Completion of the TWA Indoctrination course by TWA LLC crewmembers and instructors will satisfy all requirements for new hire indoctrination into American Airlines (Basic Indoctrination), First Officer Initial Upgrade, Initial Security, and Initial Hazardous Materials training. [ALPA Exhibit 16]

Chapter 1, Section 1 of AA's Approved Training Manual describes pilots who must complete initial new hire training as well as transition training. Section 1.I.B.1 provides:

> INITIAL NEW-HIRE Training: This training category is for personnel who have not had previous experience with American Airlines (AAL) (newly-hired personnel). It also applies to personnel employed by AAL who have not previously held a crewmember or dispatcher duty position with AAL. It also applies to flight attendants and dispatchers employed by AAL who have not previously held a flight crewmember duty position with AAL. Initial new-hire training includes basic indoctrination training

[10] **As noted earlier, Pilot Stremler was the most junior TWA pilot who completed AA training.**

> and training for a specific duty position and aircraft type. The training for a specific duty position and aircraft type is equivalent to "Initial Equipment Training". Since initial new-hire training is usually the employee's first exposure to specific company methods, systems, and procedures, it is the most comprehensive of the six categories of training. For this reason, initial new-hire training is a distinct separate category of training and should not be confused with "initial equipment training". When AAL hires crewmembers with previous Part 121 operator experience, abbreviated curriculum segment outlines for initial new-hire training may be used, if approved. [ALPA Exhibit 17]
>
> Section 1.I.B.3 states:
>
> TRANSITION Training: This category of training is for an employee who has been previously trained and qualified for a specific duty position by AAL and who is being assigned to the same duty position on a different aircraft type. If the transitioning crewmember has been previously qualified on that aircraft in another crewmember position, the ground and emergency training segments are abbreviated based on the length of time elapsed since the crewmember was quailed and current on the aircraft. [ALPA Exhibit 17]

Broom compared the training that AA provides to a pilot hired off the street with the training it gave to the former TWA pilots. Broom testified that AA treated the former TWA pilots different than pilots AA hired off the street because the FAA allowed AA to specifically tailor the training to address the needs of the former TWA pilots.[11] [TR 47-49] Broom testified that the flight training for former TWA pilots consisted of sixteen days of flight academy plus a minimum of ten hours operating experience while the training program for a pilot hired off the street consisted of thirty-seven days in the flight academy and a minimum of twenty-five hours operating experience. [AA Exhibits 2 and 3; TR 41-42, 49-50] Broom declared that the training program for the former TWA pilots included five days of indoctrination. Broom denied that TWA indoctrination was equivalent to basic indoctrination. [AA Exhibit 2; TR 52] Broom testified that, if a

[11] **While the record is not entirely clear, AA apparently incorporated the TWA training into the AA Advanced Qualification Program.**

former TWA pilot switched aircraft, the pilot received the same type of transition training as if an AA pilot changed aircraft. [TR 59]

Broom emphasized that AA could not shorten the training for AE pilots, who flow up to AA, even if, hypothetically, the pilot were to fly the same aircraft at AA as the pilot flew at AE. The AE pilots undergo the same training as pilots AA hires off the street. [TR 61-62]

Broom declared that, if a pilot furloughed from TWA LLC was called up to active service from the AA seniority list, the kind of training afforded the pilot would depend on the length of time the pilot has spent on furloughed status. [TR 60] Broom explained that these pilots would qualify for TWA indoctrination but the amount of ground and flight training would be contingent on whether the pilot was currently qualified as a Captain or First Officer.[12] Broom elaborated that, if not currently qualified, the pilot would receive the same ground and flight training that AA provides to a pilot hired off the street. [TR 60]

E. Negotiating History

In 1997, APA and AA bargained over the contentious issue of who would fly commuter (regional) jets. [*Kasher Decision* TR at 83] The two parties negotiated the rough parameters of a flow-through, flow-back arrangement which was labeled the "Final, Final Final, Final Proposed Tentative Agreement" dated March 17, 1997. This tentative agreement provided that every third "new hire vacancy at AA" will be offered to an AE CJ Captain (subject to a minimum amount of experience). [APA Exhibit 11 in the *Kasher*

[12] Anderson understood that if AA called a former TWA pilot from furlough, AA would not put the former TWA pilot through the same training as a pilot AA hires off the street because "the training is different in terms of indoctrination". Anderson's testimony was largely based on his understanding of Broom's testimony. [TR 175-176]

Decision] APA and ALPA then quickly negotiated, outside the presence of AA and AE, the ultimate provisions of a flow-through, flow-back agreement.[13] Couette, an ALPA negotiator, and then APA Vice President Ralph Hunter participated in the March 1997 bargaining. [TR 83-84]

During the March 1997 negotiations, APA and ALPA adopted an ALPA proposal that AE pilots were entitled to flow up to AA on the basis of one out of every two "new hire positions" at AA. [APA Exhibit 17 in *Kasher Decision*] Couette testified that the ALPA negotiators successfully sought to change the term "vacancy" to "position" to be "more specific" because "position" would mean a "job". [TR 92] Couette distinguished a "position" from a "vacancy" in that the latter would "... be something put out for bid." [ALPA Exhibit 13; TR 91-92] Couette explained that the negotiators discussed AA growth with the recognition that the industry goes through cycles of "high points and low points of hiring." [TR 106] Couette also related that the ALPA negotiators examined the AA seniority list to forecast the number of upcoming retirements which would determine how many AE pilots "... were going to be able to go over to that seniority list at AA". [TR 106]

Couette and Hunter concurred that the negotiators did not discuss an AA merger or acquisition. Couette acknowledged that the ALPA negotiators never announced to the APA negotiators that Section III.A would cover pilots added to the AA seniority list in any way, including a merger. [TR 105]

[13] **APA and ALPA negotiated in Washington, DC during forty-eight hours in March 1997. [TR 83]**

Couette declared that Letter 3/Supplement W is instilled with a risk verses reward principle. Couette explained that the opportunity for an AE pilot to go to AA is the reward while an AE pilot's exposure to possible displacement by an AA pilot in the event of an AA furlough is the risk. [TR 85]

In his October 23, 2006 declaration, Hunter acknowledged that the APA negotiators understood that ALPA perceived that Letter 3/Supplement W contained a balance of risk and reward. Hunter claimed that, but for the September 11, 2001 attacks, AE pilots might have had enjoyed more opportunities to flow up to AA (i.e. greater rewards) due to the increased retirements resulting from the addition of the older, former TWA pilots to the AA seniority list. Hunter asserted that it was never APA's intent to provide AE pilots "... with any proportion of the jobs at an airline brought into AA through merger or acquisition." Hunter declared that the ALPA negotiators never informed the APA negotiators that ALPA was seeking such a right. Hunter also declared that the former TWA pilots were not treated like new hire pilots. He elaborated that, in accord with Supplement CC, the former TWA pilots received integrated seniority, special bidding rights and other privileges that are never afforded to pilots hired off the street.

Couette stated that Section 1.C of the ALPA/AE Basic Agreement governs how AE and ALPA integrate pilots into the AE seniority list should AE acquire another air carrier. Couette similarly related that Section 13 of the Basic Agreement provides how new pilots are added to the AE seniority list. [TR 96-97] Couette declared that, based on the two agreement provisions, a pilot added to the AE seniority list via acquisition is a different "animal" from a pilot hired off the street. [TR 100]

F. AA's Acquisition of Reno Air

Broom testified that AA acquired Reno Air in early 1999. By August 1999, the former Reno Air pilots had completed AA training.[14] [TR 55] Broom declared that the former Reno Air pilots received Reno Air indoctrination as opposed to the basic indoctrination provided to pilots AA hired off the street. [TR 64] The former Reno Air pilots spent eight days in the flight academy consisting of five days of Reno Air indoctrination, two days of MD 80 (aircraft) ground training and one day of MD 80 flight training. No operating experience was required. [AA Exhibit 4] Broom explained that, upon their transfer to AA, the Reno Air pilots stayed in the "exact airplanes" that they had been flying. [TR 64] Broom also stated that, like the TWA training, the FAA approved the special training program for Reno Air pilots. [AE Exhibit 4; TR 63]

Ryter acknowledged that the merger of Reno Air pilots into AA did not generate any seniority numbers for AE flow through pilots. [TR 152] Ryter related that, in 1999, all eligible AE flow through pilots received AA seniority numbers because AA was hiring pilots off the street "at such a rate" that no AE pilots were delayed in receiving an AA seniority number. [TR 140, 152] Ryter concluded that the addition of the Reno Air pilots to the AA seniority roster did not harm any AE pilot. [TR 152]

G. Terminology

Anderson, who has worked for various air carriers since 1975, commented that the term "new hire" means a pilot hired off the street. [TR 171-172] Anderson claimed that based on his experience in the industry, pilots coming to an airline by merger are not considered to be pilots hired off the street. [TR 172]

[14] **Broom was the flight training leader on the Reno Air pilot training program. [TR 54]**

Broom stated that his understanding of the term "new hire pilot" is "hiring people to come work for your airline". [TR 73] Broom testified that he has frequently heard the term "new hire pilot" and he invariably understood that the term to referred to hiring "somebody off the street." [TR 73-74]

Couette understood that the words "new hire" refers to someone "... taking a new position at American" or "people that were hired and added onto the AA seniority list". [TR 94, 104]

IV. POSITIONS OF THE PARTIES

A. The Position of the Air Line Pilots Association

Letter 3/Supplement W does not define the term "new hire" or the phrase "new hire position." Absent a contractual definition, the definition of a "new hire pilot" in *FAA Order 8500.10,* which is widely accepted throughout the airline industry, demonstrates the meaning of "new hire" in Section III.A. Technical terms must be given their technical meaning when used within the technical field. *Restatement (2d) of Contracts (1979), §202(3)(b).* Couette confirmed the industry usage of "new hire" refers to someone taking a new position at AA. Among the categories listed in *Chapter 2* of *FAA Order 8500.10* is "initial new hire" training. *Chapter 2* explicitly states that initial new hire training is for a pilot who has not had "previous experience" with the carrier. Subsection G (1) goes on to provide that the initial new hire training is for all personnel not previously employed by the airline. Indeed, AA's own Training Manual adopts the FAA definition of a new hire pilot by applying "initial new-hire training" to pilots who have not had prior flying experience at AA. The former TWA pilots did not have any

"previous experience" with AA and so, they were new hire pilots. The definition of "new hire pilot" in *FAA Order 8500.10* is the most reliable source for defining the term "new hire" in Section III of Letter 3/Supplement W.

Also, since the negotiators of Letter 3/Supplement W were well acquainted with the airline industry's specialized vocabulary, they understood and adopted the "new hire" definition set forth in *FAA Order 8500.10*.

Besides defining a new hire pilot, *FAA Order 8500.10* requires a pilot coming to an airline to undergo basic indoctrination. It is recognized throughout the industry that all new pilots must successfully complete basic indoctrination. *Air Line Pilots Association vs. FedEx, Inc.; Grievance 05-01 (LaRocco, 2006)* While Broom claimed that the former TWA pilots did not undergo new hire basic indoctrination, his testimony is contrary to both *FAA Order 8400.10* and AA's own Advanced Qualification Program. Both mandated that the former TWA pilots complete basic indoctrination. The length of the indoctrination was shortened for the former TWA pilots, with approval of the FAA, since a merger or acquisition requires only operator specific training modules. Abbreviating the length of basic indoctrination does not alter the fact that the former TWA pilots were compelled to successfully complete basic indoctrination at AA, just as a pilot AA hires off the street must complete basic indoctrination.

Next, AA treated the former TWA pilots just as it would treat any other group of pilots arriving at AA. AA screened the TWA pilots and it elected not to hire all the TWA pilots. Those that AA hired began their service for the carrier like any new pilot per Section 13.A of the APA/AA Basic Agreement. The pilots AA employed were clearly

"new hire pilots". Letter 3/Supplement W does not contain any exception for pilots that AA hires during a merger or acquisition. The *Delta* case, on which APA relies, actually supports ALPA's position. The court in *Delta* referred to the custom in the industry of placing "newly hired pilots" at the bottom of an airline seniority list regardless of the length of service that the pilot may have had with other airlines. Therefore, prior experience at TWA does not alter the fact that the former TWA pilots were "newly hired" when they came to AA.

Most of the former TWA pilots were stapled to the bottom of the AA seniority roster and simultaneously placed on furloughed status. They never attended an AA training class. If these pilots accept a future recall and are trained, they will be AA new hires and so, they must generate seniority numbers for AE CJ flow through Captains.

ALPA's interpretation of Letter 3/Supplement W is logical and equitable. Conversely, APA's and AA's interpretation of Letter 3/Supplement W is illogical and inequitable. The core principle of Letter 3/Supplement W was to reward AE CJ flow through pilots as the AA seniority list grew in exchange for exposing themselves to the risk of being displaced by AA furloughees. The former TWA pilots qualified for furlough protection pursuant to the *Bloch Decision*. It is eminently equitable that, since the former TWA pilots can access the flow back provisions of Section IV of Letter 3/Supplement W, the addition of the former TWA pilots to the AA seniority list entitled AE CJ flow through Captains to receive AA seniority numbers under Section III of Letter 3/Supplement W. One entitlement cannot be fairly sustained without the other. Stated differently, if the former TWA pilots are included in Section IV they cannot be excluded from Section III. Indeed, AA and APA created this controversy by lifting the restriction,

originally contained in Supplement CC, which prevented former TWA pilots from procuring employment at AE. Under the APA's and AA's inequitable interpretation of Section III, the former TWA pilots receive furlough protection at the expense of AE pilots while the AE pilots receive nothing in return even though the former TWA pilots substantially expanded the AA seniority list. Consequently, the AE pilots unreasonably absorbed two hits. The addition of the TWA pilots resulted in an increase in the number of AA furloughees displacing AE pilots and significantly reduced future employment opportunities for AE pilots at AA. Surely, the parties did not intend for the application of Letter 3/Supplement W to result in the forfeiture of the reward embedded in the core principle. Applying Section III of Letter 3/Supplement W in conformity with ALPA's interpretation will avoid a harsh result and the forfeiture of AA seniority. *Ruben, A.M. et al., Editors, Elkouri & Elkouri, How Arbitration Works, 6th Ed.(BNA 2003) at 482-484.* Both are ameliorated by providing AE CJ flow through Captains, on a 1 to 2 basis as specified in Section III.A, with AA seniority numbers. ALPA's interpretation preserves the core principle resulting in a balanced, rational application of Letter 3/Supplement W.

During negotiations over Letter 3/Supplement W, the APA negotiators not only understood, but also they agreed to, the risk equals reward principle. ALPA successfully changed "vacancies" to "positions" to prevent any misinterpretation that Section III.A applied only to jobs that must be advertised for bid. The term "position" equates to any cockpit assignment regardless of how the job is established at AA. The modification from "vacancies" to "positions" renders Hunter's declarations speculative and argumentative. Hunter persistently uses the term "vacancies" despite the presence of the word "positions" in Section III. Hunter also wants to add the phrase "off the street" to

describe new hires in Section III. Hunter acknowledges that the definition of new hires was not discussed and thus, the language in Letter 3/Supplement W does not substantiate his speculation that the parties intended for a new hire pilot to be limited to a pilot AA hires off the street. Hunter nonetheless concedes that AE pilots are entitled to AA positions established as a result of AA fleet expansion which is exactly what happened when AA acquired aircraft from TWA LLC.

If the parties intended for Letter 3/Supplement W to exclude the former TWA pilots from Section III, APA bears the burden of proving that the four parties intended to exclude them. APA did not meet its burden of proof. Moreover, the parties could not foresee every future event, including an acquisition, and thus, Letter 3/Supplement W establishes the framework to deal with a broad range of not necessarily anticipated future events. *Ruben, A.M. et al., Elkouri & Elkouri, How Arbitration Works, 6th Ed. (BNA 2003) at 441-442.*

AA's acquisition of Reno Air did not constitute a proven or relevant past practice. In 1999, all eligible AE CJ flow through Captains timely received AA seniority numbers. The AE pilots did not suffer any harm. Thus, the Reno Air situation was wholly different from AA's purchase of TWA's assets where a large number of AE CJ Captains incurred a seniority forfeiture.

ALPA petitions the Arbitrator to answer yes to the first issue.

B. The Position of American Eagle Airlines

Letter 3/Supplement W provides AE CJ flow through Captains with one out of every two positions at AA which reflects that the AE Captains staked a position on AA's threshold to guarantee that they would be the first pilots through AA's front door. In exchange for being rewarded with preferential AA employment, these AE pilots assumed the risk of being displaced in the event of an AA furlough. AA and APA improperly seek to abandon this central principle of Letter 3/Supplement W by permitting former TWA pilots to flow down to AE while simultaneously barring eligible AE pilots from obtaining AA seniority numbers based on AA's hiring of the former TWA pilots. The TWA pilots gained extraordinary protection from the adversities of a furlough, and now, APA wants to eliminate the rights of AE pilots to flow up to AA. APA and AA unreasonably seek to strip the AE flow through pilots of job security which would turn the risk verses reward principle on its head. The AE pilots rightly reap AA employment opportunities because they sacrificed a degree of job security. By failing to provide AE pilots with AA seniority numbers when AA hired twenty-five hundred TWA pilots, the benefits for AE pilots evaporated while the risk was heightened. The APA argues that if the former TWA pilots had not flowed down to AE, pre-acquisition AA pilots would have been furloughed and displaced to AE positions. However, APA ignores the magnitude of the furloughs due to AA seniority list growth generated by the former TWA pilots. Thus, AE pilots suffered greater risk while losing any possible chance at the reward. AE urges the Arbitrator to reinstate the risk and reward balance that is the foundation of Letter 3/Supplement W.

The FAA required the former TWA pilots to complete initial new hire training at AA which demonstrates that they were new hire pilots filling new hire positions. *FAA Order 8400.10, Chapter 2, Section 1, Paragraph 289* mandates that initial new hire training include basic indoctrination which introduces new crew members to AA's operations. While *Paragraph 371* of *FAA Order 8400.10* allows for a reduction in the length of basic indoctrination for the initial hiring of merger/acquisition pilots, the indoctrination is still basic, i.e. it is still given to all pilots who have never before worked for AA. The former TWA pilots underwent basic indoctrination because they were initial new hire pilots.

Broom and Anderson merely gave their personal understanding of the term "new hire" as opposed to an industry attribution of the term. Absent evidence of a special trade meaning, the FAA definition becomes the technical and appropriate meaning for the term "new hire". It is a pilot who has never been employed at AA which obviously encompassed the former TWA pilots.

The plain meaning of the word "new hire" in Section III of Letter 3/Supplement W embraced the former TWA pilots. Inasmuch as Letter 3/Supplement W does not define "new hire" pilots, the term must be given its ordinary and popularly accepted meaning. Merriam-Webster's Online Dictionary defines "new" as having recently come into existence; having been seen, used, or known for a short time; different from one of the same category that has existed previously; and, beginning as the resumption or repetition of a previous act or thing. [www.M-W.com/dictionary/new] This definition precisely describes the former TWA pilots.

Next, nothing in Letter 3/Supplement W restricts the meaning of "new hire" to a pilot employed off the street. The term appropriately fits any pilot who accepts employment with AA. None of the former TWA pilots were previously employed by AA. AA exercised discretion by screening the TWA pilot group to determine who AA would hire just as it screens any applicant pool.

The context of the term "new hire" in Letter 3/Supplement W supports ALPA's interpretation of the term. Phrases such as "new hire positions" and ""new hire class" appear eighteen times in Section III of Letter 3/Supplement W. Under the recognized application of Section III, AE pilots transfer to AA just like the former TWA pilots transferred to AA. The term "new hire" obviously has a multi-faceted meaning and so the term must be broadly applied. *Kitty Hawk Air Cargo, 122. Lab. Arb. Rep. (BNA) 979, 985 (Vernon, 2006).*

The former Reno Air pilots were also new hire pilots when AA acquired Reno Air, but ALPA did not waive its argument in this case by not grieving in 1999. At the time that AA hired the Reno Air pilots, it was also hiring pilots off the street in sufficient numbers to permit all eligible AE CJ Captains to flow up to AA and be assigned AA seniority numbers. Any grievance would have been rendered moot.

The negotiating history supports ALPA's interpretation of Section III.A of Letter 3/Supplement W. During the March 1997 negotiations, ALPA negotiators purposely replaced "vacancy" with "position". In airline parlance, "vacancy" refers to a job that is routinely put out for bid. Conversely, "position" means all existing jobs. Therefore, the

former TWA pilots occupied positions which placed them within the coverage of Section III.A

APA and AA apparently concede the prospective issue, that is, they admit that the staplees have not yet been hired by AA since they were furloughed directly from TWA LLC. Thus, the staplees will generate seniority numbers for AE flow through CJ Captains when the staplees fill future AA positions.

In conclusion, the AE submits that ALPA satisfied its burden of proof.

C. The Position of the Allied Pilots Association

The contention by ALPA and AE that the four parties intended that one-half of the jobs of another air carrier brought into AA would go to AE pilots is patently implausible. The record does not contain any evidence that the negotiators of Letter 3/Supplement W ever considered such a proposition. Most significantly, granting AE pilots one-half of the jobs added to AA as a result of the TWA acquisition would unfairly give AE pilots priority over the former TWA pilots to the jobs they previously held at TWA. Inasmuch as the TWA pilots came to AA along with their positions, they were not "new hire" pilots and those positions were not "new hire positions". The transitioning of the pilots of an acquired carrier into AA would encounter an enormous, insurmountable obstacle if AE pilots had a right to one-half of the positions brought to AA. The obstacle would be a poison pill to future mergers and acquisitions. Nothing in Letter 3/Supplement W suggests that AE pilots have any role in the complexities of integrating an acquired or merged air carrier into AA. ALPA's position is void of any equity and grossly understates the cost to AA since ALPA seeks to place about two hundred thirty-

eight AE pilots in line for AA jobs ahead of furloughed former TWA pilots who have not received any benefit from Letter 3/Supplement W.

The term "new hire positions" has a specialized meaning in the airline industry. Airline labor relations veterans understand that "new hire positions" are filled by pilots being employed "off the street". Broom and Anderson confirmed this understanding. The understood meaning is implicitly found in the ALPA/AE Basic Agreement which distinguishes between a pilot hired off the street and a pilot coming to AE via merger. Section 1.C of the ALPA/AE Agreement provides separate handling for pilots coming to AE via merger. Section 13, which governs how a new hire pilot is assigned AE seniority, does not contain any language addressing a merger or acquisition because the industry definition of a "new hire pilot" excludes pilots coming to AE (or any other air carrier) via merger or acquisition. Thus, ALPA's claim that the trade meaning of a new hire pilot is covered in *FAA Order 8400.10* is inconsistent with the ALPA/AE Basic Agreement. Moreover, there is not any presumption that the parties adopted *FAA Order 8400.10* to define "new hire". Indeed, such a presumption cannot reasonably arise in light of the language in Sections 1.C and 13 of the ALPA/AE Basic Agreement which plainly contradicts *FAA Order 8400.10.*

At the hearing, an ALPA negotiator conceded that a pilot coming to AA via a merger and a pilot hired off the street were two different animals. Simply put, a pilot joining a seniority list by merger is not the same as a new hire pilot. *Abdu-Brisson v Delta Airlines, Inc.; 239 F. 3d 456, 462-463, 469 (2d Cir. 2001).*

There is a wealth of evidence that the parties excluded merger/acquisition pilots from Section III of Letter 3/Supplement W. When the provisions of Letter 3/Supplement W are read as a whole, it becomes clear that the arrangement was not intended to apply to mergers or acquisitions. In particular, Section III.B provides seniority numbers for AE pilots unable to go directly to AA due to a training freeze or AE operational constraints. Section III.B does not mention the special, transition type training given to the former TWA pilots because such training would not apply to AE pilots. Broom emphasized that the training for TWA pilots was substantially shorter than training AA provides to pilots hired off the street and to AE pilots. In addition, Section III.G provides that AE pilots obtain a particular seniority number based on the lowest number in a training class. This seniority establishment becomes nonsensical if applied to a merger or acquisition. The former TWA pilots acquired AA seniority according to the terms of Supplement CC as opposed to their participation in any training class.

Assuming, *arguendo*, that some ambiguity appears in Letter 3/Supplement W, the extrinsic evidence clearly shows that Letter 3/Supplement W does not apply to pilots acquired by merger or acquisition. More significantly, because any ambiguity is traceable to an ALPA negotiating proposal, the ambiguity must be construed against ALPA's position. During Letter 3/Supplement W negotiations between APA and ALPA, the latter changed the term "vacancy" to "position" in Section III but the ALPA negotiators never announced that the change was intended to cover a merger or acquisition. To the contrary, ALPA acknowledged that the negotiators never discussed a merger or acquisition. Everyone understood that the term "vacancies" would necessarily exclude merger and acquisition pilots. Therefore, the ALPA negotiators were under a

duty to disclose that the change from "vacancies" to "positions" was intended to encompass pilots coming to AA in a merger and acquisition to avoid any future misunderstanding or ambiguity. Rather, the obvious purpose of the change from "vacancies" to "positions" was to ensure that an AE pilot would not have to bid for a vacancy as a condition of coming to AA.

Other evidence of the negotiating history demonstrates that Section III of Letter 3/Supplement W was not intended to cover pilots employed by AA as a result of a merger or acquisition. Couette acknowledged that, during negotiations, ALPA calculated the likely reward to AE pilots by forecasting upcoming AA retirements. If the term "new hire positions" included merged pilots, the ALPA negotiators would have forecasted a much greater reward for AE pilots. Yet, now ALPA improperly seeks to force AA to render one-half of the pilots acquired by the TWA asset purchase superfluous by offering the incoming positions to AE pilots. Even if one is persuaded by ALPA's risk verses reward argument, there is not any justification for expanding the preferential hiring rights for AE pilots to positions brought into AA by the TWA acquisition. Moreover, ALPA's argument that AE pilots must enjoy the rewards of Section III ignores that the risk (Section IV) side of the so-called risk verses reward balance was not increased. The cap on the number of AA pilots flowing down to AE is unrelated to the size of the AA cockpit workforce. Rather, the cap is determined by the mix of Eagle rights pilots within the class of AE CJ Captains. Furthermore, AE pilots might accrue greater rewards in the future as a result of the TWA acquisition because the expansion in the number of AA positions will, upon retirements and resignations, make more positions available for AE flow up pilots. In sum, the negotiating history does not support ALPA's position.

Rather, the bargaining history demonstrates that Section III does not apply to pilots arriving at AA in conjunction with a merger or acquisition.

APA petitions the Arbitrator to answer the first issue in the negative.

D. The Position of American Airlines

ALPA strives to give "new hire" an unprecedented, unfounded and novel meaning. In essence, ALPA wants to foment a flood of AE pilots flowing up to AA. Neither the language of Letter 3/Supplement W nor the negotiating history indicates that the parties understood that the term "new hire" would apply to AA's acquisition of TWA. Thus, the transition of TWA pilots to AA did not create seniority list opportunities for AE flow through CJ Captains.

Although Letter 3/Supplement W does not contain a definition of "new hire positions", the former TWA pilots were not "new hire" pilots since AA did not employ them to fill vacancies. Moreover, if any entity hired the former TWA pilots, it was TWA LLC which was not a party to Letter 3/Supplement W. The Asset Purchase Agreement, on which ALPA relies, was executed well before the establishment of TWA LLC and prior to Supplement CC. Moreover, the former TWA pilots that eventually transitioned to AA did so with their TWA LLC jobs and TWA aircraft. Nevertheless, the AA seniority list demonstrates that pilots transitioning from TWA to AA continue to have a date of hire reflecting their start of employment at TWA as opposed to when they came to AA. In contrast, a new hire pilot has a date of hire when first employed at AA.

The context and use of "new hire" in Letter 3/Supplement W shows that the term applies to a pilot who is hired to fill vacancies. Letter 3/Supplement W, Section III.J provides that the AE pilots flowing up to AA are "new hire" pilots because they may encounter operational hurdles at AE. Thus, the term "new hire" appropriately applies to AE CJ Captains but not pilots coming to AA via an acquisition who would never confront such operational obstacles.

A close reading of Supplement CC reveals that APA and AA never envisioned that integrating the seniority of former TWA pilots into the AA seniority roster would create flow up rights for AE pilots since the former TWA pilots did not fill vacancies subject to the system wide bidding process. Nevertheless, for the most part, the TWA pilots were relegated to St. Louis positions that were specifically fenced in for their benefit.

ALPA failed to present any evidence that the four parties intended for "new hire" to include AA's purchase of TWA assets. Although the word "vacancies" evolved into "positions" during bargaining, Couette admitted that the negotiators did not discuss a merger situation. Indeed, the Reno Air acquisition manifests a contrary intent, that is, merged pilots are excluded from the term "new hire". The real reason to change "vacancies" to "positions" during negotiations was to harmonize Section III with the rest of the sections in Letter 3/Supplement W because those sections uniformly used the word "positions".

AA did not treat the former TWA pilots as "new hire" pilots. Broom and Anderson explained not only that they received training different from pilots hired off the

street but also, they understood the term "new hire" to refer solely to pilots hired off the street. Because the pilots were already flying under AA rules at TWA LLC, the FAA permitted AA to create a flexible training program solely for the former TWA pilots. They underwent abbreviated TWA training rather than AA training for new hire pilots. The length of the training was substantially reduced for both basic indoctrination and flight training. AA may have used some portions of new hire training for the TWA pilot training but AA simply did not treat the former TWA pilots like new hires. Moreover, the definition of an initial new hire pilot in *FAA Order 8400.10* does not reflect that the parties' intended definition of a "new hire" pilot in Section III of Letter 3/Supplement W because the record does not contain any evidence that the negotiators ever considered the training documents during bargaining.

Next, AA's training and integration of the former TWA pilots was similar to the training and transitioning afforded to the former Reno Air pilots in 1999. Like the former TWA pilots, the former Reno Air pilots did not receive initial new hire training. Most importantly, no AE pilot received a seniority number as a result of the seniority integration of Reno Air pilots into the AA seniority list. Although AE CJ Captains did not flow up to AA as a consequence of the Reno Air acquisition, ALPA did not initiate any grievance challenging the practice.

The Arbitrator must reject ALPA's equity arguments. The arguments are not only factually erroneous but also distort the risk verses reward concept. ALPA exaggerates the risk side of the equation. Letter 3/Supplement W, Section IV places a limit on the risk exposure to AE pilots so that an increase in the number of pilots eligible for potential flow down from AA does not increase the risk of displacement for AE pilots. The cap

does not fluctuate according to the number of furloughed AA pilots, inasmuch as, once the maximum is reached, AA furloughees may only displace less senior AA furloughees as opposed to AE CJ Captains. Put succinctly, the number of AA furloughees is irrelevant to determining the degree of risk to AE pilots. In addition, ALPA's argument that the former TWA pilots, who flowed down to AE, increased the risk of displacement to AE pilots is wholly speculative. If not for the TWA acquisition, pre-acquisition AA pilots would have been furloughed and would have flowed down to AE resulting in the same number of AE pilot displacements.

In summary, Letter 3/Supplement W is wholly inapplicable to the transition of the former TWA pilots into the AA seniority list. The grievance must be denied.

V. DISCUSSION

Letter 3/Supplement W neither defines "new hire positions" and "new hire class" nor expressly addresses the addition of pilots to the AA seniority list when AA acquires another air carrier.

The absence of a definition implies that the parties believed that they readily and mutually understood the meaning of "new hire positions" eliminating any need for an express definition and they did not anticipate a major controversy concerning the application of the term. The silence about mergers and acquisitions in Letter 3/Supplement W is not particularly suggestive. The silence cannot be reasonably construed to either include or exclude acquisitions. One might expect such inclusion or exclusion to be expressly stated since, unlike the September 11, 2001 attacks, airline merger and acquisitions are foreseeable events.

Because of a dearth of contract language pinpointing the meaning of "new hire positions", other rules of contract construction control how Section III of Letter 3/Supplement W shall be applied. As will be discussed, these contract interpretation rules, in conjunction with circumstantial evidence, cumulatively demonstrate that Section III.A of Letter 3/Supplement W does not apply to positions coming into AA via a merger or acquisition and the inapplicability of Section III is limited to positions as opposed to the addition of persons to the AA seniority list.

To begin, the words in Section III.A of Letter 3/Supplement W must be given their usual and ordinary meaning. It is significant that the plural noun "positions" appears after the modifiers "new hire" in the opening clause of Section III.A "Positions" is repeated in the second sentence. Section III.A only uses "pilots" to refer to AE CJ Captains. The term "pilots" is not used to designate who AA is hiring. Thus, the characterization of a particular pilot as "new" or a "new hire" is important, but not the starting point, for interpreting Section III.A Rather, the focus is on the type of "position".[15] The phrase "new hire positions" strongly suggests that the position was not previously in existence for a "new hire". In other words, a "position" available for a "new hire" must materialize. Positions can have many origins. AA might establish a cockpit position because: it expands its system to new markets; introduces new aircraft; increases the frequency of its flight schedule; or, other similar operational change. Under these circumstances the position is truly new and may be available to a new hire. If an existing position becomes vacant and cannot be filled by AA forces, the position is likely

[15] "New hire positions" must be somewhat distinct from "new hire pilots" otherwise the drafters of Section III.A would have written "pilots" to allude to who AA was hiring just as they used "pilots" to refer to persons coming from AE.

available to a new hire. If, however, a position is transferred from a defunct air carrier to AA, the position was previously in existence and is not automatically available to a "new hire". Rights to these positions, which existed on another carrier, are predicated on negotiations surrounding the merger and acquisition. Clearly, the position is not akin to a position that opens up due to normal pilot attrition (including but not limited to resignations, retirements, disablements, etc.) or, as stated above, due to market expansion or fleet expansion. Also, the modifier "new hire" before "positions" in Section III.A, indicates that some positions may be excluded from the scope of Section III.A If the four parties wanted every position included within the ambit of Section III.A, the authors could simply and easily have written "any positions" instead of "new hire positions". Therefore, the literal language of Section III.A raises an inference that some "positions" may not trigger the flow up provisions of Letter 3/Supplement W. The language also suggests that positions coming to AA via a merger or acquisition may be properly categorized as a type of position beyond the scope of "new hire positions".

Next, Section I.C of Letter 3/Supplement W provides for the continuing application of the provisions in the parties Basic Collective Bargaining Agreements unless a provision in Letter 3/Supplement W conflicts with a provision in a Basic Collective Bargaining Agreement. If so, the former supersedes the latter. Absent any conflict, the terms of the Basic Agreements are controlling. The ALPA/AE Basic Agreement addresses mergers while Letter 3/Supplement W is silent on the subject. Section 1.C.1 and 1.C.2 of the ALPA/AE Basic Agreement separates the seniority establishment method for pilots coming to AE via merger or acquisition from pilots who come to AE to occupy positions created by AE operational changes or to fill attrition

caused vacancies. The ALPA/AE Basic Agreement provides that pilots coming to AE via merger may receive seniority and employment enhancements that are foreclosed to other pilots hired by AE. The fact that the ALPA/AE Basic Agreement affords preferential seniority treatment for merger related pilots as opposed to non-merger related pilots is a recognition by ALPA and AE that, the similar situation, that is, pilots arriving at AA via acquisition and merger, might be treated differently than other pilots for purposes of establishing AA seniority. Indeed, the former TWA pilots established seniority outside the parameters of Section III of Letter 3/Supplement W. They did not attain seniority according to the methodology similar to the seniority establishment provisions described in Section III.G of Letter 3/Supplement W or Section 13.B.2 of the ALPA/AE Basic Agreement. This circumstantial evidence raises the inference that the parties intended for the Basic Agreements to cover merger/acquisition positions and the seniority of those pilots filling the positions. The inference logically leads to a conclusion that "new hire positions" in Section III.A of Letter 3/Supplement W does not apply to positions coming into AA via merger or acquisition.

Next, when the phrase "new hire positions" in Section III.A is read in harmony and in context with the remainder of Section III, applying Section III.A to positions established at AA due to a merger or acquisition becomes problematic and borders on the nonsensical. As stated above, Section III.G specifically provides for the assignment of seniority numbers according to a pilot's position in a training class. The former TWA pilots, who occupied the positions at AA subsequent to the TWA acquisition, received their seniority by the methodology specified in Supplement CC. Thus, Section III.G did not cover these former TWA pilots. To give Section III internal consistency it logically

follows that Section III.A did not cover them. Section III.J alludes to the possibility of temporarily holding a flow through AE CJ Captain back at AE, without any diminution in compensation, for operational reasons. Section III.J refers to an AE CJ Captain in the singular, rather than the plural, which shows that Section III.J was not constructed to address a massive influx of AE CJ Captains from AE to AA. A merger could result in the addition of 1000 or more positions to AA. If these positions fell within the ambit of Section III.A, more than 500 AE flow through CJ Captains would flow up to AA which could strain the rational operation of Section III.J.

Therefore, when Section III.A is placed in context with the rest of Section III, the rule of always construing a contract reasonably leads to the conclusion that Section III.A does not apply to merger related positions.

Last, the AA training program developed for the former TWA pilots was hardly identical to training provided to AE flow through pilots or pilots commencing AA employment by other than a merger or acquisition. AA developed a training program to address the unique needs of the former TWA pilots. To begin flying at AA, the former TWA pilots did not undergo a lengthy basic indoctrination or a prolonged flight academy. Rather, they were specifically trained to continue to occupy the same kind of positions that they occupied at their former employer. The abbreviated training for the former TWA pilots who immediately occupied AA positions, demonstrates that the positions created as a consequence of the TWA acquisition cannot be properly characterized as "new hire positions".

ALPA argues that training for the former TWA pilots was legally classified as initial "new hire" training under *FAA Order 8400.10, Chapter 2, Section 1.* As already discussed, the training program was custom tailored to for the former TWA pilots. They did not attend the same kind of training classes that are afforded to AE flow through CJ Captains. Thus, the FAA Training Order is substantially broader than the language in Section III.A. Most importantly, ALPA did not cite any language which expressly or implicitly incorporated the FAA descriptions of new hire training into Letter 3/Supplement W. Nothing on the face of Letter 3/Supplement W even hints that the parties mutually understood that they would look to the *FAA Order* to describe a new hire position.[16] Therefore, the record is void of any evidence that the four parties intended to adopt the definition of "initial news hire" training in *FAA Order 8400.10* as the definition of "new hire positions" in Section III.A.

In sum, the Arbitrator utilized the following elementary rules of contract construction: the plain meaning of the words used in Section III.A; the application of Section 1.C.; the rule of reason; interpreting Section III.A within the context of Section III; and, the absence of any reference to *FAA Order 8400.10.* In addition, the circumstantial evidence of how the former TWA pilots were trained is also pertinent.

One of these elementary rules of contract construction, by itself, may not be sufficient to provide a definitive interpretation of Section III.A of Letter 3/Supplement W. But, when the rules are taken together, the cumulative effect clearly evinces that Section III.A is inapplicable to positions established at AA which were directly related to

[16] **Indeed, *FAA Order 8500.10* refers to training pilots and does not precisely state what are "new hire positions".**

AA's acquisition of TWA. These positions were not "new hire positions" and so, the former TWA pilots who assumed active employment at AA and occupied positions coincident with the acquisition were not new hire pilots.

After the acquisition was consummated, the positions established at AA as a consequence of the acquisition, evolved into solely AA positions. Thus, the positions do not hold any special merger related status beyond their establishment at AA at the time AA purchased the assets of TWA. This distinction is critical. ALPA presented overwhelming evidence that many former TWA pilots, including several pilots subject to the 1:8 ratio in Supplement CC, neither performed any active service at AA nor were trained at AA. If and when positions are available at AA, the presence of a huge group of former TWA pilots (the staplees) on the AA seniority roster cannot interfere with the rational operation of Section III.A of Letter 3/Supplement W. Pilots who did not commence active employment at AA in conjunction with merger are equivalent to new hires because positions are no longer being established or filled due to the acquisition.[17] While Section III.A of Letter 3/Supplement W does not apply to positions established at AA exclusively due to a merger or acquisition, Section III.A applies to positions that are established or become vacant based on the causes previously enunciated in this Opinion, such as expansion of market, expansion of fleet and pilot attrition. In addition, if two of the four parties to Letter 3/Supplement W could simply append thousands of individuals to the bottom of the AA seniority list to place them ahead of AE flow through CJ Captains, two parties could effectively nullify the flow through provisions of Letter

[17] **The stapelees are identical to a large pool of successful applicants (for employment) since they will not obtain AA positions stemming from the TWA acquisition.**

3/Supplement W.[18] The parties do not enter into their intricate agreements with the expectation that entire sections will be rendered meaningless. Because Section III.A uses the term "positions", the former TWA pilots, who were never trained and who never occupied a position at AA, do not bar the operation of Section III.A as AA positions become available in the future.

To summarize, with regard to Issue No. 1, the term ""new hire positions" does not apply to positions that were established at AA as a direct result of AA's acquisition of TWA and does not apply to former TWA pilots who obtained positions at AA coincident with the acquisition. However, the exclusion from Section III of Letter 3/Supplement W does not extend to former TWA pilots added to the AA seniority list who did not obtain an AA position.

The Arbitrator is unable to draw a precise line on the AA seniority list where the division occurs. The Arbitrator delegates this task to the four parties. Suffice it to state, the parties are, of course, free to draw the line at any mutually agreeable location on the seniority list.

Inasmuch as the Arbitrator interpreted Section III of Letter 3/Supplement W according to elementary rules of contract construction, the Arbitrator did not consider evidence of negotiating history or any past practice. ALPA, AE, APA and AA also raise strong equitable arguments. ALPA and AE persuasively argued that the TWA acquisition distorted the delicate balance of the risk verses reward principle. APA and AA persuasively argued that applying Section III.A to pilots arriving at AA via merger or

[18] **Such a machination would be completely contrary to the rule of reason in construing contracts.**

acquisition would create an insurmountable obstacle to future mergers which could detrimentally harm not only AA and AE but also the pilots working for those two entities. The Arbitrator elects, within the parameters of this particular case, to refrain addressing these compelling equitable considerations especially since the Arbitrator did not resort to extrinsic evidence to interpret Section III.A. The Arbitrator notes that equities are best reserved for the parties to discuss at the bargaining table.

At the hearing, the parties prudently agreed that the remedy in this matter should be remanded to the property. Thus, the parties will have an opportunity to formulate remedial strategies that are beyond the Arbitrator's jurisdiction and authority. Also, the parties will have an opportunity to deliberate about potential remedies, and their consequences, given that the obvious uncertainties about what might occur in the future. In addition, since the answer to the first issue in dispute is partially in the affirmative and partially in the negative, the remedy may be conditional. As stipulated by the parties, the Arbitrator reserves jurisdiction over the case should the parties be unable to formulate a satisfactory remedy. However, the Arbitrator places a time limit on the reserved jurisdiction which can be extended.

AWARD AND ORDER

The Arbitrator issues the following Order:

1. The first issue states: whether former Trans World Airlines (TWA) pilots placed on the AA seniority list filled or may fill "new hire positions" in "new hire classes" within the meaning of Section III.A of Letter 3/Supplement W. The answer to this issue is partially no and partially yes as more fully described in this Opinion.

2. The second issue states: what is the appropriate seniority number remedy for AE CJ (Commuter Jet) Captains covered by Letter 3/Supplement W, Section III? The Arbitrator remands this case to ALPA, AE, APA and AA to formulate an appropriate remedy in accord with the second issue herein.

3. The Arbitrator retains jurisdiction over this case for a period of two years from the date stated below. The four parties may mutually agree to extend the retention of jurisdiction beyond two years. Any party may bring a motion seeking to extend the period of reserved jurisdiction.

4. Any party may request the Arbitrator to exercise jurisdiction over the second issue herein within the two year period, or as it may be extended, provided such request shall not be made within sixty days of the date stated below.

DATED: May 11, 2007

John B. LaRocco
Arbitrator

EXHIBIT 5

American Eagle
AmericanAirlines

August 9, 2000

Gavin Mackenzie
ORD

Dear Gavin:

Congratulations! You have been awarded seniority number 10794 on the American Airlines Pilot System Seniority List. American Eagle and ALPA have worked very hard to insure the flow through process works now and into the future. We greatly appreciate your patience during the start-up period and wish you the very best during your continued career at AMR.

Bob Reding
Chief Operations Officer

Ed L. Criner
Vice President Flight Operations

EXHIBIT 6

American Eagle

July 1, 2010

Gavin Mackenzie
275 Williams Court
Mansfield, TX 76063

Dear Captain Mackenzie:

On April 9th, 2010, Arbitrator George Nicolau made a remedy award pursuant to a decision he made in October 2009, affording the opportunity for some American Eagle captains with American Airlines seniority numbers to flow to American with some additional compensation components. You were in this group of captains.

The arbitrator stated that all captains in this group must elect to accept or decline this offer by June 1, 2010 and that this election would be irrevocable. The company notified all affected pilots of the election requirement; in that notification instructions were provided on accessing the appropriate webpage on JetNet to make the election. In addition, the company also invited all affected pilots to a series of informational presentations to aid them in their decisions.

The JetNet webpage, which was created for the affected pilots to make their elections to accept or decline a position at America Airlines, contained a message advising pilots that failure to make an election on the webpage to accept or decline the offer to flow through to AA would be considered a declination of the offer. As of midnight, the night of June 1, 2010, you failed to make the required election which constitutes declining the offer..

Pursuant to your decision not to accept the offer made under this arbitration award, this will confirm that the AA seniority number that you were awarded has been forfeited and your name will no longer appear on the American Airlines seniority list when the next official American Airlines seniority list is published.

Regards,

Matt Bartle
Counsel—Employee Relations
American Eagle Airlines, Inc.

Exhibit D Appendix 15

1. By my signature below, I acknowledge that I have received a copy of the information packet entitled "Flowthrough Financial Analysis" (called hereafter "The Packet")

2. I further acknowledge and agree to the following:

    a. That all of the information contained in The Packet, as well as any statement made to me by a representative of American Eagle Airlines, Inc. or American Airlines, Inc. about that information and about my opportunity to accept a position as a pilot at American Airlines, Inc. is for information purposes only and does not constitute an offer of employment for any period of time or under any terms or conditions.

    b. That any information provided or statements made in The Packet or otherwise, including, but not limited to, information and statements about potential future earnings at American Airlines, Inc. retirement programs, health benefits and contractually negotiated items, is based on historical data, existing contractual provisions, and current best estimates.

    c. That the data and other information on which these estimates are based may vary significantly over time, based on a variety of factors including, but not limited to, industry and economic conditions and changes to the AA-APA CBA.

3. I agree to hold harmless American Eagle Airlines, Inc., American Airlines, Inc., AMR Corporation, and any and all of their employees, officers, and directors, for any variation between my actual earnings and/or benefits and the information provided to me in The Packet or in any statement made to me about that information or about my opportunity to accept a position as a pilot at American Airlines, Inc.

4. I warrant and represent that I will not sue or otherwise bring any claim whatsoever against American Eagle Airlines, Inc., American Airlines, Inc., AMR Corporation, or any and all of their employees, officers, or directors, arising out of any information provided to me in The Packet or any statements made to me about that information or about my opportunity to accept a position as a pilot at American Airlines, Inc.

_____ _____

Signature Date

_____ _____

Name (printed) Information provided by

Exhibit E Appendix 16

American Eagle Pilot Earnings Projection Assumptions

1. Average paid hours per month is 82 for both Eagle and AA.

2. First year for all Eagle pilots at AA is at the S80 FO seat, with subsequent movement based on the S80, 737, and 767 progressions.
   - S80 progression assumes the pilot remains as a S80 FO and S80 CA, if applicable, throughout AA tenure
   - 737 progression assumes the pilot remains as a 737 FO and 737 CA, if applicable, throughout AA tenure after one year lock-in period as a S80 FO
   - 767 progression assumes the pilot remains as a 767 FO and 767 CA, if applicable, throughout AA tenure after one year lock-in period as a S80 FO

3. If the pilot has an Eagle ranking between 36 - 59, 2 financial handouts are included: a) first handout based off of AA transfer date of 2010 and b) second handout based off of AA transfer date of 2012

4. Progression to Captain is between 7-9 years, which is based upon present estimates of senior pilot retirements[1], general attrition[2], and fleet transactional variation changes[3] that are considered reasonable given current economic environment. Conditions that can impact this include, but are not limited to:
   - Pilot retirement patterns vary significantly from assumptions listed on AA Source of Captain Promotion table
   - Material changes occur in non-active, but not furloughed pilots (mostly military leaves and long term sick)
   - AA is forced into bankruptcy

5. Eagle wages based on CRJ Step 18 pay ($103.23), with an annual 1.5% escalation through 2013.

6. Eagle 401(k) based on 8% employee contribution and 8% company match.

7. Flow of 244 Eagle pilots to AA is as follows: 35 in 2010, an estimate of 100 in 2012, and an estimate of 109 in 2013.

8. AA A plan is based on the lump sum payout, which is based on the present value of the projected future annuity payments determined by
   AA Years of Service x 60 highest paid consecutive months within the final 120 months of service at AA x 1.25%
   - The annuity payments will be discounted at a corporate bond rate to calculate the lump sum
   - Increases in interest rates will reduce the value of the A plan lump sum option

[1]Retirements are calculated at 10% of pilots at age 60, 61, 62, 63, 64 with remaining 50% at age 65 per year
[2]Attrition calculated at 50% of historical average of 36 per year
[3]Fleet variation based on 737s replacing S80s on a one for one basis and gradually adds some 787s before phasing out 767s and 757s, with most of the cockpit growth in 10 years driven by 787 deliveries.

EXHIBIT 7

ARBITRATION

In the Matter in Arbitration Between:	
AMERICANEAGLE AIRLINES, INC.,	
Company,	
AMERICAN AIRLINES, INC.,	
Company,	Grievance No.: FLO-0108
AIRLINE PILOTS ASSOCIATION, INT'L.,	
Union,	
ALLIED PILOTS ASSOCIATION,	
Union.	Volume 3 (Pgs. 344-367)

Washington, D.C.

Tuesday, March 30, 2010

The following pages constitute the proceedings held in the above-captioned matter before ARBITRATOR GEORGE NICOLAU, ESQ., held at Morgan, Lewis & Bockius, L.L.P., 1111 Pennsylvania Avenue, Northwest, Washington, D.C., before Shari R. Broussard, RPR, CSR, of Capital Reporting Company, a Notary Public in and for the District of Columbia, beginning at approximately 10:10 a.m.

A P P E A R A N C E S

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On behalf of AMERICAN AIRLINES, INC.:

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APPEARANCES: (Continued)

On behalf of AIR LINE PILOTS ASSOCIATION:

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ALSO PRESENT:

Keith Bounds, APA
Doug Gabel, APA
Rusty McDaniels, APA
Jim Anderson, American Airlines
Mark Burdette, American Airlines
Robert C. Stow, Sr., American Airlines
Brian Sweep

P R O C E E D I N G S

ARBITRATOR NICOLAU: On the record. I was just handed a stipulation by Mr. Klocke. I understand that parties have agreed to what is written here.

MR. DEAN: That's correct.

ARBITRATOR NICOLAU: At some point between the last two hearings and today there had been an exchange of e-mails and various documents that were sent to me.

During that period the parties had asked for some guidance from me in relation to possibly narrowing the issues -- at least narrowing the issues that are going to be highlighted in the briefs, and I did send an e-mail around on the 26th of March to that effect indicating what I thought were the basic questions.

One of the matters that was raised prior to that time was the timeline of American Airlines bringing people on and the indication was that American didn't expect any classes during 2010. Am I right, Harry?

MR. RISSETTO: Yeah, that continues to be

correct.

ARBITRATOR NICOLAU: Okay. Tell me more about that.

MR. RISSETTO: Mark, do you want to?

MR. BURDETTE: Yeah.

ARBITRATOR NICOLAU: This is Mark Burdette.

MR. RISSETTO: Mark Burdette.

MR. BURDETTE: We had a furlough of about 80 pilots effective the 1st of March. We anticipated furloughing another 40 I think effective the 1st of April. That furlough has been canceled, so we're now --

ARBITRATOR NICOLAU: The March as well or --

MR. BURDETTE: No, just the April. The March 1 went forward, but the planned April furlough has been canceled and we at the current time believe that our staffing is stable throughout the remainder of 2010, obviously influenced by retirements and other, you know, other events that could take place that would change that circumstance. But for right now it appears that we're overly staffed to fly the planned schedule for the remainder of 2010.

ARBITRATOR NICOLAU: Has there been any analysis of what attrition would be like in terms of retirements and other aspects?

MR. BURDETTE: Yes, we do that continually, which is why I mentioned retirements. It's very difficult for us to sort of estimate pilot retirements because there is no particular requirement for them to notify us in advance that they're going to retire and some of the features of the retirement plan are heavily dependent on market evaluations and even a look back to 90 days prior what the market conditions were.

MR. RISSETTO: You mean the stock market?

MR. BURDETTE: Stock market, yes.

ARBITRATOR NICOLAU: Yes.

MR. BURDETTE: So we're using our best guess at this point in terms of what the retirement and attrition will be, but it is subject to some fluctuation.

ARBITRATOR NICOLAU: What is the age composition of the workforce now? How many folks have you got up there between 60 and 65?

MR. BURDETTE: I don't know the answer to that right off the top of my head.

MR. ANDERSON: I think it's around 200 to 250 above 60 I believe. It's 368 I'm being told here.

MR. KLOCKE: Above age 60?

MR. ANDERSON: Above age 60.

ARBITRATOR NICOLAU: Well, I don't know whether the parties had discussed how they want to proceed, but if there had been some discussion or agreement on that, you can let me know. But first I want to ask, Wayne, in view of the fact of what has just been said in terms of hiring and not hiring, what's ALPA's view at this point in time about movement?

MR. KLOCKE: Well, we think that this movement of some pilots should have occurred in 2007 when Letter 3 was pre-expiration at that point. I'm referring in part to your e-mail, which referenced the fact that we're dealing with a now expired agreement in your view. But we think that there needs to be movement. The parties anticipated movement from Eagle and, as we argued, and we have prepared remarks on an

issue I'll come to in a moment, the parties anticipated there would be movement. And, you know, Eagle suffers a longevity disadvantage in the industry. There is no secret about that. Pilots in 1999 and 2000 -- there's testimony from one of these pilots in the Bloch case, his name was Lender. He had the opportunity to go to another airline, but he had an American Airlines seniority number, so these Eagle pilots were planning on staying at Eagle and transferring to American. So that created part of this difficulty that we have now and if there is no transfer, that difficulty continues. And it isn't just the pilots who need to transfer or want to transfer who suffer, it's the pilots who remain at Eagle because the growth for them, the opportunities for them continue to be stifled as long as they are unable to occupy those positions that are vacated.

ARBITRATOR NICOLAU: So you're saying still at this point that if we put 50 in a class or 20 in a class, 50 or 20 have to go out in the street?

MR. KLOCKE: You know, that's not my position to say, but if it's a zero sum game, I guess

that's what we're saying.

ARBITRATOR NICOLAU: Okay. All right.

MR. KLOCKE: Now, the second part of what I referred to a moment ago is the downstream damages. We read your e-mail of Friday and do have some comments on that. We're willing to make those arguments off the record in a meeting of counsel. I don't think it's necessary for them to be on the record. It's mainly a citation of case law. But the bottom line, the point we really want to make is this is an issue that we hope that you would reserve judgment on and allow us to address in the briefs and cite the case law there on downstream damages.

ARBITRATOR NICOLAU: I will let you do that.

Originally I was going to say in my memo you could continue to raise that. I didn't, but now that you've raised it, okay.

MR. KLOCKE: We're not prepared to throw in the towel on that, sir.

ARBITRATOR NICOLAU: Very good.

MR. KLOCKE: We strongly believe in that issue.

ARBITRATOR NICOLAU: Very good.

MR. LUBY: Though if you want to address that issue orally, we can do that, but with the understanding that we're going to file briefs. But I think we were going to wait until we were just talking with lawyers off the record just so --

ARBITRATOR NICOLAU: Yeah, I would suggest that we wait on that.

Okay. Did the parties have any discussion of how they wanted to proceed today?

MR. KLOCKE: We did.

MR. DEAN: Yes.

MR. KLOCKE: I think with those comments, that for ALPA's part we're prepared to close the record, the evidentiary record. Unless there's a new development, we don't see a need to continue to transcribe the proceedings.

MR. DEAN: We had just a couple of documents that we have contemplated putting in the record today. I actually don't think it's necessary. If the parties are all agreeable, that we would have the opportunity to cite in briefing the NMB decision on the single

employer proceeding involving the Eagle carriers and a prior arbitration decision for a matter between American and APA that concerned the use of the AX code or the ASM3s. We've actually referred to it in prior proceedings. I don't recall if it was introduced as an exhibit. We have it today and we can certainly provide it to all the parties. And with that, if there's no objection to our relying on those two prior decisions, then we have nothing further for the record.

MR. LUBY: I think, as a general matter, I don't know that arbitration has to have evidentiary exhibits.

MR. KLOCKE: I would like to see it. We --

MR. DEAN: Sure.

ARBITRATOR NICOLAU: Generally speaking, you know, you just cite them and copy them.

MR. DEAN: Yeah. Because this one was not one that ALPA and AE were a party to, we were concerned that -- we wanted to be sure you have it.

MR. KLOCKE: We have some arbitration awards and opinions that we intend to cite in our brief,

especially on the downstream damages issue, that have not been previously cited in any of our briefings.

MR. DEAN: Are they publicly reported or are they --

MR. LUBY: Some are, some aren't, but we will let you know before we submit -- we will let all parties know if they are not published and we intend to rely on them, we'll send you copies.

MR. DEAN: With that understanding --

MR. RISSETTO: Well, I'm not sure that I understand the understanding because it's my impression that David intends to put the NMB decision --

MR. LUBY: Which is public record.

MR. RISSETTO: -- and the AX code arbitration award in for certain facts -- to prove certain facts that are recited in those awards as opposed to put them in as precedent for a legal conclusion of some sort or another and I just want to make sure that everybody understands that. At least that's -- David, correct me if I'm wrong.

MR. DEAN: The factual recitations in the

NMB decision is what we would be relying on.

MR. LUBY: Which that's public record anyway and --

MR. DEAN: Right.

MR. LUBY: -- probably I'm only too familiar with it.

MR. DEAN: I just didn't want to have any dust up downstream.

MR. LUBY: I agree. I appreciate your sensitivities to my sensitivities.

MR. RISSETTO: Always.

MR. DEAN: With the AX code decision I would say it's the legal conclusions that were reached in that decision, which have become a fact or were a fact between the parties at the time.

MR. LUBY: Well, if you could send that to us, you can do that prior, and we'll send you the decisions that are not published to everybody, to all the parties, the decisions that are not published.

MR. DEAN: Agreed.

ARBITRATOR NICOLAU: David, I asked you at the beginning of the remedy phase whether you were

trying to re-litigate the liability phase and you said no. Now, you're not trying to do it now either, are you?

MR. DEAN: No, sir. We continue to believe there are very strong equities in this matter.

ARBITRATOR NICOLAU: Well, now, that's different in terms of the equities.

Harry, what about American's view on one of the elements I had mentioned if people are getting moved or delayed, longevity and pension plans?

MR. RISSETTO: Yeah, American's view is that, again, I think it's an exercise of arbitral discretion as to how the delay of people flowing up fit into the remedy that you're going to construct. I hate to answer that question in a vacuum without understanding the other pieces of the remedy.

ARBITRATOR NICOLAU: Okay. By the way, I had stated that I thought that I would not require an Eagle pilot to move to American if he or she didn't want to. Now, is there going to be a quarrel about that?

MR. KLOCKE: That was not our original

position, as you know.

ARBITRATOR NICOLAU: Right.

MR. KLOCKE: That is not the position that the MEC took in its resolutions, which I made a matter of record before you.

ARBITRATOR NICOLAU: Correct.

MR. KLOCKE: But I understand your ruling and I do not anticipate any further argument about it. It is a point we will address in our brief I'm sure, but there's no need for further evidence on it, sir.

ARBITRATOR NICOLAU: Well, are you saying you are still going to argue?

MR. KLOCKE: I think I'm compelled to argue.

ARBITRATOR NICOLAU: Fair enough. Fair enough. Fair enough.

I'd also asked if there was such a ruling, whether a hardship provision was still needed. I take it from the stipulation that the parties think that a hardship provision is needed.

MR. DEAN: No.

ARBITRATOR NICOLAU: No?

MR. RISSETTO: No.

ARBITRATOR NICOLAU: Well, no hardship provision, just the medical --

MR. DEAN: Right.

ARBITRATOR NICOLAU: -- determination that a person wants to but can't for medical reasons.

MR. RISSETTO: This is just a very narrow subset of the people that would have been entitled to flow up.

ARBITRATOR NICOLAU: So there's no need for a continuous procedure about hardships and so forth?

MR. KLOCKE: Only if you were to revisit or reconsider what you've announced previously. That and the hardships, of course, are in play, and we would implement that process that --

MR. LUBY: Can we take one minute?

MR. KLOCKE: -- was described in the resolutions.

ARBITRATOR NICOLAU: Sure.

(Brief recess.)

MR. KLOCKE: We want to clarify our response to your question about the issue of pilots being compelled to go. We understand your ruling and we

reserve our right to express our continuing disagreement. It's that straightforward. That's all.

ARBITRATOR NICOLAU: Thank you.

MR. LUBY: We understand it's a final and binding ruling on that issue, therefore, but we continue to disagree.

ARBITRATOR NICOLAU: Okay.

MR. DEAN: With that caveat, I'd like to clarify my response to your question on the issue of whether we are attempting to re-litigate your prior ruling. We recognize, we believe, you have the power to revisit that ruling should you choose to do so. We strongly disagree with the ruling for many of the reasons that we expressed in the context of our equity argument.

I would not want to waive any right to have you revisit that ruling if in your judgment that's warranted by the additional evidence that you've heard, but we did not understand you to have invited any challenge to that ruling or necessarily to be interested in permitting us to re-litigate that ruling and, therefore, we have chosen not to. But we also

continue to disagree with the prior ruling and we'll continue to urge that any remedy in this matter take account of the fact of what we've called the strong equities; that is, that the American pilots should not suffer as a result of a remedy granted to the Eagle pilots to in our view help them out because, in fact, September 11th greatly affected the plans and expectations of pilots across the aviation industry and we certainly recognize the extent to which the pilots of Eagle's expectations suffered as a result of the fact that American ceased growing after 9/11. And we embrace them as fellow pilots who we would like to see be able to advance their careers just as we want the American pilots to be able to advance their careers.

We continue to believe, though, that in terms of priorities, in terms of equities the American pilots should not suffer as a result of any of the decisions that were made that have led us to this proceeding, including the decision to recall LLC pilots pursuant to the provisions of Supplement CC, which we continue to believe was a good-faith

agreement that warranted the good-faith implementation that was given by both American and APA.

ARBITRATOR NICOLAU: The language recently used makes me feel as if we're in an arm's treaty negotiations here.

MR. LUBY: It was a little simpler from my perspective. I mean we recognize certain issues are closed, so we're not going to have a full-scale briefing on them. We may continue to express disagreement, but as I understand those issues from our side, the issue of whether people will be forced to go over and the issue of the original ruling are closed issues and, you know, if lightening struck and you wanted to revisit that, I would expect you would advise us. So in the meantime, then, I would expect we don't have to revisit them.

ARBITRATOR NICOLAU: Thank you, Arthur.

Mr. Gallagher, you haven't said a word.

MR. GALLAGHER: I'm in total agreement, Mr. Chairman, with everyone. I am reminded, however, the Former Secretary of State George Shultz was Secretary of Labor before he was Secretary of State

and he did remark that being Secretary of Labor was terrific preparation for being Secretary of State.

MR. LUBY: I will note from my memoir that Jack has stated he agrees with everything.

ARBITRATOR NICOLAU: Well, what do we want to do with what I call the basic question in terms of you just want to argue this in briefs? Have you got something to say either on or off the record about that issue?

MR. RISSETTO: George, there was a dinner last night of the principals, four people, one from each party, and perhaps, you know, to give you a little context, you know, they can describe whatever ideas came out of that dinner that may be relevant to how to proceed today.

MR. KLOCKE: I'd suggest that be off the record.

MR. RISSETTO: Okay.

ARBITRATOR NICOLAU: Well, is there a way that it can be taken down confidentially, I mean not be part of the public record?

MR. LUBY: We can agree to that.

MR. RISSETTO: Sure.

ARBITRATOR NICOLAU: Because, you know, it's a question of me taking notes and so forth and so on. Maybe I can simply do it on the computer, but --

MR. KLOCKE: No, if that benefits you in the decisional process, then that's fine with us.

I made the comment I made because I have the understanding that some of the people may have been speaking in a mediation like tone or setting, that they may have anticipated that their conversations were in the nature of potential settlement discussions.

ARBITRATOR NICOLAU: So how do you feel about that, David? I mean I'll go either way on the subject.

MR. DEAN: Right, I agree that we can close the public record, the record in this case, and then APA has no objection to proceeding then in a confidential matter in which there's a record kept by the court reporter to aid in the decisional process.

MR. GALLAGHER: And I would suggest in that vein that perhaps we should designate, once we close

the official record of the four parties, we should stipulate that at the arbitrator's request the reporter will remain to take notes for the arbitrator --

ARBITRATOR NICOLAU: For me.

MR. GALLAGHER: -- as the arbitrator's notetaker and even have her break the transcript and have that part of her services billed with the arbitrator's services. It may or may not be necessary to go that far, but basically whatever notes she takes from that point forward are the arbitrator's notes and not any record of the four parties.

MR. LUBY: Yeah, I really agree with that for the reasons --

ARBITRATOR NICOLAU: Harry?

MR. RISSETTO: Yes, I agree.

ARBITRATOR NICOLAU: David?

MR. DEAN: Agree.

ARBITRATOR NICOLAU: The record is closed on this matter and from now on the stenographer will take some notes for my benefit. There may be times I will ask her not to do that at all, but we'll proceed in

that fashion.

(Recess.)

ARBITRATOR NICOLAU: Gentlemen, let me make a suggestion as to further briefs. Extensive pre-hearing briefs setting forth your positions have been filed. I have carefully read those documents, all of which I have given my closest attention. I am now fully familiar with every one of the issues. As a result, I do not think additional briefs are necessary, particularly since it is to the interest of everyone that my award be issued sooner rather than later. So if I hear no objection, I assume we can proceed in that fashion.

(Pause.)

ARBITRATOR NICOLAU: Thank you.

(Whereupon, the arbitration was concluded at approximately 10:42 a.m.)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, SHARI R. BROUSSARD, the officer before whom the foregoing arbitration was taken, do hereby certify that the testimony appearing in the foregoing pages was taken by me in stenotypy and thereafter reduced to typewriting under my direction; that said transcription is a true record of the testimony given by said parties; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this arbitration was taken; and, further, that I am not a relative or employee of any counsel or attorney employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

SHARI R. BROUSSARD
Notary Public in and for the
District of Columbia

My commission expires:
July 14, 2010

EXHIBIT 8

APA comments 4/6

Outline 4.5.10

AA FLO 01-08

Outline of the 4-Party Understanding of Arbitrator Nicolau's Remedial Award

I. A block of 35 Eagle CAs with AA seniority numbers will be promptly offered, on a one-time basis, (app. June 2010) transfer to AA. Eagle Pilots must meet the criteria for employment at AA set out in SuppW/Letter 3. Eagle pilots who decline or are not qualified to transfer will receive no further relief (subject to the stipulation regarding medical and disability leave set out in the record of this proceeding.[1])

A. The pilots identified in Part I will come to AA and fill positions at AA as previous AE pilots have done so under Supp W/Letter 3 except that each will receive, when they begin work for AA, a compensatory

[1] **STIPULATION**

The parties agree that an American Eagle CJ Captain who is unable to flow to AA pursuant to Letter 3/Supp.W III.I when the opportunity is presented pursuant to a remedy in FLO 0108 because he does not have an FAA First Class Medical certificate, is on the long-term sick list, or the disability list does not forfeit the opportunity to flow at a future date subject to the termination provisions of the flow through procedures established in this proceeding. Such pilot shall, however, only receive a compensatory remedy, if any, based on the order in which that pilot eventually flows up to AA.

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remedy that includes adjustments based on an active service date at AA as of the date when each such pilot would have flowed up to AA under Arbitrator Nicolau's earlier award in this proceeding. [A list of the number of Eagle pilots who would have moved on each class date is enclosed as Attachment ___] The compensatory remedy includes

1. Adjusted length of service for pay purposes

2. Adjusted length of service for purposes of the waiting period and vesting under the A Plan, but not for the benefit formula.

3. Adjusted accrual of sick leave at AA (2.5 hours per month) corresponding to the adjustment in length of service.

4. Subject to tax limitations and final legal clearance, contributions to the B-Plan, based on the adjustment in length of service based on the pay rate of an S-80 FO on a 73 hour reserve schedule guarantee.

5. Rate of vacation accrual prospectively at AA will be based on the adjustment in length of service

B. If AA pilots are furloughed after the award and before January 1, 2011, up to 35 furloughees (the number of pilots in the initial AE block) will receive 2 months of additional furlough pay. Such pay shall be awarded beginning with the

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most senior pilot in each month of furloughs and then to each less senior pilot in that month, until the requisite number of pilots have received the additional furlough pay.

II. The next available vacancies at AA will be filled by February 28, 2010 AA furloughees (approximately 102). These furloughees will be recalled by AA in the sequence of their AA seniority numbers as vacancies occur after Part I is completed.

III. As vacancies occur after blocks 1 and II are completed a maximum of 209 additional positions in training classes at AA will be made available to AE Captains with AA seniority numbers. If qualified under Supp W, such pilots will come to AA as set out in I.A above, and will receive a compensatory remedy as set out in I.A above at that time.

The 244 AA pilot positions addressed in Parts I and III will be filled in AA seniority order from the pool of 286 AE Captains who are senior in AA seniority to the senior February 2010 furloughee at AA. All of these 286 will be required to elect in writing, within X days of this award, whether or not they want to transfer to AA pursuant to this Award. Those who decline to transfer will have no further rights under this Award or under Supp W/Letter 3.

Flow up will be pursuant to Letter 3/Supp W. [After parts 1-III are completed, future training classes will be filled in AA seniority order on the AA Pilot System

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Seniority List (includes Eagle Captains holding AA seniority numbers and AA furloughees).

IV. After Parts I-III are completed at least one out of two future new hire vacancies at AA will be filled by current AE pilots who hold CA positions at Eagle when the vacancy occurs. The pilots must meet the eligibility requirements of Supp W/Letter 3. Eagle shall make its best efforts to release all such pilots in a timely manner, but shall not be required to release more than 20 such pilots per month. In such event, AA may fill the class with new hires.

V. This hiring preference will terminate when 800 positions are offered to AE CAs. AA Seniority shall be established as of the date the pilot begins work for AA.

VI. The Green Book recall rights of AA pilots on deferred recall or medical/disability leaves will not be diminished by the procedures in Parts II, III, IV & V above. Pilots on military leave will have reinstatement rights provided by law and the Green Book.

VII. The terms set forth in this Award constitute complete resolution of all issues raised by this grievance. The only remedies available to any pilot pursuant to this grievance are the remedies expressly set forth herein.

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Comment [D1]: APA understood that the Arbitrator in this award would order AE, AA and ALPA to reach agreement(s) on this issue, which would be embodied in separate documents, unless the parties were unable to reach agreement and had to again invoke his jurisdiction.

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EXHIBIT 9

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Steven K. Hoffman
Judith A. Scott
Kathy L. Krieger
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Emilie S. Kraft
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Darin M. Dalmat
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May 24, 2010

VIA E-MAIL

Arbitrator George Nicolau
240 E. 39th St., Suite 34G
New York, NY 10016
GNicolau@aol.com

Regarding: FLO-0108 Remedy

Dear Arbitrator Nicolau:

The APA hereby responds to ALPA's May 21, 2010, requests that transferring AE pilots (1) be given early access to the AA system vacancy bid, rather than the bids normally available to the recall training classes; (2) be given credit for health care deductibles and co-pays at AE upon transferring; (3) be given access to carrier records regarding the prior transfer of sick balances; and that (4) you change your decision so that the transfer decision of any pilot beyond the initial 244 becomes revocable.

As explained below, APA objects in the strongest possible terms to the first request, does not take a position on the second and third requests, and opposes the fourth request.

1. The Rights of AE Pilots to Bid for their Initial Assignments

The process agreed to by the parties in the context of the remedy Award requires that all the flowthroughs be awarded positions, based on their seniority, after the vacancy award has been completed, along with the other members of their training class.

The issue of whether the transferring AE pilots would have access to the regular vacancy bid process, or whether they would be treated as other new hires, was specifically discussed by the parties during the mediated discussions leading to the Award, and that discussion is presumably available from the Arbitrator's notes. AA proposed giving the transferring AE pilots access to the vacancy bid run. APA objected and AA withdrew the proposal. APA clearly understood that the intent of the Arbitrator's Award was that AE pilots would not be given special, new rights during this transfer except for those enumerated in the award. Giving AE pilots access to the regular vacancy bid, rather than the bid normally available to pilots in the recall classes, would be such a new right.

No transferring AE pilot under Supplement W has ever been accorded bidding rights superior to an existing AA pilot, and yet that is exactly what ALPA is requesting here. Prior AE transferees under Supp. W came up in real new hire classes, not as part of the recall process. Any access to the regular vacancy bid process that such a pilot might have had (1) was unknown to APA; and (2) did not prejudice any existing AA pilot, since the transferees were senior to the remaining members of the new hire classes, who, in turn, had no other contractual bidding rights. The situation now is dramatically different.

In the recall process, pilots who are senior to the AE pilots, but who earlier deferred recall, may elect to become part of the recall class. Under the current basic agreement, those pilots do not participate in the regular vacancy bid, but rather bid with the rest of the recalled pilots on the vacancies remaining after the regular vacancy bid is complete. Giving transferring AE pilots access to the regular vacancy bid process would allow them to cherry pick bids ahead of these more senior pilots. In addition, some recalled pilots have "reinstatement rights" to the positions from which they were furloughed. These reinstatement rights afford them the opportunity to return to the work locations where, in many instances, they live. Giving transferring pilots access to any such vacancies before other pilots in the recall training class who have such reinstatement rights would violate the basic agreement and operate to the severe prejudice of those recalled pilots.

In short, it cannot have been the Arbitrator's intent to give transferring AE pilots rights that transferring AE pilots have never had before, which violate the AA-APA basic agreement, and which prejudice more senior AA pilots and recalled pilots with reinstatement rights.

2. Credit for Health Care Deductibles and Co-Pays

The APA takes no position on this issue.

3. Carrier verification of Sick Bank

The APA takes no position on this issue.

4. Pilots from 245 through 286.

The April 9, 2010, Opinion and Award clearly states that the choice to flow through for the first 286 pilots will be irrevocable:

> As stated in the foregoing Opinion, American Airlines shall offer to the 286 most senior Eagle CJ Captains holding AA seniority numbers the opportunity to elect to flow-up to American. Said election, which is to be made after said Captains are advised of the remedial components set forth herein, shall be irrevocable, and shall be made no later than May 24, 2010.

Opinion and Award at 18.

The body of the Opinion made clear that the reason for the irrevocable nature of the choice was to achieve finality:

> Though the opportunity to transfer to American may not occur for some time, dependent as it is on the health of the airline and the compelling equities in this case, I have decided to make the choice irrevocable rather than allowing an affected pilot to choose one option and later choose another. Supp W/Letter 3 has expired and finality, in my judgment, is to the interest of all.

Opinon and Award at 13.

From the perspective of the APA pilots, finality was important because it allowed APA pilots to understand their own place on the AA seniority list. As the Arbitrator is well aware, the APA fundamentally disagrees with the Award in this case. Former TWA pilots were not "new hires" in any meaningful sense, and yet their recall rights have been subordinated to AE pilots under Supp. W, who, as Arbitrator LaRocco found, were never intended under Supplement W to participate in the recall process. Every AE pilot who transfers early to AA, before real new hiring begins, does so to the express disadvantage of hundreds of both former TWA pilots and the legacy AA pilots at the bottom of the AA list, all of whom remain on the street. This result was never intended, nor expected, by any AA pilot, however he came to AA.

The finality that comes with an irrevocable decision by AE pilots would restore some stability to a system whose rules, from their perspective, are simply being rewritten for the benefit of pilots whose careers were no more impacted by 9/11 than theirs, and who are generally 10 or 15 years earlier in their career progression overall.

Sincerely,

David P. Dean

Cc: Harry Rissetto
Wayne Klocke
Jack Gallagher

EXHIBIT 10

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Morgan Lewis
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Harry A. Rissetto
Senior Counsel
202.739.5130
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May 24, 2010

VIA EMAIL

Arbitrator George Nicolau
240 E. 39th Street
Suite 34 G
New York, NY 10016

Re: FLO-0108 Remedy

Dear Arbitrator Nicolau:

This letter presents American Airlines responses to the four questions raised by the Air Line Pilots Association dated May 21, 2010.

1. What Are the Rights of AE Pilots to Bid for their Initial Assignments.

It is AA's position that the process agreed to by the parties, and reflected in Arbitrator Nicolau's Award, requires all pilots (new hires, recalls and flow-ups) to be awarded positions in seniority order *after* the vacancy award has been completed. In fact, at one time during the remedy discussions, AA proffered the idea of allowing the flowthrough pilots to exercise their seniority during the vacancy run. That idea was rejected by at least one of the parties, leaving everyone believing the flowthrough pilots would be awarded positions after the vacancy run was completed. However, AA is agreeable, on a one-time, non-precedent basis, to allow the initial 35 AE pilots scheduled to begin training at AA to bid and be

awarded vacancies within the bid process because there are no other AA pilots involved in that particular training class.

AA recognizes that the AE pilots who flowed-up to AA in 2000 and 2001 participated in the bid for available bid status vacancies with active pilots. However those bids occurred in the context of a bid in which no furloughed or deferred-recall pilots were also participating, only new hire pilots with no AA seniority at all. That will not be the case with respect to bids taking place after the first 35 AE pilots transfer to AA. We will have more senior pilots being recalled from furlough mixed in with the AE flowthrough pilots in each training class. Under the terms of the AA-APA Green Book furloughees and deferred-recall pilots only bid vacancies that remain after the active pilots have already bid. It would be inequitable to permit the AE pilots (after the first 35) to bid before these AA pilots submit bids, particularly because some of the latter group may have more AA seniority than the AE pilots. If a process that allows flowthroughs the ability to bid for jobs while more senior recall pilots have to wait for the leftover vacancies is permitted, it will result in an abrogation of seniority between the two groups of pilots. We don't believe the Award intended for an unfair advantage to be gained by the AE pilots over the recalled AA pilots.

2. Should AE Pilots Receive Credit for their Health Deductibles and Co-Pays Upon Transfer to AA.

In 2009, there was a separation of medical plans between AA and AE. The two entities now have different vendors, deductibles, Plans, etc. from what prevailed in 2001 and 2002 when both pilot groups were covered by the same Medical Plan and vendor; therefore it will be extremely difficult legally and administratively to follow the same practice regarding medical deductibles that was in place back then. As a result of the material changes in the AA and AE Plans from 2001 to the present, it is AA's position that the transferring pilots should enter the AA health care plan in the same manner as newly hired pilots, i.e., no reimbursement of deductibles — they start over under the terms of the AA Plan they elect. In addition, the material submitted by ALPA about the 2000-2001 practice applicable to AE flow-up pilots makes no mention of crediting those pilots at AA for co-pays previously

made at AE under the then combined AE-AA plan, nor is there any record that this was ever done. Furthermore, there is no rational basis for doing so.

3. Must the Carriers Provide Verification of Whether AE Pilots' Entire Sick Bank Balances Transferred and Process the Current Transfer in the Same Fashion.

Pursuant to the terms of the Award, AA intends to carry over an AE pilot's regular Sick Bank Credit and in addition credit the AA greater sick bank credit (2 ½ hrs per month), as applicable, that the pilots would have received at AA beginning on the date the pilot would have transferred. However, the Supplemental Sick Program at AE was not transferred to AA. AA has records that show Supplemental Sick Bank at AE was not brought to AA in 2001/2002. Since it was deemed to be a long term disability plan, and there was already a pilot disability plan at AA, that time was not brought over. The sick bank and supplemental sick bank were two separate and distinct entities. This holds true today, therefore, no carryover or other AE supplemental sick credit should be given.

In addition, the AA activity records for pilot Watson, a 2001 flow-up AE (attached to this letter), reflect that on his arrival at AA in June 2001 he carried no sick time, but by the end of July 2001, his 271.49 hours of regular sick time he had accrued at AE (converted to days at AA at a rate of 3.4 hours/day) had been deposited in his sick bank. However, the 150 hours Mr. Watson had in his Supplemental Sick Bank at AE was not carried over. This holds true for all AE flowthroughs who transferred to AA back in 2000/2001.

4. Irrevocable Bids of Pilots 245 through 286.

It is AA's position that the first paragraph of the Award clearly states that the first 286 most senior Eagle CJ Captains will make an "irrevocable" decision whether to elect transfer to AA. The pilots at the bottom of the group of 286 will have to make their decision taking into account any number of uncertain factors, e.g. AA's future rate of hiring; relative wage adjustments at the two carriers, the number of AA furloughees and deferred recall furloughees who will accept reinstatement to AA.

The likelihood of being included on the list of 244 transferring pilots is just another uncertainty and should not give rise to an opportunity to opt out of a bid. This last group will be ultimately moving to AA with considerable AA occupational seniority, and AE accrued benefit credits, considerations that counterbalance the uncertainty about receiving compensation and benefit credit.

Sincerely,

Harry A. Rissetto

Harry A. Rissetto

Enclosures

cc: Wayne M. Klocke, Esq.
David P. Dean, Esq.
John J. Gallagher, Esq.
Michelle Peak, Esq.
Intra Germanis, Esq.

EXHIBIT 11

Board of Directors
Allied Pilots Association
14600 Trinity Blvd
Suite 500
Fort Worth
TX 76155-2512

May 13, 2013

Re: Disparate Compensation for Equal Bid Status and Improper Equity Distribution Calculations.

The APA Officers and Board of Directors,

The undersigned represent a class of pilots, all former American Eagle pilots, who transferred to American Airlines under the provisions of Supplement W of the Pilot Agreement.

Each and every pilot in the above class suffers continual financial harm due to the disparity between the pilot's occupational seniority date and the pilot's classification seniority date. This seniority date disparity ranges from ten years to thirteen years or more, the consequence of which is a compensation inequality when compared to fellow American Airlines pilots of comparable occupational seniority and status. The compensation inequality is in the order of sixteen thousand five hundred dollars ($16,500.00) per year or more.

The pilots subjected to this new "B-Scale" can reach only one conclusion as to why this compensation inequality has not been corrected over the past three years during which accelerated negotiations have occurred between American Airlines and the Allied Pilots Association. That conclusion is the willful neglect and failure of the Allied Pilots Association to represent all American Airlines pilots in a non-discriminatory, fair and equitable manner.

The asset acquisition of TWA resulted in the placement of more than two thousand pilots on the American Airlines Pilot System Seniority List. Each and every former TWA pilot's classification date for compensation purposes is based on the pilot's TWA Date of Hire, even though many of the former TWA pilots were furloughed directly from TWA LLC and never attended training at American Airlines until years after being placed on the AA Pilot System Seniority List.

Former American Eagle pilots transferred to American Airlines, under the provisions of Supplement W, are treated inversely, for compensation purposes, compared to the TWA pilots acquired in 2001, despite the fact that the former AE pilots had been working for the AMR Corporation for decades prior to making the transfer from American Eagle Airlines to American Airlines.

AA Seniority Number	Pilot Origin	Occupational Date	Classification Date
7436	**American Eagle**	7.28.2000	4.2.2008
8432	**TWA**	6.10.2001	3.20.1989

In the example above the former American Eagle pilot with an AA occupational seniority date of 7.28.2000 is paid less (7 year difference) than a former TWA pilot with an AA occupational seniority date of 6.10.2001, even though the former American Eagle pilot is more senior than the TWA pilot by approximately a thousand seniority numbers.

The compensation disparity, outlined above, suffered by the former American Eagle pilots will be further exacerbated by the merger of US Airways and American Airlines. US Airways pilots will receive significant pay increases when the JCBA is implemented. Irrespective of the method of seniority integration adopted in the merger, the American Airlines pilots who were former American Eagle pilots, will once again be compensated at a lower rate (longevity pay step) than US Airways pilots with equal seniority and status. This is antithetical to the principle of seniority and thus must be redressed by the APA.

To compound the compensation harm to the former American Eagle pilots, the dates and methodology used to calculate the Equity Distribution Pension Calculation Silo and the Compensation/Lump Sum/Retiree Medical Years of Service Silo are erroneous to the point of appearing to be purposefully discriminatory.

The Allied Pilots Association has previously asserted that it is not justifiable to compensate certain pilots significantly less than other pilots when the pilots have the same status and perform equal work. The precedent for this precept was established in the negotiations to eliminate the inequities of the previous B-Scale.

Thus the undersigned pilots, commonly known and formerly classified on the AA seniority list as *AE Flow-thru* pilots request that, in the upcoming "seniority integration" process, the classification date for such *Flow-thru* pilots be adjusted to be concurrent with the pilot's occupational seniority date so as to correct the continuous compensation inequity experienced by these pilots.

Notwithstanding the above, the Equity Distribution calculations must be corrected immediately, if the Allied Pilots Association wishes to avoid the accusation that it is actively engaged in a concerted campaign to disadvantage the former American Eagle pilots.

Sincerely,

Vincent Basset
Employee # 373398

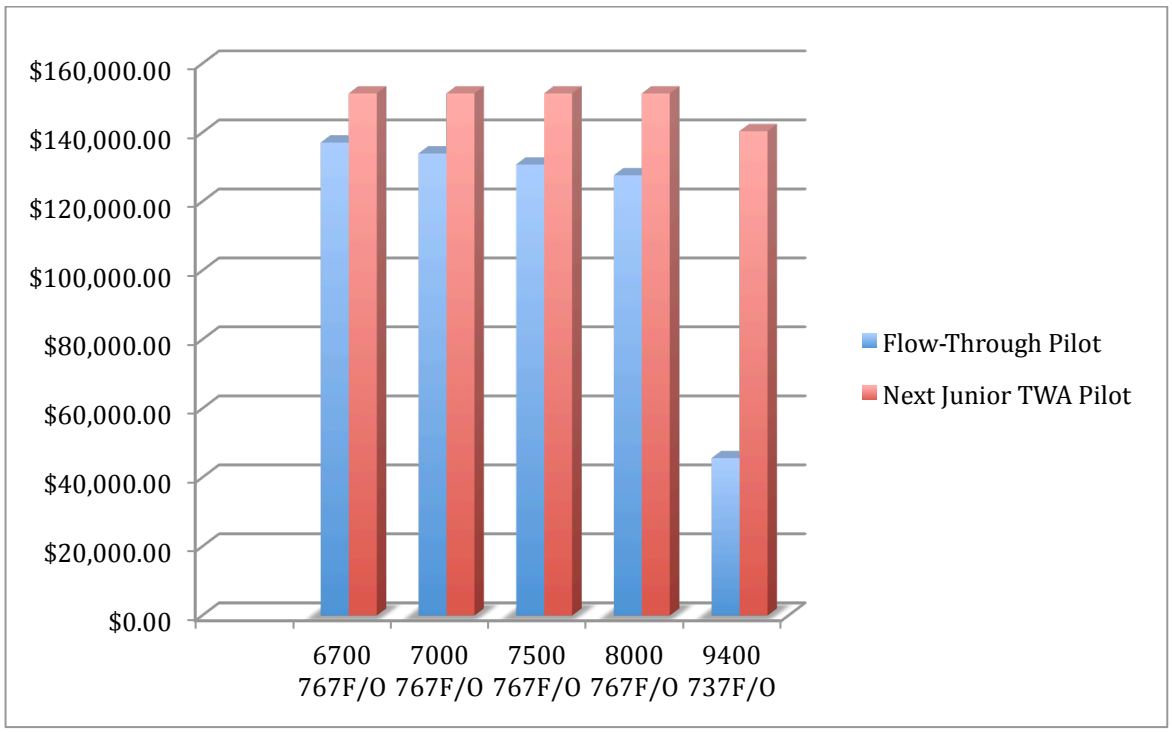
Mark Burnett
Employee # 373354

Gregory Cordes
Employee # 146514

Robert E. Walsh III
Employee # 587848

cc. APA Negotiating Committee
APA Membership Committee

EXHIBIT 12



AA Flow-through Pilot annual pay compared to next junior former TWA Pilot.

Seniority 6,700	$14,239 Less
Seniority 7,000	$17,431 Less
Seniority 7,500	$20,600 Less
Seniority 8,000	$23,723 Less
Seniority 9,400	$94,791 Less

November 5, 2013

Dear APA BOD member,

There is currently a pay inequity occurring on the AA property that is even more insidious and unfair than the previous B scale, which the APA vigorously fought to eliminate in the negotiations leading up to and following the1997 strike; a strike which resulted in a Presidential Emergency Board.

This de-facto B scale affects the 365 pilots who have transferred to AA under the terms of **Supplement W** of the AA/APA Collective Bargaining Agreement.

The above 365 Flow-through pilots do not include the 824 American Eagle pilots that may have new-hire preferential hiring rights under some other agreement made subsequent to the expiration of Supplement W.

The chart above graphically depicts the annual pay differential between Flow-through pilots currently working at AA, and the next former TWA pilot junior to them on the AA

seniority list, for doing the same job, flying the same equipment. It is computed based on the 1/1/2014 pay rates and the 14% company retirement contribution.

A Flow-Through pilot in the 6,700 seniority number range makes **$14,239 less** annually than pilots of equal seniority, a pilot with a number in the 7,000 range makes **$17,431 less**, in the 7,500 range makes **$20,600 less**, and a pilot with a number in the 8,000 range makes **$23,723 less** than pilots junior to him. The difference in pay becomes exponentially greater in the 9,400 range when a Flow-through pilot who comes over on probation pay is paid **$94,791 less** than the pilots he should have been paired in class with if Supplement W had been allowed to function properly and these pilots assigned to class at the required 1 to 2 ratio with the de-facto new-hire TWA pilots[1].

While it is fair that the TWA pilots be granted LOS for the time spent on furlough, if this occurs the pay disparity between the Flow-through pilots and the TWA pilots becomes even greater.

Supplement W was a Four Party **Agreement** between APA, AA, Eagle, and ALPA-Eagle. Under Supplement W the AE Flow-through pilots were placed on the AA Seniority List when they completed IOE on the RJ. The 4 Party Agreement required that the Flow-through pilots be withheld at AE for 2 years to repay their RJ transition training cost to the corporation. When the Flow-through pilots eventually transferred to AA, after being withheld, they were placed into AA training classes with new-hire pilots off the street, even though they had already been on the AA Pilot Seniority List for a minimum of 2 years. Although Supplement W allows that, "length of service for pay purposes…. will be based on the date such pilot is entered on the AA payroll", which sounds simple enough, as a result of the TWA purchase, the actual withholding incurred by the Flow-through pilots averaged 10 years, much longer than the 2 years contemplated in Supplement W.

Had this extended withholding of 10 years not occurred, and even with the built-in two-year withholding period before transferring to AA, all of the Flow-through pilots would now be at the 12th year pay step at AA.

The AA purchase of TWA resulted in AA and APA negotiating Supplement CC. Supplement CC contained language that amounted to substantial and material changes in the function of Supplement W, however, the AE pilots, with the concurrence of the APA were denied a seat at the table for the Supplement CC negotiations, and as such never agreed to the sweeping changes to the function of the four-party Supplement W agreement that were incorporated in Supplement CC.

---

[1] LaRocco,-FLO-0903 stated "(TWA) Pilots who did not commence active employment at AA in conjunction with merger are equivalent to new hires…"

[2] Both pilot groups, the TWA LLC pilots, and the Flow-through pilots, held the same status, which was that both groups held AA pilot seniority numbers but neither group had transferred to AA. In FLO-0108 as well as several other arbitrations, FLO-0903 for example, APA was overtly working to benefit the former TWA

After purchasing TWA, AA was forced to furlough, and more then 500 pilots, including hundreds of former TWA pilots that had never even worked at AA or AMR before, "flowed back" to American Eagle, some for as long as 12 years, taking the highest paying AE jet Captain jobs paid at the Eagle 18 year LOS pay scale. The "flow-back" collectively cost American Eagle pilots millions in direct financial harm.

When AA resumed training classes in 2007, even though the American Eagle pilots had the AA seniority to be placed in those classes, more junior TWA pilots were placed into those training classes ahead of the more senior American Eagle pilots, in violation of Supplement W, this with the concurrence of APA. APA defended its preferential treatment of the former TWA pilots at the expense of the AE Flow-through pilots in several arbitrations[2], culminating in an arbitration opinion and award that found that the AE pilots' AA seniority rights had been violated. The APA was a party to this violation.

Through multiple arbitrations, during which the APA overtly represented the former TWA pilots to the detriment of the Flow-through pilots, APA abandoned the basic requirement of the "1 out of every 2 new hire positions", of Supplement W. To remedy the violation a further 154 AE pilots were ordered to be placed on the AA Pilots Seniority List.

The continued violation of Supplement W, including the wrongful withholding, resulted in the American Eagle pilots losing pension credited years of service at AA for which they have never been made whole, causing additional financial harm to these pilots.

There is no objection to the former TWA pilots accruing YOS at AA for their time at TWA. The fact of the matter is that a Flow-through pilot with a 7,000 seniority number has been working at AMR for 27 years and is on 5th year pay, while the next junior TWA pilot has been at AA only 5 years, and is on 12th year pay. In fact, the Flow-through pilot started working for AMR many years before his TWA counterpart even started working at TWA.

To remain consistent, Flow-through pilots should have their time at American Eagle count toward LOS at AA just as pilots transferred from other airlines.

Conclusion – Most of the Flow-through pilots are paid at a significantly lower rate for doing the same job at AA than other pilots of equal seniority. Additionally, in contrast to pilots that have transferred to AA from other airlines, who were given credit for their length of service at those carriers, none of the Flow-through pilots have been issued LOS credit for their time served working for AMR, in support of American Airlines, at American Eagle.

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[2] Both pilot groups, the TWA LLC pilots, and the Flow-through pilots, held the same status, which was that both groups held AA pilot seniority numbers but neither group had transferred to AA. In FLO-0108 as well as several other arbitrations, FLO-0903 for example, APA was overtly working to benefit the former TWA pilots at the expense of the Flow-through pilots by attempting to eliminate, and/or delay the transfer of the Flow-through pilots to AA.

What is indefensible, in its efforts to benefit the former TWA Pilots at the expense of the Flow-through Pilots, the APA engaged in multiple negotiations in an attempt to delay or eliminate the transfer of Flow-through Pilots to AA. The delays caused by the APA's actions have resulted in significant financial harm to this group of 365 AA pilots.

The anticipated merger and planned JCBA negotiations will afford the APA a window of opportunity to ameliorate the continuing harm going forward by the APA negotiating to have the Flow-through pilots LOS brought to parity with fellow AA pilots.

Greg Cordes

AA Flow-Thru Pilots Coalition

EXHIBIT 13

Dear APA BOD Member,

I am an AA pilot, having started with AMR / American Eagle approximately 25 years ago and was issued my AA seniority number about 6 years ago. I transferred over to AA last year, but would have been here years earlier had the Supplement W, "1 AE pilot out of every 2 new hire pilot" contractual requirements been complied with.

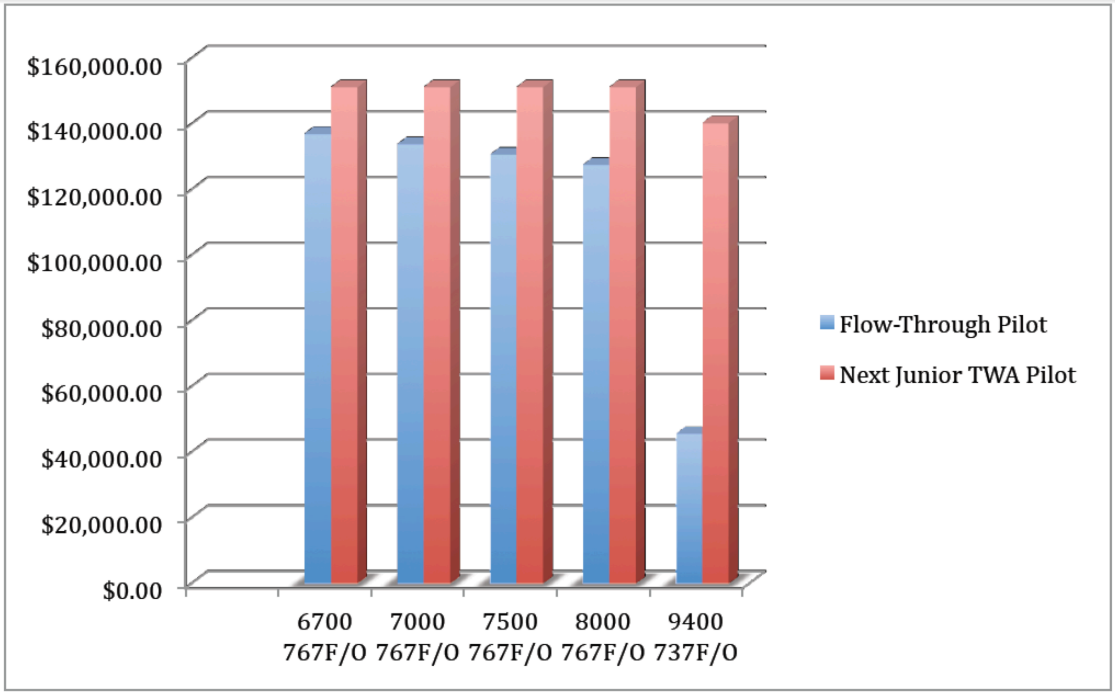
I am currently on the 1st – 2nd year pay step at AA, while pilots from TWA and soon to be USAir, that started at their respective carriers 10 years or more after I was already working under AMR, are on the 12th year pay step.

I cannot understand why the APA has chosen to negotiate for LOS pay starting from date of hire for pilots that have come to AA from other airlines, yet the BOD has refused to do the same for those pilots who have come to AA from American Eagle. This discriminatory treatment has gone so far now, that your BOD has even decided to negotiate for restoring LOS for time spent on furlough for TWA / AA pilots. In doing so, you and the board have decided that I, as a Flow-through pilot shall be singled out to be on an extremely unfair and unjustifiable B-Scale for the next 11 years.

I don't buy the argument that some reps have made that, "the terms of the expired Supplement W precludes Flow-through Pilot's LOS being computed the same as other AA pilots." The fact is that APA has successfully negotiated length of service in the past for many other pilot groups coming to AA, including furloughees, even though this LOS credit was specifically not granted under the contract. The truth is that APA has chosen not to represent me because I am a Flow-through Pilot.

I am therefore extremely disappointed in the lack of support and representation that I have received from the APA and the false excuses as to why it refuses to perform its most basic duty, ensuring it's members are paid fairly and equitably. I have the right and the expectation, to be treated on an equal basis with the other AA pilots.

I would sincerely appreciate it if the you and the rest of the BOD would step up and start doing what a pilot union is supposed to do, and represent your members, <u>including</u> the Flow-through Pilots.



AA Flow-through Pilot annual pay compared to next junior former TWA Pilot.

Seniority 6,700	$14,239 Less
Seniority 7,000	$17,431 Less
Seniority 7,500	$20,600 Less
Seniority 8,000	$23,723 Less
Seniority 9,400	$94,791 Less

EXHIBIT 14

September 16, 2014

F/O Greg Cordes
AA Flow-Thru Pilots Coalition
info@aaflowthrupilots.org

Allied Pilots Association BOD
14600 Trinity Blvd, Suite 500
Fort Worth TX 76155

Re: Pay Parity for AA Pilots that transferred to AA from American Eagle Airlines via Supplement W of the AA / APA Collective Agreement

Dear APA BOD member,

IF NOT NOW – WHEN?

A bit of history

11/8/2001 AA / TWA Merger

1st time Pay Parity Language for Flow-Through Pilots should have been included in merger agreement, but instead:

AA / TWA Supplement CC negotiated and signed. Material changes made to the function of Supplement W, that should have been with ALPA EGL's agreement. Instead Supp. CC terms were imposed. 400+ TWA Flow-back pilots (far more pilots than have ever flowed-through to AA), who had never even worked for AA, came to AE taking the highest-paying CRJ Captain slots. APA ensures, even though it is not part of Supplement W, that these TWA pilots are paid at the 18-year Captain pay scale. Hundreds of AE pilots are displaced, downgraded, furloughed, many going bankrupt. TWA Flow-back pilots are granted full LOS at AA for all time spent at TWA and American Eagle. Flow-Through pilots are then delayed in transfer for 10 years or more as AA has to work through assimilating TWA pilots minus their former aircraft and routes that were shed. Despite having more than 20 years with AMR Flow-Through Pilots now lowest paid pilots on AA property, many paid much less than TWA pilots who are far junior to them.

12/29/2012 – AA/ USAir Merger

2nd time Pay Parity Language for Flow-Through Pilots should have been included in merger agreement, but instead:

AA / USAir MOU negotiated and signed. USAir pilots given full LOS for time spent at USAir and other carriers that they transferred from, and receive 35% pay raises. No mention of FTP pay parity, even though all of the FTPs started at AMR more than 20 years prior, and transferred from their former carrier to AA as well. The FTPs now on 2nd-7th year pay while pilots hired at America West or USAir, years after many Flow-through pilots already had AA seniority numbers, are on 12th year pay.

Fall 2014 – The Joint Collective Bargaining Agreement Negotiations.

This is the last chance that Pay Parity for Flow-Through Pilots can be meaningfully included and achieved. Anything else will be too little, too late. The APA has demanded and secured LOS for every other pilot group that has ever transferred to AA from any other airline and they have the opportunity to do so now for the AA Flow-Through Pilots.

Years ago my father worked alongside Capt. Nick O'Connell in founding the APA. I remember him spending countless hours on union work. He said to me later, as I was involved in union work for the ALPA, that as a union representative it was always important to do the ethical and right thing, even if it did not serve you at that time. The APA is faced with one of those decisions now.

One of a labor union's most basic functions is to ensure their members are paid fairly and equitably. The BOD, is at a critical juncture, where they must now either rigorously pursue securing pay parity for the AA Flow-Through Pilots, or forever face the fact that under their charge, they allowed a once great pilot union to intentionally fail to represent their fellow AA Pilots even when their duty as elected APA representatives clearly mandated that they should have.

Now is the time for the APA BOD to do the right thing.

Sincerely

FO Greg Cordes
AA Flow-Thru Pilots Coalition

EXHIBIT 15

October 2, 2014

AA Flow-Thru Pilots Coalition
info@aaflowthrupilots.org

Allied Pilots Association BOD
14600 Trinity Blvd, Suite 500
Fort Worth TX 76155

Dear APA BOD Member,

It's human nature when a person sees that another is angry toward them, for that person to be angry and combative in return. I am certain it has been said that the AA Flow-Through pilots are angry and demanding, and that if they want something they should ask nicely. In fact the BOD has now taken the position that they will not even talk to these members about their desires to be paid the same as other AA pilots. It is time to get over it, and look at the big picture of what is happening here.

The question begs, why does the AA Flow-Thru Pilots Coalition exist? More succinctly, why would a group of AA pilots / APA members, feel that they need to spend their hard earned money to be heard by, and even worse, to defend themselves from, their own pilot union?

Remember these are pilots who were excited to be AA pilots, and who were looking forward to being APA members. Most were already AA seniority number holding, had satisfied all AMR withholding requirements, and were simply awaiting an AA training class, which they were to be the first pilots to fill.

Then came the TWA acquisition, and then furloughs from TWA LLC. These TWA Pilots, some of which became APA members, were upset that some of the Flow-Through Pilots were senior to them.

The stage was set. So in light of its moral and legal obligations to fairly represent the pilots on the AA seniority list, what did the APA do?

The APA "opened fire" on the Flow-Through Pilots.

In one arbitration after another, and one argument after another, the APA took the position that the Flow-Through Pilots should not be allowed to transfer to AA until when, and if, all junior TWA pilots had transferred to AA, even going so far as to argue that the Flow-Through Pilots should be stripped of their AA seniority altogether, and never be allowed to transfer to AA at all.

While the Flow-Through Pilots emerged from these multiple attacks still holding their AA seniority numbers, they were seriously harmed by the APA's actions. They lost years of AA pay longevity, millions in A-plan benefits, and some were even totally excluded from any bankruptcy payout from either AE or AA.

Don't take my word for it. Below is a synopsis of 6 arbitrations and what each of the arbitrators described as the APA's position in these hearings. If you want to go one step further, links to each one of the unabridged arbitrators awards are available at:
http://www.aaflowthrupilots.org/documents.html

FLO-0903 Effect of Addition of Former TWA Pilots on Function of Letter 3 / Supp. W
Arbitrator John B. LaRocco – Award May 11, 2007
APA argued that since Letter 3 / Supp. W never contemplated a merger and that former TWA pilots supposedly never derived any benefit from the agreement, (no mention of the flow-backs) that all TWA pilots should be placed ahead of any flow-through pilot on the AA seniority list and all TWA pilots be allowed to transfer to AA before any Flow-through pilot transfers.

FLO-0903 Supplemental Opinion and Award on Remedy
Arbitrator John B. LaRocco – Award October 20, 2008
In his FLO-0903 award, Arbitrator LaRocco ruled that the pilots that were furloughed directly from TWA LLC were de-facto new hire pilots for the purposes of Supp. W and therefore when they were allowed to attend AA class it should trigger the "1 out of 2" seniority positions being offered to AE pilots as well as allow AE pilots waiting for a new hire class to transfer to AA.
APA then argued that "1 out of 2" actually meant that only 1out of 3 new hire positions should go to Flow-Through pilots. Additionally APA argued that, contrary to the language of Letter 3 in which AE pilots were supposed to receive the lowest seniority numbers in the class, precedent dictated that the AE pilots be given the most junior seniority numbers in each class. APA then argued that a remedy adhering to the language of Letter 3 which would result in retroactive issuance of proper AA seniority numbers to Flow-through pilots, should not be ordered because it would, "likely create a great deal of conflict and angst" amongst the other AA pilots.

FLO-0107 Effect of Expiration of Letter 3 / Supplement W
Arbitrator Richard Bloch – Award June 30 2008
APA argued that upon expiration of Letter 3 that all AA seniority numbers and transfer rights of Flow-through pilots that had not yet transferred to AA should be forfeited, and these pilots never be allowed to flow-through to AA.

FLO-0108 Flow-through Pilots Wrongfully Withheld from Transfer to AA
Arbitrator George Nicolau – Award October 18, 2009
In FLO-0903 it was ruled that certain former TWA pilots were new hire pilots for the purposes of Letter 3, and therefore seniority number holding Flow-Through pilots had priority in filling AA classes ahead of them. With the concurrence of APA, the TWA pilots were improperly allowed to enter AA classes instead of Flow-Through pilots, and in the ensuing arbitration APA argues once again that TWA pilots should have priority over any Flow-Through pilot transferring to AA.

FLO-0108 Supplemental Remedy Award
Arbitrator George Nicolau – Award April 9, 2010
Despite 2 decisions stating that Flow-through pilots should have been in classes starting in June 6, 2007 that were instead filled with former TWA pilots, APA argues that that an additional 154 junior pilots should be allowed to transfer to AA ahead of any Flow-through pilots. APA then presented off-the-record evidence to Arbitrator Nicholau that influenced the remedy he provided. The remedy Nicolau made was adverse to the interests of the FTP's and favored the interests of the TWA pilots.

Equity Distribution Challenge
Arbitrator Stephen Goldberg – Award October 15, 2013
It was APA's direct actions that caused the Flow-through pilots to be wrongfully withheld from AA classes, thereby resulting in their pension years-of-service credit and their Pension Silo calculation to be unfairly reduced. Despite that, APA, argued that the TWA Pilots were eligible for pension credit during the time that they were at TWA, yet Flow-through Pilots were subject to Supp. W and the FLO-0108 Remedy decision, and therefore should not start their A fund credit until they were actually on the AA property, even if that date was improperly delayed by the Flow-through pilots being wrongfully withheld from transfer.

To this date, the APA is still refusing to negotiate for the Flow-Through pilots to be paid in the same manner as other pilots that have transferred to AA from other airlines, despite doing so for every other pilot group on the property, including furloughees.

Let me ask you another question to help answer the first one. If you were a Flow-Through Pilot, how would you feel about the "representation" that you have received so far from the APA?

Gentlemen, as APA leaders you have the power to change the course, from forcing these pilots to set up their own representational entities, to bringing these fellow AA Pilots back to the APA as supportive, contributing, and equally represented members.

Sincerely,

Greg Cordes
AA Flow-Thru Pilots Coalition

EXHIBIT 16

January 9, 2015

AA Flow-Thru Pilots Coalition
P.O. Box 466
Morro Bay, CA 93442
info@aaflowthrupilots.org

BY EMAIL AND CERTIFIED MAIL

Mr. Scott Kirby
President AAG
P.O. Box 619616, MD 5675
DFW Airport, TX 75261-9616

Scott.Kirby@aa.com

Re: Notice of Discriminatory Pay Practice - Supplement W Pilots

Dear Mr. Kirby,

I am writing to you on behalf of the approximately 510 Pilots[1] on the AA seniority list who transferred from American Eagle Airlines to American Airlines under Supplement W of the AA / APA CBA, also known as the Flow-Through Agreement.

While these Flow-Through pilots are supposed to be fairly represented by the APA with respect to all issues, including pay equality, there has been a long history of the APA not only refusing to equally represent and negotiate for these pilots, but attempting to harm them relative to the other pilots on the AA list.

Most recently, the APA negotiated for Length of Service Credit for furloughees while it was fully aware that an egregious pay inequality already existed on the property with respect to the Flow-Through pilots, and that if LOS credit were given exclusively to the furloughees, it would serve to further exacerbate that inequality. Under the latest JCBA proposal from AAG the Flow-Through Pilots who have worked for AMR / AAG for decades will continue to be discriminatorily singled out to be the lowest paid pilots on the AA property for doing the same job as pilots far junior to them. These long term, (20 – 30 year AMR employees) are on 1st – 6th year pay while pilots junior to them, who have also transferred to AAG from other carriers are topped-out at 12th year pay. Under the current proposals, the Flow-Through pilots will not even be afforded the 2 year LOS adjustment, as this adjustment is being offered only to pilots who were furloughed, and

[1] Specifically referring to the group of 510 AA pilots, from Basett 373398 to Smith 461127, who were the pilots identified in grievance FLO-0107 (Arbitrator Bloch) as retaining transfer rights to AA under Supplement W. This group should not be confused with a separate group of 824 pilots that are now being hired into AA under a subsequent 4 party settlement, agreed to after the expiration of Supplement W, and attached by Arbitrator Nicolau as part of the remedy award in grievance FLO-0108.

working at other carriers, while awaiting their AA transfer class, but not to those who were working at American Eagle similarly awaiting their AA new-hire class.

It is important to note that most of the furloughees were furloughed directly from TWA LLC and had never worked a day at AMR before being furloughed from TWA. These furloughees were all "new-hire" pilots for purposes of the Flow-Through Agreement and were not on AA's property until they were hired for their first AA new-hire class. The Flow-Through pilots are in the same situation in this regard, as they also were not on AA's property until they started their new-hire class that resulted in their transfer from American Eagle to AA. There is no logic in treating these two pilot groups differently as to the proposed 2-year adjustment. It is pure and simple favoritism by AA of the furloughees over the Flow-Through pilots.

The Flow-Through pilots are therefore asking to be credited for Length of Service using the same methodology that has been used for every other pilot group that has come to AA from another carrier, which includes the time they spent flying at their former carrier.

While it is awkward for "represented" pilots to have to appeal to the company directly to have their concerns heard, it is important that the company fully understands the depth of the discriminatory treatment being foisted on the Flow-Through pilots as a group. Additionally, even if an employee group is "represented" by a union it is incumbent upon the company to ensure that a reasonable level of fairness is applied to compensating employees. It is ultimately the company that decides how pilots will be compensated and it is the company that will suffer where long-standing discrimination and pay disparities are allowed to fester. In this case the disparity is blatant and unjustifiable. While it would be easy for the company to say "it's your union, work it out", it does not address the problem that an unfair and discriminatory practice is then being applied and condoned by the company.

To give you a little background, the representation problem the Flow-Through pilots are facing stems from the fact that for years American Eagle was viewed as a job threat by the AA pilots, and the AE pilots were viewed with disdain by the APA for flying "AA pilots' routes". After the TWA acquisition, matters got even worse. The TWA pilots did not like the fact that there were AE pilots ahead of them on the AA seniority list. They were successful in steering the APA agenda and legal machine to attempt to give the former TWA pilots priority over the Flow-Through Pilots, and in one arbitration after another the APA fought to move the TWA pilots ahead of the Flow-Through pilots, even going so far as to argue that the Flow-Through pilots should be stripped of their AA seniority altogether, and never be allowed to transfer to AA.

This level of hostility to the Flow-Through pilots cannot be explained simply by APA's contention that it was trying to represent AA pilots aggressively. The Flow-Through Agreement recognized that AE pilots would eventually move to AA and be formally represented by APA; in fact, many of the AE pilots had AA seniority numbers during the very time APA was undermining their interests. Since neither the TWA pilot group nor the Flow-Through pilots had ever worked on the AA property, but similarly had AA

seniority numbers assigned to them pursuant to the merger agreement or the Flow-Through Agreement, as applicable, the TWA pilot group was no more "represented" by APA than was the Flow-Through pilot group.

Even after the Flow-Through pilots transferred to AA and were unquestionably represented by APA, the discriminatory treatment continued. The APA strategically constructed the equity distribution methodology to minimize recovery by the Flow-Through pilots, and then intentionally failed to negotiate for pay equality for these pilots in favor of seeking adjustments for furloughees.

Two examples of the arbitrary LOS data being utilized to compensate AA pilots follows:

1. Take a Flow-Through pilot who was hired by AMR at American Eagle in 1987, who received his AA seniority number under the terms of Supplement W in the year 2000, and was eligible to transfer to AA in a new hire class at that time. This pilot however was then withheld from transfer for 2 years by AMR, and then because of the events of 9/11, and the acquisition of the failed TWA Airlines, he was withheld further from transfer until 2008. At this time he should have gone to AA, but former TWA furloughees were wrongly allowed to be placed into class ahead of the Flow-Through pilot, and he was finally allowed to transfer to AA in 2010, after two arbitrators ruled that the Flow-Through pilot had been wrongly bypassed from transfer. He was then given a LOS date for pay purposes of 2008, and is now on 6th year pay.

Now take a TWA pilot who was hired by TWA in 1997, ten years after our Flow-Through pilot was already working as a Captain at American Eagle. This TWA pilot is given an AA seniority date of 2001 and is 1,000 seniority numbers junior to the Flow-Through pilot. This pilot is then furloughed directly from TWA LLC and is subsequently allowed to "Flow-Back" into an American Eagle Jet Captain position, causing a cascading displacement of AE pilots. Then when AA begins hiring he is allowed step ahead of the senior Flow-Through pilot, and attends a 2008 new hire class that should have been for the Flow-Through pilot. That former TWA pilot is then given LOS credit for pay at AA for the 3 years he spent at TWA, plus the 8 years he spent at American Eagle, plus the 6 years from when he was allowed to enter the earlier class to which he was not entitled at AA. This pilot now has accrued 17 years LOS credit and is topped-out on the12th year pay scale.

	LOS Credit for time at Former Carrier	LOS Credit for time at American Eagle	2 YR LOS Credit for Time on Furlough	LOS for Time From Transfer to AA In New Hire Class to Present
Junior TWA Furloughee	YES	YES	YES	YES + Credit for Time of Earlier Class Date Due to Improper Placement
Senior Flow-Thru Pilot	NO	NO	NO	YES

2. Take another Flow-Through Pilot who was hired at American Eagle in 1989. He completed his training as a Jet Captain in 2001, was issued an AA seniority number, and subsequently an arbitrator decided that he would now only be recalled to AA after all the new-hire furloughees, who were place on the AA pilots seniority list years later. Supplement W did stipulate however that new hire classes were to be filled at a rate of 1 AE pilot for every 2 new-hire pilots, and had Supplement W been allowed to function properly, this pilot's LOS credit date would have been in 2008. Instead, as a 24 year AMR Captain he transferred to AA in 2013 and was placed on probation pay, and is now just starting 2nd year pay.

Compare this treatment to a TWA new-hire that was hired by TWA in 2000, and who less than a year later is furloughed directly from TWA LLC. In 2013 he is placed into an AA pilot new-hire class and he is now being offered 1 year LOS credit for his time at TWA, plus 2 years LOS credit adjustment, plus the year he has now spent at AA. This pilot that has spent just 1 year at AAG will be on 5th year pay.

To reiterate, a Flow-Through pilot that has now spent 25 years flying on the AAG property is on 2nd year pay, while a new-hire TWA pilot that has spent 1 year flying on the AAG property is on 5th year pay.

This issue of discriminatory and arbitrary assignment of LOS credit is the singular most important issue to the 510 Flow-Through pilots, and it can therefore be reasonably assumed that any TA that continues or exacerbates this unfair pay treatment will be found unacceptable to these pilots. But even if the non-Flow-Through pilots have sufficient numbers to ratify an inequitable agreement, the company should not tolerate such a situation. The company has to recognize that creating arbitrary "winners" and "losers" among the company's pilots is just bad employee relations and bad business.

It is our hope that the AAG will take action to rectify this obviously unfair situation directly affecting its employees.

Respectfully Yours,

F/O Greg Cordes
AA Flow-Thru Pilots Coalition

EXHIBIT 17

LETTER G

January 30, 2015

Captain Keith Wilson
President – Allied Pilots Association
14600 Trinity Boulevard, Suite #500
Fort Worth, TX 76155 – 2512

Re: Furlough Length of Service (LOS)

Dear Captain Wilson,

All "New American Airlines" Pilots (LUS and LAA) furloughed after September 11, 2001 will have the length of time they were on furlough added to their total accredited service in accordance with the following guidelines:

1. Pilots involuntarily furloughed after September 11, 2001 who have returned to active status or accepted recall by January 30, 2015 shall have up to two (2) years Company service restored for vacation accrual and pay (LOS credit).
2. Furlough Stand in Stead pilots shall receive LOS credit for the time spent on furlough prior to their first offer of recall.
3. Furloughed pilots will not receive LOS credit for time on deferred status.
4. Nothing contained in this letter shall impact furloughed pilots contractual rights under Letter T of the 2013 MTA dated December 9, 2013.

American Airlines will provide LOS credit as described in this letter based on a final spreadsheet provided by APA. The spreadsheet shall include, at a minimum, names, employee numbers, and amount of credit.

American Airlines will apply the length of service credit associated with this provision within 60 days after the receipt of the spreadsheet from APA. All provisions are fully retroactive to December 2, 2014 and distribution of the retroactive components will be coordinated with the Association.

Sincerely,

By: __/ *signed* /____
Beth Holdren
Managing Director
Labor Relations - Flight

AGREED

ALLIED PILOTS ASSOCIATION

By: __/ *signed* /____
Captain Keith Wilson
President

EXHIBIT 18

Return

FORM LM-2 LABOR ORGANIZATION ANNUAL REPORT

U.S. Department of Labor
Office of Labor-Management Standards
Washington, DC 20210

MUST BE USED BY LABOR ORGANIZATIONS WITH $250,000 OR MORE IN TOTAL ANNUAL RECEIPTS AND LABOR ORGANIZATIONS IN TRUSTEESHIP

Form Approved
Office of Management and Budget
No. 1245-0003
Expires: 08-31-2016

This report is manadatory under P.L. 86-257, as amended. Failure to comply may result in criminal prosecution, fines, or civil penalties as provided by 29 U.S.C. 439 or 440.

READ THE INSTRUCTIONS CAREFULLY BEFORE PREPARING THIS REPORT.

For Official Use Only	1. FILE NUMBER	2. PERIOD COVERED	3.
	059-849	From 07/01/2014 Through 06/30/2015	(a) AMENDED - Is this an amended report: No (b) HARDSHIP - Filed under the hardship procedures: No (c) TERMINAL - This is a terminal report: No

4. AFFILIATION OR ORGANIZATION NAME
ALLIED PILOTS ASSOCIATION

5. DESIGNATION (Local, Lodge, etc.)
NATIONAL HEADQUARTERS

6. DESIGNATION NBR

7. UNIT NAME (if any)

9. Are your organization's records kept at its mailing address? Yes

8. MAILING ADDRESS (Type or print in capital letters)

First Name: SALLY
Last Name: COX
P.O Box - Building and Room Number: SUITE 500
Number and Street: 14600 TRINITY BLVD
City: FORT WORTH
State: TX
ZIP Code + 4: 761552512

Each of the undersigned, duly authorized officers of the above labor organization, declares, under penalty of perjury and other applicable penalties of law, that all of the information submitted in this report (including information contained in any accompanying documents) has been examined by the signatory and is, to the best of the undersigned individual's knowledge and belief, true, correct and complete (See Section V on penalties in the instructions.)

70. SIGNED: Keith Wilson PRESIDENT
Date: Sep 22, 2015 Telephone Number: 817-302-2115

71. SIGNED: Pam Torell TREASURER
Date: Sep 22, 2015 Telephone Number: 817-302-2115

Form LM-2 (Revised 2010)

ITEMS 10 THROUGH 21

FILE NUMBER: 059-849

10. During the reporting period did the labor organization create or participate in the administration of a trust or a fund or organization, as defined in the instructions, which provides benefits for members or beneficiaries?	Yes
11(a). During the reporting period did the labor organization have a political action committee (PAC) fund?	Yes
11(b). During the reporting period did the labor organization have a subsidiary organization as defined in Section X of these Instructions?	Yes
12. During the reporting period did the labor organization have an audit or review of its books and records by an outside accountant or by a parent body auditor/representative?	Yes
13. During the reporting period did the labor organization discover any loss or shortage of funds or other assets? (Answer "Yes" even if there has been repayment or recovery.)	No
14. What is the maximum amount recoverable under the labor organization's fidelity bond for a loss caused by any officer, employee or agent of the labor organization who handled union funds?	$500,000
15. During the reporting period did the labor organization acquire or dispose of any assets in a manner other than purchase or sale?	No
16. Were any of the labor organization's assets pledged as security or encumbered in any way at the end of the reporting period?	No
17. Did the labor organization have any contingent liabilities at the end of the reporting period?	No
18. During the reporting period did the labor organization have any changes in its constitution or bylaws, other than rates of dues and fees, or in practices/procedures listed in the instructions?	Yes
19. What is the date of the labor organization's next regular election of officers?	05/2016

20. How many members did the labor organization have at the end of the reporting period? 14,738

21. What are the labor organization's rates of dues and fees?

Rates of Dues and Fees

Dues/Fees	Amount		Unit	Minimum	Maximum
(a) Regular Dues/Fees	1% Salary	per	Month	0	0
(b) Working Dues/Fees	0	per	N/A	0	0
(c) Initiation Fees	$25	per	N/A	25	25
(d) Transfer Fees	0	per	N/A	0	0
(e) Work Permits	0	per	N/A	0	0

Form LM-2 (Revised 2010)

STATEMENT A - ASSETS AND LIABILITIES

FILE NUMBER: 059-849

I	Representational Activities	0 %	Political Activities and Lobbying	0 %	Contributions	0 %	General Overhead	0 %	Administration		100 %
A B C	Cummings, Michael Vice Chairman-LGA P		$35,062		$0		$5,375		$0		$40,437
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration		100 %
A B C	Spiegel, Marcus Chairman-STL C		$114,952		$0		$13,742		$0		$128,694
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	3 %	Schedule 19 Administration		97 %
A B C	Powell, Robert Vice Chairman-STL N		$90,574		$0		$5,978		$0		$96,552
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	14 %	Schedule 19 Administration		86 %
Total Officer Disbursements			$2,329,049		$53,500		$231,218		$0		$2,613,767
Less Deductions											$0
Net Disbursements											$2,613,767

Form LM-2 (Revised 2010)

SCHEDULE 12 - DISBURSEMENTS TO EMPLOYEES

FILE NUMBER: 059-849

	(A) Name	(B) Title	(C) Other Payer	(D) Gross Salary Disbursements (before any deductions)	(E) Allowances Disbursed	(F) Disbursements for Official Business	(G) Other Disbursements not reported in (D) through (F)	(H) TOTAL
A B C	Hepp, Charles Member APA			$10,602	$0	$630	$0	$11,232
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	100 %
A B C	Wood, Douglas Member APA			$10,000	$0	$2,239	$0	$12,239
I	Schedule 15 Representational Activities	67 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	16 %	Schedule 19 Administration	17 %
A B C	O'Grady, Mark Member APA			$85,905	$0	$7,931	$0	$93,836
I	Schedule 15 Representational Activities	97 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	3 %	Schedule 19 Administration	0 %
A B C	Hair, Richard Member APA			$16,884	$0	$3,870	$0	$20,754
I	Schedule 15 Representational Activities	100 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	0 %
A B C	McClellan, Mike Member APA			$19,755	$0	$780	$0	$20,535
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	100 %
A B C	Fogel, Robert Member APA			$37,512	$0	$5,747	$0	$43,259
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	100 %
A B C	Sanders, Richard Member APA			$15,679	$0	$901	$0	$16,580
I	Schedule 15 Representational Activities	83 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	17 %
A B C	Kunert, Keith Member APA			$8,687	$0	$1,730	$0	$10,417
	Schedule 15		Schedule 16		Schedule 17		Schedule 18		Schedule 19	

B C	Member APA				$50,658		$0		$10,491		$0	$61,149
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	100 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	0 %		
A B C	Jackson, Douglas Member APA				$16,963		$0		$788		$0	$17,751
I	Schedule 15 Representational Activities	98 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	2 %		
A B C	Benton, Johnathan Member APA				$61,488		$0		$9,110		$0	$70,598
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	100 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	0 %		
A B C	Neisius, Brandon Member APA				$13,703		$0		$403		$0	$14,106
I	Schedule 15 Representational Activities	100 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	0 %		
A B C	Smith, Brian Member APA				$135,722		$0		$14,921		$0	$150,643
I	Schedule 15 Representational Activities	99 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	1 %	Schedule 19 Administration	0 %		
A B C	Lee, Kenneth Member APA				$46,308		$0		$19,661		$0	$65,969
I	Schedule 15 Representational Activities	75 %	Schedule 16 Political Activities and Lobbying	25 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	0 %		
A B C	Hancock, Douglas Member APA				$16,225		$0		$961		$0	$17,186
I	Schedule 15 Representational Activities	76 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	12 %	Schedule 19 Administration	12 %		
A B C	Durham, David Member APA				$66,530		$0		$7,245		$0	$73,775
I	Schedule 15 Representational Activities	97 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	3 %	Schedule 19 Administration	0 %		
A B C	Karam, John Member APA				$7,759		$0		$7,401		$0	$15,160
I	Schedule 15 Representational Activities	99 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	1 %		
A B C	Kwasny, James Member APA				$15,633		$0		$1,295		$0	$16,928
I	Schedule 15 Representational Activities	75 %	Schedule 16 Political Activities and Lobbying	25 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	0 %		
A B C	Jones, Richard Member APA				$13,995		$0		$642		$0	$14,637
I	Schedule 15 Representational Activities	29 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	71 %		
A B C	Bounds, Keith Member APA				$19,624		$0		$270		$0	$19,894
I	Schedule 15 Representational Activities	0 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	100 %		
A B C	Early, Clint Member APA				$19,078		$0		$1,128		$0	$20,206
I	Schedule 15 Representational Activities	100 %	Schedule 16 Political Activities and Lobbying	0 %	Schedule 17 Contributions	0 %	Schedule 18 General Overhead	0 %	Schedule 19 Administration	0 %		
A	Miller, Grant											

EXHIBIT 19

public-comment@alliedpilots.org 817-302-2272

07 Board of Directors Spring Meeting Update (https://www.alliedpilots.org/News/ID/3413/Board-of-Directors-Spring-Meeting-Update)

posted on May 07, 2015 18:21

APA INFORMATION HOTLINE

This is APA Communications Director Gregg Overman with the APA Information Hotline for Thursday, May 7.

BOARD OF DIRECTORS SPRING MEETING UPDATE: The APA board of directors reconvened at 9 a.m. at APA headquarters for this week's regularly scheduled spring meeting (https://public.alliedpilots.org/apa/Home/BODMeetingInformation.aspx).

APA general counsel Ed James provided an overview of pending litigation and reminded the board that the initial seniority list integration arbitration hearing is scheduled for June 29–July 3 at the Grand Hyatt Washington, 1000 H Street NW in Washington, D.C., beginning at 9 a.m. EDT each day. A portion of Mr. James' briefing took place in executive session.

CA Mike McClellan, who chaired the Financial Audit Committee until late last month, recapped the committee's 20-year-plus evolution and development of the APA finance and accounting department's capabilities. In order to provide greater financial transparency, CA McClellan recommended that the board review its practices in areas such as pay to max and union leave to help ensure our members' financial stewardship expectations are met. Recently elected Financial Audit Committee Chairman CA Mike Burr thanked CA McClellan for his service and noted that he plans to have the committee use Web-based network SharePoint to reduce in-person meeting costs and expedite handling of finance-related issues.

Negotiating Committee member FO Dean Colello briefed the board on the history of flying at MidAtlantic Airways (MDA). CA Dave Ciabattoni, FO John Karas and FO Derek Allen then gave a briefing that explained their position on why JCBA Letter G (Furlough Length of Service) should apply to pilots furloughed from MDA.

CA Tony Chapman, CA Jim Palmersheim and CA Tim Raynor thanked the board for the many pilots who volunteer to crew special veterans' charters and traced the history of various veterans' initiatives, including the ongoing commitment to the Air Compassion for Veterans program providing transport to wounded warriors and their loved ones. Also on hand for this briefing were Navy SEAL and Medal of Honor recipient Mike Thornton and Army Special Forces Sergeant and Silver Star recipient John Wayne Walding. The board also received a telephone briefing from actor, musician and well-known veterans' advocate Gary Sinise, who likewise expressed his appreciation for our support of veterans' initiatives.

We will recap the board's actions during this week's meeting in the *APA News Digest* tomorrow, including all approved resolutions and motions.

The board recessed its meeting just before 5:30 p.m. and will reconvene tomorrow at 9 a.m. Committee presentations to the board may be found on our website (https://public.alliedpilots.org/apa/Home/APAGovernance/APABoardMeetingReports.aspx). This week's meeting is scheduled through tomorrow.

That's it for now. Thank you for checking this hotline.

Posted in: Information Hotline (https://www.alliedpilots.org/News/articleType/CategoryView/categoryId/1/Information-Hotline)

Actions: E-mail (mailto:?subject=Board of Directors Spring Meeting Update&body=Thought you might like this: https://www.alliedpilots.org/News/ID/3413/Board-of-Directors-Spring-Meeting-Update) | Permalink (https://www.alliedpilots.org/News/ID/3413/Board-of-Directors-Spring-Meeting-Update) |

Related Images (Images)

Related Files (Files)

EXHIBIT 20

Notice to all APA Members from the Secretary-Treasurer

There were changes made to the APA Policy Manual (#160) during the June 23-25, 2015, Special Board of Directors meeting. There were no changes made to the Constitution and Bylaws during the June 23-25, 2015, Special Board of Directors meeting. The current volume of the Constitution and Bylaws is version #82, which became effective December 26, 2014, and is located at the link below.

The APA Constitution and Bylaws and Policy Manual may be accessed via the APA website at **https://www.alliedpilots.org/LinkClick.aspx?fileticket=U7n8ApNVzxk%3d&portalid=0** .

If you have any questions or concerns regarding any material contained within these meeting minutes, you may address them to your domicile representatives or contact me at Secretary-Treasurer@alliedpilots.org.

/ s /
CA Pam Torell
Secretary-Treasurer

PENDING CHANGES TO THE CONSTITUTION AND BYLAWS SINCE LAST PUBLISHED VERSION (#82)

SECTION	ACTION	CONTENT	RESOLUTION NUMBER	EFFECTIVE DATE
		No pending changes		

TABLE OF CONTENTS

TUESDAY, JUNE 23, 2015

MEETING CALLED TO ORDER (1300)
The meeting was called to order at 1300 by President CA Keith Wilson.

ROLL CALL
Secretary-Treasurer CA Pam Torell took the roll with the following national officers, board members, invited committee members and guests and APA employees present.

National Officers

PRESIDENT	CA Keith Wilson
VICE PRESIDENT	FO Neil Roghair
SECRETARY-TREASURER	CA Pam Torell

Board of Directors

BOS	CA Peter Gamble (CH) FO Chip Hill (VCH)	MIA	CA Thomas Copeland (CH) FO Tom Gallagher (VCH)
CLT	CA Bob Frear (CH) CA Ron Nelson (VCH)	ORD	FO Scott Abbott (CH) FO Todd Hooper (VCH)
DCA	FO Joe Collins (CH-DDR) CA Carl Jackson (VCH)	PHL	FO Paul DiOrio (CH) CA Paul Music (VCH)
DFW	CA Tom Westbrook (CH) FO Josey Wales (VCH)	PHX	CA John Scherff (CH) FO Eric Ferguson (VCH)
LAX	CA Graeham White (CH) CA Craig Railsback (VCH)	STL	CA Marcus Spiegel (CH) CA Rob Powell (VCH)
LGA	CA Mike Burr (CH) CA Scott Heckenberger (VCH)		

Board Support and Participating Guests

PARLIAMENTARIAN and RECORDING SECRETARY	Ms. Kay Allison Crews, PRP, CP

Staff Members

STAFF	Ms. Amie Aronhalt, Exec. Assistant/Board Support Mr. Phil Larussa, IT Support Mr. Jose Lopez, IT Support Ms. Sue Pyle, Exec. Secretary/Board Support Mr. Andrew Solano, IT Support
DIRECTORS	Mr. Ray Duke, STSA Mr. Chuck Hairston, Pilot Negotiations and Contract Admin Mr. Mike Knoerr, CEBS, Benefits Mrs. Allison Clark, Economic & Financial Analysis Mrs. Andrea Duff, IT Mr. Bennett Boggess, Legal Mr. Gregg Overman, Communications Mrs. Sally Cox, Finance and Accounting

Committees

CONTRACT COMPLIANCE	FO John Karam, Chairman CA Dave Rintel, Deputy Chairman FO Brian Smith, Member
OPERATIONAL ANALYSIS	CA Larry Rosselot, Chairman
SCHEDULING	CA Doug Pinion, Chairman
RETIREMENT & BENEFITS	CA Scott Schwartz, Chairman

ADMINISTRATIVE ANNOUNCEMENTS
Secretary-Treasurer CA Pam Torell

CA Torell announced key dates for the upcoming PHL, PHX and DCA Interim Chairman Elections:

- September 9, 2015 – Election Round Ballots mailing
- September 30, 2015 – Ballots Tallied

Also, reviewed was the APA Appeal Board ruling regarding the March 2015 Los Angeles domicile election. The Appeal Board declared the 2015 LAX election "void" and ordered an "Election Round" only, be re-run.

A complete election schedule is available at APA Elections: https://www.alliedpilots.org/APAElections

MOTION to direct: It was moved that the APA Board of Directors direct the APA Secretary-Treasurer to conduct paper-ballot voting for the 2015 Category D domicile officer, LAX domicile (May 1, 2015, rerun) Election Round elections and DCA domicile chairman interim election, all per Policy Manual 3.03A. The motion was adopted without objection by those present.

MAKER: Jackson SECOND: Abbott

PRESENT: Gamble, Hill, Frear, Nelson, Collins (DDR/Gary), Jackson, Westbrook, Wales, White, Railsback, Burr, Heckenberger, Copeland, Gallagher, Abbott, Hooper, DiOrio, Music, Scherff, Ferguson, Spiegel, Powell
ABSENT: -0-

MOTION to approve: It was moved to approve the minutes of the March 2015 SBOD and the May 2015 Spring BOD. The motion was adopted without objection by those present.

MAKER: DiOrio SECOND: Burr

PRESENT: Gamble, Hill, Frear, Nelson, Collins (DDR/Gary), Jackson, Westbrook, Wales, White, Railsback, Burr, Heckenberger, Copeland, Gallagher, Abbott, Hooper, DiOrio, Music, Scherff, Ferguson, Spiegel, Powell
ABSENT: -0-

RESOLUTIONS

MOTION to consider out of order: It was moved to set aside the agenda and take up R2015-23 Rev 1 Letter G Application out of order. The motion was adopted without objection by those present.

MAKER: DiOrio SECOND: Music

PRESENT: Gamble, Hill, Frear, Nelson, Collins (DDR/Gary), Jackson, Westbrook, Wales, White, Railsback, Burr, Heckenberger, Copeland, Gallagher, Abbott, Hooper, DiOrio, Music, Scherff, Ferguson, Spiegel, Powell

ABSENT: -0-

R2015-23 REV 1 LETTER G APPLICATION

WHEREAS the recently ratified JCBA was presented to the pilots as containing a provision that would provide up to 2 years longevity credit for pay and vacation purposes for time spent on furlough; and,

WHEREAS Letter G of the 2015 JCBA states that **all** "New American Airlines" (LUS and LAA) pilots involuntarily furloughed after September 11, 2001 who have returned to active service or accepted recall by January 30, 2015 shall have up to two (2) years Company service restored for vacation accrual and pay (LOS credit); and,

WHEREAS APA Legal has provided the Board of Directors with a legal opinion that this JCBA provision applies to pilots furloughed from Mid-Atlantic Airlines who meet the criteria spelled out in Letter G; then,

BE IT RESOLVED, that the Board of Directors directs the President to promptly and without delay, submit a Legacy US length-of-service list to the company which includes appropriate length-of-service credit for the pilots furloughed from Mid-Atlantic Airlines.

MAKER: DiOrio SECOND: Music

A motion was made to amend by adding:

BE IT FURTHER RESOLVED that this LOS credit will affect vacation accrual and pay longevity only.

BE IT FURTHER RESOLVED that it is APA's position that Letter G does not amend or grant longevity or length of service for any other purpose and does not alter a pilot's date of hire. Moreover, APA is bound by both the Wallin arbitration decision (USAPA v. US Airways, MEC 07-05-05, Wallin Opinion and Award, February 22, 2012) and the prior federal court decision (Naugler, et al. v. ALPA, et al., 05 CV 4751, April 10, 2012 (affirmed, 2nd Cir. May 21, 2013)). Those decisions found that flying at MDA was not the equivalent to flying at US Airways mainline and that employment at MDA did not constitute employment with US Airways mainline. Neither Letter G nor any provision of the JCBA discusses, modifies, or reverses these rulings.

MAKER: Westbrook SECOND: Collins

While the motion to amend was pending, the following motion to postpone was made:

MOTION to postpone: Motion to postpone further consideration of R2015-23 Rev 1, Letter G Application, until the first regularly scheduled BOD meeting following the implementation of the Integrated Seniority List. The motion to postpone was adopted 17-5-0-0.

MAKER:	Heckenberger	SECOND:	Spiegel

FOR:	Gamble, Hill, Jackson, Westbrook, Wales, White, Railsback, Burr, Heckenberger, Copeland, Gallagher, Abbott, Hooper, Scherff, Ferguson, Spiegel, Powell
AGAINST:	Frear, Nelson, Collins (DDR/Gary), DiOrio, Music
ABSTAIN:	-0-
ABSENT:	-0-

FINANCIAL AUDIT COMMITTEE UPDATE
CA Mike Burr, Chairman

CA Burr requested the Board be briefed on planned known absences by FO Grant Miller, Scheduling Committee.

SCHEDULING COMMITEE UPDATE
FO Grant Miller, Member

FO Miller briefed the Board on planned known absences and discussed a potential solution.
https://www.alliedpilots.org/BODMeetingInformation?folderId=847&view=gridview&pageSize=10

Planned known absences

- 2:45 credit = 82:30/30 days
- Line construction too low
- Issues
- Company resistant to changing daily rate
    - Blocking restricts pilot
    - Work harder to get LCW
    - Possible abrogation of seniority
- Recommendation
    - Negotiate a different planned absence credit value
    - Establish pay rate for PU

Following this briefing, CA Burr also reviewed FAC Committee topics.

- Pay to Max and 6.05F information/options discussed
    - R2015-15 rev 1 Meal Expense Reimbursement Policy
      https://www.alliedpilots.org/Services/Resolutions?folderId=427&view=gridview&pageSize=10
    - Referred to FAC
    - Not recommended per KPMG for tax purposes
        - KPMG explanation attached to closed R2015-15 rev 1

RECESS
The meeting recessed at 1800.

EXHIBIT 21

KATZENBACH
LAW
OFFICES

912 LOOTENS PLACE, 2ND FLOOR
SAN RAFAEL, CA 94901

CHRISTOPHER W. KATZENBACH
ckatzenbach@kkcounsel.com

September 30, 2014

BY U.S. MAIL and BY EMAIL TO apa@mcstephens.net.
Captain Mark Stephens
Chairman, Seniority List Integration Committee
Allied Pilots Association
O'Connell Building
14600 Trinity Boulevard, Suite 500
Fort Worth, TX 76155-2512

In Re: Integration of Seniority Process For American Airlines/U.S. Airways Pilots – Protection Of Interests of American Airlines Flow-Through Pilots

Dear Captain Stephens:

The American Airlines Flow-Thru Pilots Coalition ("AAFTPC") has consulted me regarding their interests in the current seniority integration process arising from the American Airlines ("AA") and US Airways ("US Air") merger and the designation of the Allied Pilots Association ("APA") as the exclusive representative of pilots in the merged airline. In order to ensure that the seniority integration is done in a fair and equitable manner respecting the separate and distinct interests of the American Airlines Flow-Through Pilots (the "FTPs"), the AAFTPC believes it must be recognized as a party for purposes of the negotiations and any arbitration of the seniority integration issues. If AAFTPC is denied recognition as a party, please advise me what actions APA will take to ensure that the AAFTPC and the FTPs (a) are timely informed of seniority integration discussions and positions and (b) can submit comments or other materials in connection with the seniority integration process and in any arbitrations that may result from this process.

As you are aware, there are approximately 450 American pilots at AA who flowed-up to AA from American Eagle under the provisions of the 4-Party Flow-Through Agreement (Letter 3/Supp.W), herein the "Flow-Through Agreement." This group of Flow-Through Pilots (the "FTPs") has a distinct and unique interest in the seniority issues arising from the pending seniority integration process. The AA seniority numbers for the FTPs have been determined under the provisions of the Flow-Through Agreement rather than under the provisions of the AA-APA collective bargaining agreement or pursuant to earlier seniority integration agreements. Historically, this has created significant conflict between APA and the FTPs group over seniority issues, including a series of arbitrations under the Flow-Through Agreement where APA has taken positions on the seniority and job rights of the FTPs that were adverse to the FTPs' interests. In these arbitrations,

APA's position was apparently designed to favor other groups of AA pilots, most notably the former TWA pilots who were integrated into the AA seniority list when AA acquired TWA, over the interests of the FTPs.

A synopsis of various arbitration decisions in which APA took positions adverse to the FTPs is attached as Attachment A. As described in Attachment A, the APA has a consistent pattern and practice of taking actions and positions adverse to the FTPs. This pattern goes far beyond a one-time instance of a conflict that might be explained away based on the particular facts of a single case.

In addition, the APA's refusal to represent the FTPs' interest has continued in other areas. APA has refused to negotiate to have the FTPs paid using the same pay step calculation methodology APA has demanded be used for all the other AA pilots who have transferred into AA from other carriers. As a result the FTPs are now the lowest paid pilots at AA commensurate with their seniority position. Pilots that are thousands of seniority numbers junior to the FTPs are being paid at the topped-out 12th year step, while FTPs are on 1-7 year pay step for doing the same job.

Unless the AAFTPC and the FTPs can participate in the seniority integration process in a meaningful way, this process will be unfair and inequitable to them, in violation of the federal laws governing seniority integration.

Under the McCaskill-Bond Amendment to the Federal Aviation Act (see 49 U.S.C. § 42112 note on P.L. 110-161), the labor protective provisions established in sections 3 and 13 of the Civil Aeronautics Board's decision in the Allegheny-Mohawk merger apply to seniority integration in airline mergers. *Allegheny-Mohawk*, 59 C.A.B. 19, 31 (1972). Section 3 of the Allegheny-Mohawk merger standards provides:

> Insofar as the merger affects the seniority rights of the carriers' employees, provisions shall be made for the integration of seniority lists in a fair and equitable manner, including, where applicable, agreement through collective bargaining between the carriers and the representatives of the employees affected. In the event of failure to agree, the dispute may be submitted by either party for adjustment in accordance with section 13.

Subsequent CAB decisions interpreting this rule held that pilot groups could be considered parties or allowed to participate in the seniority integration process to ensure fairness. *Nat'l Airlines Acquisition, Arbitration*, 95 C.A.B. 584, 588 (1982) (separate group of employees (Janus Group) allowed to make statements at seniority integration arbitration); *Pan Am-TWA Route Exchange, Arbitration Award*, 85 C.A.B. 1825 (1980) (participation in arbitration by both certified collective bargaining representative and three of its members). See also *S. Emps. v. Republic/ALEA,* 102 C.A.B. 616, 618 (1983).

While there is an undoubted preference that the certified union acts as the primary representative for all pilots affected by seniority integration, that preference is premised on the principle that the union's duty of fair representation will protect interests of all

affected groups. In connection with the APA's relationship to the FTPs as a group, APA has consistently worked against their interests and in favor of the interests of other pilot groups, notably the former TWA pilots. Any general preference favoring APA as the certified representative is dispelled by this history and practice of APA's disfavoring the interests of the FTPs and favoring the interests of other AA pilot groups.

At this point, the FTPs and the AAFTPC are excluded from independent representation under the signed Seniority Integration Protocol Agreement ("SIPA"). Only the pilots from US Air will have representation under the SIPA in connection with seniority integration and any related arbitration that may arise under the SIPA.

Whatever the SIPA provides, however, the fundamental provisions of the McCaskill-Bond Amendment must control. The seniority integration process must be done "in a fair and equitable manner" as the statute requires. Excluding the FTP's from the seniority integration process, and leaving their seniority status solely in control of APA, is not a "fair and equitable" process given the long-standing conflict between the APA and the FTPs as a group.

The FTPs cannot even have assurance that the seniority integration process will be transparent—an obvious essential requirement of any "fair and equitable manner" of seniority integration. For example, in the remedy phase of FLO-0108, APA (as well as AA) submitted off-the-record information to the arbitrator that ultimately influenced his remedy decision in a manner contrary to the interest of the FTPs. The FTPs are legitimately concerned that APA may again seek to present "off-the-record" evidence in the context of the seniority integration process and any seniority integration arbitrations that may occur. This can be prevented, and the transparency of the process preserved, only if the AAFTPC and the FTPs have participation rights in the seniority integration proceedings and any related arbitrations.

For these reasons, unless the FTPs and the AAFTPC are participants in the seniority merger discussions and arbitration, we believe that the interests of the FTP's will not be presented and their seniority rights will not be respected in this process. We are equally concerned that, as to the FTPs and their interests, the process will not be transparent and above-board.

Accordingly, the AAFTPC requests party status in discussions under the SIPA and in any arbitration over seniority integration issues.

If the APA is unwilling to allow the FTPC party status, please advise me what other arrangements APA will make to ensure that the FTPs are advised of APA's actions and APA's position, as well as the positions of the other participants in the seniority integration process, in a timely manner so that the AAFTPC and the FTPs can submit comments and materials before any decisions are reached. Please further advise me of the procedure the AAFTPC and FTPs can use to submit comments and other materials in connection with the seniority integration process and in any arbitration that may result from this process.

Thank you in advance for APA's prompt attention to this matter. Please call or email me if you have any questions or require any additional information.

Very truly yours,

Christopher W. Katzenbach

cc. Captain Keith Wilson, President APA (by mail and by email to President@alliedpilots.org).

ATTACHMENT A

FLO-0903. Effect of Addition of Former TWA Pilots on Function of Letter 3 / Supp. W. Arbitrator John B. LaRocco – Award May 11, 2007, Supplemental Opinion and Award on Remedy—October 20, 2008.

APA argued that all the former TWA pilots who were on furlough, including those who had never worked for AA but were directly furloughed from TWA, should be allowed to go to new hire classes at AA before any FTPs would be called for a AA new hire class under the Flow-Through Agreement. Arbitrator LaRocco rejected this argument. He concluded that the TWA pilots who were furloughed directly from TWA LLC were de-facto new hire pilots for the purposes of the Flow-Through Agreement. When AA started new hire classes, the rights of the FTPs were triggered and the FTPs were entitled to be called for these classes under the provisions of the Flow-Through Agreement. In his remedy decision, Arbitrator LaRocco awarded AA seniority numbers to an additional 154 American Eagle Flow-Through pilots. These numbers were at the bottom of the AA seniority list but with the effective date of April 30, 2008.

FLO-0107. Effect of Expiration of Letter 3 / Supplement W. Arbitrator Richard Bloch – Award June 30 2008.

APA argued that upon expiration of Letter 3 that all AA seniority numbers and transfer rights of Flow-through pilots that had not yet transferred to AA should be forfeited. This would mean that these pilots would never be allowed to flow-through to AA. Arbitrator Bloch rejected this argument and held that the AA seniority numbers held by the FTPs were vested rights, even if the FTPs had not been able to start work at AA before the expiration of the Flow-Through Agreement.

FLO-0108. Flow-Through Pilots Wrongfully Withheld from Transfer to AA. Arbitrator George Nicolau—Award October 18, 2009; Supplemental Remedy Award April 9, 2010.

After Arbitrator LaRocco had ruled in FLO-0903 that the former TWA pilots who had not worked at AA were new hire pilots for the purposes of Letter 3, the APA permitted this group of TWA pilots to take positions in new hire classes ahead of the FTP. APA again argued that the TWA pilots were entitled to be placed in the new hire classes ahead of the FTPs—the very argument rejected by Arbitrator LaRocco in FLO-0903. APA also argued that LaRocco's decision should not be followed. AA joined in APA's contentions. Arbitrator Nicolau rejected the APA's (and AA's) argument. In the remedy phase of the decision, APA presented off-the-record evidence to Arbitrator Nicolau that influenced the remedy he provided. The remedy Nicolau made was adverse to the interests of the FTPs and favored the interests of other pilots, particularly the TWA pilots, that APA represented.

Equity Distribution Challenge. Arbitrator Stephen Goldberg – Award October 15, 2013.

APA argued that the FTP's pension credit should not start until the FTP was actually working at AA, thereby disallowing credit for the time they were wrongfully withheld from transfer to AA. At the same time, APA argued that the TWA Pilots, including those who had been directly furloughed from TWA and never worked at AA, were eligible for pension credit even during the time that they were on furlough and not actively working at AA.

EXHIBIT 22

Edgar N. James
Steven K. Hoffman
Judith A. Scott
Kathy L. Krieger
David P. Dean
Darin M. Dalmat
Daniel M. Rosenthal
Ryan E. Griffin
Evin F. Isaacson*

Of Counsel:
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*Not admitted in DC; supervised by principals of the firm.

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October 17, 2014

VIA EMAIL AND FIRST-CLASS MAIL

Mr. Christopher W. Katzenbach
912 Lootens Pl., 2nd Floor
San Rafael, CA 94901
ckatzenbach@kkcounsel.com

Re: Integration of Seniority Process for American Airlines/U.S. Airways Pilots – Protection of Interests of American Airlines Flow-Through Pilots

Dear Mr. Katzenbach:

I write in response to your letter of September 30, 2014. I am confident that the pre-merger American Airlines Pilots Seniority Integration Committee will vigorously advocate on behalf of all pre-merger American Airlines pilots, including your clients, in the upcoming seniority integration proceedings. Procedures for the seniority integration arbitration have not yet been adopted, but I expect that the Association and the respective merger committees will want to make the process as open as possible. We will make available a copy of the procedures as soon as they are final.

Your clients seek separate party status in the arbitration. You claim that such an outcome is required by the federal statute known as McCaskill-Bond. That is not correct. McCaskill-Bond contemplates a seniority integration process in which "*only* the certified bargaining representatives... participate in seniority integration proceedings." *Addington v. US Airline Pilots Association*, No. 13-00471 (D. Ariz. January 10, 2014) (emphasis in original). Under historical practice, the certified representative empanels committees representing employees from each pre-merger work group to advocate for the interests of that work group.[1] In this case, the pre-merger American Airlines Pilots Seniority

[1] In this unusual case, there is no single seniority list for the pilots at US Airways, as the former America West pilots and the former US Airways pilots have been unable to achieve a single list. In order to settle litigation brought by USAPA against the APA, the APA agreed to delegate its authority to appoint a committee to represent the former America West pilots to a panel of three arbitrators.

Integration Committee will fulfill that function for all pre-merger American pilots. It would undo decades of settled practice to empanel separate committees to represent every subgroup that believed it had distinct interests, likely including those who came to American through the acquisitions of Air Cal, Reno, and the assets of TWA, along with those who came to the Company from American Eagle pursuant to the Flow-Through Agreement known as Supplement W, and surely others.

You nevertheless claim that without separate party status, your clients will inevitably be mistreated by the pre-merger American committee. There is no basis for this conclusion. Practically speaking, the fates of your clients are intertwined with those of other pre-merger American pilots with whom they are interspersed on the seniority list. It is near gospel in seniority integration proceedings that relative seniority on the pre-merger seniority list remains untouched, meaning that your clients will remain better positioned on the merged seniority list than all pilots below them at American before the merger.

Moreover, contrary to the implication in your letter, the APA has never violated its duty to fairly represent pilots who have flown up to American. You say that the "APA took positions adverse to the [flow-through pilots]" in four arbitrations. Some context may be helpful here. Three of those arbitrations arose directly under Supplement W, an agreement between four parties—American Airlines and American Eagle, along with the APA (representing American pilots) and the Air Line Pilots Association (ALPA) (representing Eagle pilots). The agreement contained a number of gaps and ambiguities giving rise to interpretive disagreements between the parties. The subset of "flow-through pilots" affected by these arbitrations were in fact pilots at Eagle who wanted to flow up to American but had not yet done so, who were therefore represented by ALPA, and to whom the APA had no duty of representation.[2] The APA vigorously represented the pilots in its bargaining unit during those proceedings, and it will exhibit the same fair representation during the seniority integration process.

Only the last arbitration you cite involved flow-through pilots who were actually represented by the APA at the time of the arbitration. And in that proceeding, Arbitrator Goldberg's opinion makes plain that the APA was scrupulously fair to those pilots, including by working with them to correct possible errors in the union's data affecting equity payouts.

I want to reiterate that we believe that the pre-merger American Airlines Pilots Seniority Integration Committee is dedicated to advocating zealously on behalf of all pre-merger American pilots. The chairman of that committee, Captain Mark Stephens, asks that you submit to him any brief or other written material that you wish to have considered by his Committee. The Committee is also willing to discuss these issues further in person or

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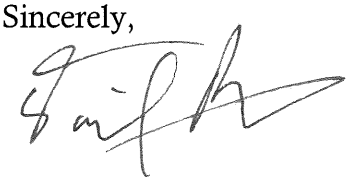
[2] Your letter vaguely alludes to "off-the-record evidence" presented in one of the flow-through arbitrations. It is my understanding that Arbitrator Nicolau held one or two off-the-record meetings with the parties in order to facilitate an effective remedy. Your clients are litigating that issue in the Fifth Circuit in connection with their challenge to the Nicolau award. These discussions by counsel for the separately represented parties in the arbitration are not relevant to the issue of fair representation by the APA.

on the phone. You can contact Mr. Stephens to provide information or set up a meeting at mstephens@alliedpilots.org.

Sincerely,



Edgar James
Daniel Rosenthal

EXHIBIT 23

KATZENBACH
LAW
OFFICES

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CHRISTOPHER W. KATZENBACH
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June 17, 2015

BY U.S. MAIL and BY EMAIL TO kennedy@ask-attorneys.com
Wesley Kennedy
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230 West Monroe Street, Suite 2600
Chicago, IL 60606

In Re: Integration of Seniority Process For American Airlines/U.S. Airways Pilots – Protection Of Interests of American Airlines Flow-Through Pilots

Dear Mr. Kennedy:

Thank you for your letter of June 10.

First, while we appreciate the offered opportunity to present a brief, it is not very meaningful to do so without knowing the positions of APA/AAPSIC and the other parties. There is no point in arguing about matters that may not be issues at all. The issue here is information as to the parties' positions on matters that affect the rights and future employment opportunities of AA pilots represented by APA. This seems to us to be the kind of information that APA/AAPSIC needs to share as an aspect of its representational duty.

Whether or not APA/AAPSIC is still uncertain as to its position, what APA/AAPSIC currently knows about the other parties' position would not seem confidential or privileged from disclosure to my clients at this time. Although we are pleased to see that the parties submissions will be made available to AA pilots, I would hope that those submissions would be make available immediately and not in an undefined "due course." Particularly if parties are making submissions electronically, posting of these submissions on the APA/AAPSIC website would not appear to involve substantial time or effort justifying any significant delay in posting them.

My clients also believe that APA or APA/AAPSIC have been in communication with the TWA/TWA-LLC pilot group (or members of that group) as to the seniority issues involved in the integrated list. The placement of the TWA-LLC pilots on the American Airlines Pilot System Seniority List in 2001 adversely affected the transfer rights of the Flow-Through pilots to AA. Their placement on the list continues to have adverse effects on the Flow-Through pilots' rights today. Therefore my clients request copies of any and all documents submitted by the TWA-LLC pilots to the APA/AAPSIC pertaining to the seniority list integration (SLI) involving US Airways' pilots. We also

request any documents generated in response to recent legal actions filed by the TWA pilots pertaining to AA seniority. Furthermore, in the interest of fairness, I sincerely hope that any and all documentation and information that has been supplied to the TWA-LLC pilots or other AA pilots, has also been supplied to the AA Flow-Through pilots as well. Anything less could be construed as a discriminatory refusal to supply this information.

Second, in your letter of June 10, you state: "Among other things, there is no contemplation of changing the relative placement of any pilot on the pre-merger American seniority list *vis a vis* other pilots on the pre-merger seniority list." While we appreciate this sentiment, this statement appears to us completely ambiguous as to AAP/AAPSIC's position or the positions of the other parties. Merely maintaining relative seniority on the pre- and post-merger lists could nevertheless adversely affect the interests of my clients in a variety of ways:

1. Your statement would allow any number of "zippered" integrated seniority lists, such as the 7:1 ratio partially used in the TWA merger or a straight 1:1 merger. In either case, the relative positions of existing AA pilots would not change (e.g., Number 5000 would still be ahead of Number 5001), but any number of US Airways pilots could be inserted between the two existing AA pilots on the seniority list, drastically impacting the job opportunities of the lower-numbered AA pilots.

2. As you are undoubtedly aware, the AA Flow-Through Pilots have a variety of disputes as to their treatment *via a vis* the former TWA (and particularly the TWA-LLC) pilot group. Under your "relative placement" statement, it would be entirely possible—and one of the potential scenarios my clients desire to prevent—that US Airways pilots would be slotted into the integrated seniority list directly behind the least senior former TWA pilot and ahead of the next most senior AA Flow-Through Pilot. Again, this would preserve the relationship between the existing positions on the AA seniority list, but would drastically and adversely affect the seniority positions and job opportunities of the AA Flow-Through Pilots on the integrated list.

3. On the other hand, perhaps your statement was intended to mean that APA/AAPSIC is currently contemplating that the US Airways pilots would be placed at the bottom of the AA seniority list. This would also preserve the existing relative positions on the pre-merger AA pilots seniority list—but might also preserve the existing seniority-based job opportunities of the AA Flow-Through Pilots without additional adverse consequences to them. Again, the details would be critical to determining the actual impact of any such proposal.

It is precisely because of this kind of ambiguity that we sought clarification of APA/AAPSIC's position on integration of seniority.

Will you clarify what you intended to mean in your statement about relative placement on the seniority list? In particular, can you clarify whether you intended to allow for the possibilities indicated in numbered paragraphs 1 or 2 above, or if numbered paragraph 3 was what you intended to convey. If something different than the situations described in numbered paragraphs 1, 2 or 3, will you please clarify what it was you intended to mean by your comment.

That said, it is important to understand that my clients have the right to expect APA/ AAPSIC to uphold their duty to represent the American Airlines Flow-Through Pilots by rigorously defending their position on the AA seniority list from other parties that potentially may want to see the pre-merge AA list reordered. This is opposite the position that the APA has taken in the past with respect to these pilots in several arbitrations, in which the arbitrators ultimately have upheld the Flow-Through Pilot's AA seniority rights. Simply, "not contemplating" a reorder of the pre-merge list is insufficient to show the kind of commitment the AA Flow-Through pilots deserve in protecting their seniority rights. Rather, APA/ AAPSIC need to be ready and willing to be a strong advocate of the AA Flow-Through pilots' rights on seniority issues and placement on the final integrated seniority list. Is APA / AAPSIC prepared to do that?

In particular, the information we have requested is intended to allow my clients to determine if all pilots, including the AA Flow-Through pilots, are being fairly treated. We want to determine, for instances, that if credit is given for work at other carriers (like US Airways, TWA or TWA-LLC), then the Flow-Through Pilots get equal credit for work at American Eagle. As another example, if other pilots (such as TWA or TWA-LLC pilots) will or have received credit for time on furlough or time working at American Eagle, my clients want to be sure that they receive equal and non-discriminatory credits for the same circumstances. Without full information as to all parties' positions in the SLI process, my clients cannot monitor the situation as effectively as they may need to do to ensure that they receive fair and/or equal treatment.

Third, in my prior letter I noted that one of the AAPSIC committee members stated that "Pilots will be credited for the time they are on the AA property." Your letter does not respond to this remark or clarify it. Again, was this statement intended to state that seniority integration or placement on the integrated list will be based on the date a pilot began working on the AA property?

Very truly yours,

Christopher W. Katzenbach

EXHIBIT 24

REPORT

to

THE PRESIDENT

by

EMERGENCY BOARD

NO. 233

SUBMITTED PURSUANT TO EXECUTIVE ORDER NO. 13036
DATED FEBRUARY 15, 1997
AND SECTION 10 OF
THE RAILWAY LABOR ACT, AS AMENDED

Investigation of a dispute between American Airlines, Inc. and its employees represented by the Allied Pilots Association.

(National Mediation Board Case No. 12806)

WASHINGTON, D.C.
MARCH 19, 1997

Washington, D.C.
March 19, 1997

The President
The White House
Washington, D.C.

Dear Mr. President:

On February 15, 1997, you established this Emergency Board by Executive Order 13036, pursuant to Section 10 of the Railway Labor Act, as amended. We were authorized to investigate a dispute between American Airlines, Inc., and its pilots represented by the Allied Pilots Association.

The Board now has the honor to submit its Report and Recommendations to you concerning an appropriate resolution of the dispute between the above named parties.

Respectfully,

Robert 0. Harris, Chairman

Helen M. Witt, Member

Anthony V. Sinicropi, Member

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I. CREATION OF THE EMERGENCY BOARD

Emergency Board No. 233 (Board) was established by the President pursuant to Section 10 of the Railway Labor Act, as amended, 45 U.S.C. §160, and by Executive Order No. 13036. The Board was ordered to investigate and report its findings and recommendations regarding unadjusted disputes between American Airlines, Inc. (American or AA) and its Pilots represented by the Allied Pilots Association (APA). A copy of the Executive Order is attached as Appendix "A".

On February 15, 1997, the President appointed Robert 0. Harris, an arbitrator from Washington, D.C. as Chairman of the Board, and Anthony V. Sinicropi an arbitrator from La Quinta, California and Helen M. Witt an arbitrator from Pittsburgh, Pennsylvania as Members. The National Mediation Board appointed Joyce M. Klein as Special Counsel to the Board.

H. PARTIES TO THE DISPUTE

A. **American Airlines**

American Airlines is one of the largest scheduled passenger airlines in the world. American provides scheduled jet service to over 160 destinations, primarily throughout North America, the Caribbean, Latin America, Europe and the Pacific. American's cargo division provides a full range of freight and mail services to shippers throughout the airline's system. American's fleet currently includes 642 jet aircraft.

American Airlines, as the trunk carrier, is the largest member of the airline group of AMR Corporation. In addition to American, AMR's airline group consists of AMR Eagle, Inc. and AMR Leasing Corporation. AMR Eagle is composed of four regional airlines which operate as "American Eagle." American Eagle carriers provide feeder and connecting service to and from high traffic cities serviced by American to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean. AMR Leasing is a financing subsidiary which leases aircraft to subsidiaries of AMR Eagle.

American operates a "hub and spoke" system with four hubs: Dallas/Fort Worth, Chicago, O'Hare, Miami and San Juan, Puerto Rico. American Eagle provides connections to American at its hubs and at certain other major airports.

B. The Allied Pilots Association

The Allied Pilots Association (APA) represents approximately 9,430 employees who fly aircraft for American Airlines as captains, first officers and second officers.

III. ACTIVITIES OF THE EMERGENCY BOARD

On February 27, 28, and March 3, 4 and 5, 1997, the Board conducted closed hearings in Washington, D.C., at which the issues were addressed. The parties were given full and adequate opportunity to present oral testimony, documentary evidence and argument in support of their respective positions. Each party provided detailed testimony and rebuttal. A formal record was made of the proceedings.

After the close of the formal hearings, the Board met informally with representatives of the parties. Chairman Harris held further meetings with the parties to assist them in narrowing the issues. The Board met in executive session to prepare its Report and Recommendations. The entire record considered by the Board consists of 887 pages of transcripts and approximately 265 exhibits.

IV. HISTORY OF THE DISPUTE

On June 30, and July 1, 1994, APA and American, in accordance with Section 6 of the Railway Labor Act, exchanged notices of their demands for changes in the provisions of the existing collective bargaining agreement. On January 16, 1996, APA applied to the National Mediation Board (NMB) for its mediation services. The application was docketed as NMB Case No. A-12806.

Mediator Harry D. Bickford began mediation between American and APA on February 12, 1996. Mediation continued through the summer of 1996, and in August of 1996, NMB Chairman Kenneth B. Hipp entered the mediation process. On September 2, 1996, the parties reached a tentative agreement. On January 8, 1997, APA notified American that its membership had failed to ratify the tentative agreement. The NMB, in accordance with Section 5, First, of the Railway Labor Act, offered American and APA the opportunity to submit their controversy to arbitration. On January 15, 1997, American rejected the proffer of arbitration. Accordingly, on that same day, the WEB notified the parties that it was terminating its mediatory services.

On February 10, 1997, NMB Chairman Hipp and Mediator Bickford commenced mediation in the public interest. Despite several days of intensive mediation, no settlement was reached. Negotiations concluded at midnight on February 14, 1997 and at 12:01 a.m. on February 15, APA went on strike. At that time, pursuant to Section 10 of the Railway Labor Act, the NMB advised the President of the United States that, in its judgment, the dispute threatened to substantially interrupt interstate commerce to a degree as to deprive sections of the country of essential transportation service.

The President, in his discretion, issued Executive Order No. 13036 on February 15, 1997, which, effective that day, created this Board to investigate and report concerning this dispute.

V. POSITIONS OF THE PARTIES

A. The Tentative Agreement

When the parties entered into a tentative agreement on September 2, 1996, they hoped to bring this round of collective bargaining to a close. While that has not been the case, the tentative agreement addresses many of the issues between the parties to their satisfaction and serves as a focal point for the unresolved issues. A summary of the terms of the tentative agreement (TA) follows:

Duration: The agreement would become amendable on August 31, 2000.

Compensation: On the signing date, American would issue 3 million AMR stock options to pilots, priced at $10 below the market on the date of grant. On August 31, 1998, American would issue 2.75 million AMR stock options to pilots at market price on the date of the grant. The TA also provided for the following pay scale increases:

August 31, 1997	3% increase to pay scales.
August 31, 1999	2% increase to pay scales.

Additionally, the tentative agreement established an hourly rate equal to 1/75 of the pilot's monthly salary for salaried first year pilots in order to provide a pay rate for hours in excess of 75 per month. The tentative agreement would have increased time away from base expenses by $.05 domestic and $.05 international.

The tentative agreement would modify the current profit sharing plan for pilots to account for the separation of SABRE from American Airlines. In the future, profit sharing would be based upon airline performance only. The tentative agreement also provided APA with an election regarding whether to change the measurement standard from return on investment (ROI) to a cash flow return on gross assets plan.

The tentative agreement would modify the pension plans to insure that changes in pension laws would not result in a diminution of pilots' pension benefits.

Scope (including Regional Jets): The tentative agreement included a variety of amendments to the scope clause. Those amendments included provisions which would limit expansion of AMR's commuter service, restrictions on comprehensive marketing agreements, restrictions on the use of regional jets (RJs) and a limitation on American's ability to furlough pilots. The no-furlough provision would, with minor exceptions, restrict American from furloughing any pilot on the AA seniority list as of the date of signing until a successor agreement is reached after the August 31, 2000 amendable date.

Provisions which would place limits on commuter service include:

- Commuters would be prohibited from flying any route where AA could perform the service and earn a return on investment (ROI) at least equal to AMR's weighted average cost of capital.

- Commuter flying would be limited to 5% of total AA available seat miles (ASM) (excluding certain new service).

  Commuter flying would be limited to 40% of total AA block hours (excluding certain new service).

- Commuter flying would be frozen at actual levels of block hours and available seat miles, when AA pilots are on furlough.

- Commuters would be prohibited from flying non-stop between certain cities unless APA consents. If the number of departures scheduled by AA at any other airport exceeds an average of 70 per day over a 12 month period, AA and APA shall meet to discuss adding such airport to the list of cities.

  Commuters would be prohibited from flying any aircraft type in AA's active or inactive fleets.

  Commuters would be prohibited from operating any aircraft with a certificated maximum takeoff weight in excess of 75,000 pounds or in excess of 70 seats. The average passenger seating for all aircraft operated by commuter carriers cannot exceed 50 seats.

  AA would be prohibited from transferring current aircraft (active or inactive), orders, or options to Commuters.

  AA would be prohibited from entering into new codesharing or ownership arrangements with Commuters without prior discussions with APA.

- For Commuters deriving 50% or fewer Revenue Passenger Miles (RPMs) from passenger flying under AA code, such RPMs would not exceed 1.5% of AA's system RPMs. Such RPMs would be included in block hour, ASM and 50 seat average limitations.

The tentative agreement also included the following new restrictions on American's use of regional jets (RJs):

- If AA has 628 or fewer jets, then **RJs** would not exceed 9% of the combined AA/AMR jet fleet.

If AA has 629-700 jets, then AA would be required to add 3 jets to the AA fleet, before a Commuter may add one RJ.

- If AA has 701 or more jets, then AA would be required to add 2 jets to the AA fleet, before a Commuter may add one RJ.

- Notwithstanding the foregoing, there would be a fixed cap of 67 RJs until this agreement is amended.

- New restrictions on comprehensive marketing agreements included in the tentative agreement were:

  AA would be prohibited from having comprehensive marketing agreements with domestic new entrant carriers, unless APA consents.

- AA would be prohibited from extending its AAdvantage agreements with Midway and Reno beyond April 30, 2001, unless APA consents.

- AA would be prohibited from expanding city pairs covered by AA/Midway AAdvantage agreement.

- AA would be prohibited from expanding city pairs and/or geographic region covered by AA/Reno AAdvantage agreement.

The TA included provisions strengthening successor and asset sale restrictions, restricting domestic and international (including Canadian) codesharing, and expediting arbitration before the System Board of Adjustment if APA believes that AA has violated the scope clause.

The TA also modified scheduling and work rules to provide for productivity increases. AA and APA agree that the productivity increases are equivalent to 811 jobs and save over $200 million over the life of the agreement. In addition to scheduling and work rule changes, the TA also addressed several other issues which are not in dispute and which the parties agree will be included in their new agreement.

B. American Airlines

American asks this Board to recommend that the parties adopt the tentative agreement. According to AA, APA's current demands would cost the Company an additional $426 million over the life of the agreement and an additional annual cost of $203 million thereafter. American's specific proposals and rationale are described below.

1. Compensation

American proposes that the Board recommend the financial terms of the tentative agreement. According to American, its pilots are among the highest paid in the industry and the pay rates included in the tentative agreement would maintain pilots at the highest pay rates in the industry on most types of equipment. American asserts that the compensation provided to its pilots far exceeds the competitors' book rates for each type of aircraft. In addition to the hourly rate included on the pay scale, the pilot compensation package includes stock options, profit sharing and pension benefits.

Historically, pilot pay increases have not been tied to inflation, but, according to AA, have kept well ahead of the rate of inflation irrespective of its profitability. AA points out that its pilots have enjoyed substantial increases in earnings in addition to negotiated pay rates. According to AA, pilots receive periodic varying pay increases, in addition to rate increases and profit sharing, by virtue of their career progression. American also notes that its pilots would continue to have the "best" profit sharing and pension plans in the industry. Specifically, AA and APA negotiated changes to the pension plan in order to protect pension benefits from erosion as a result of changes in pension laws. AA notes that its pilots can look forward to pensions maintaining all of their final average earnings.

American opposes APA's current proposed compensation package because it would impose non-competitive costs on AA and would destroy the internal equity achieved among other groups of American employees.

The cyclical fluctuations in the industry have been obvious, particularly in the recent past, and these exaggerated swings should be expected in the future. American speculates that they may even intensify, and considering the vagaries of the economy and the industry which has been subjected to fiercely competitive challenges, that observation is a reasonable expectation.

American echoes APA's claim that it has been an efficiently run enterprise. However, it must maintain or increase its efficiency if it is to maintain its competitive edge. It expects increasing costs caused by rising labor costs, and the need to purchase new aircraft and equipment will require huge outlays of capital. American suggests that while the cost of the initial compensation payout for APA members may appear to be manageable, the compounding effects of such an initial payout, when considered in combination with future uncertainties, requires caution in assessing the potential impact of APA's proposal.

The work rule concessions and projected job shrinkage noted by the APA are acknowledged by AA. But American points out that the job losses will come about by normal attrition and no layoffs will result from such concessions. In this regard, American is willing to offer furlough protection for pilots employed at the time the agreement is put into effect. American also indicates these concessions will allow it more flexibility which, in turn, should lead to greater efficiency. The pilots will share in those benefits through profit sharing, American stresses.

Despite its relatively new fleet, 9 years average age, American contends it is revamping and changing the nature of the major aircraft fleet. It must do so because new aircraft are lighter and more efficient to operate and will allow American to continue to enjoy a competitive edge. Failure to update the fleet, despite its relatively young age, would leave American at a cost disadvantage in the near future, considering that its competitors will update their fleets with new cost-efficient aircraft.

2. "B" Scale

The "B" scale is a lower pay scale for new pilots for their first five years of employment with American. American opposes the elimination of the "B" scale citing it as a needed financial incentive for it to acquire new equipment and to continue to grow.

3. Rates for New Equipment

American is willing to negotiate rates for new equipment not yet in service. However, the carrier suggests that the Emergency Board should not recommend new rates, but should recommend a process of bargaining and interest arbitration to determine the rates.

4. Regional Jets

American asserts that it can not fly RJs at competitive costs. American characterizes APA's proposal to fly RJs as a "job grab" which is not economically viable in light of the commuter operations at AA's major competitors. Since consumers prefer small jets to small turboprop aircraft, American's major competitors are, or soon will be, operating RJs through their commuter affiliates at commuter costs. In order to remain competitive, American asserts that it must maintain its commuter feed from the Eagle operation. According to AA, pilot labor costs are not the only cost element of a regional jet operation, and AA could not operate RJs at competitive costs compared to the Eagles' operations.

Instead, American proposes that the Board recommend adoption of the amendments to the scope clause included in the tentative agreement. According to American, the TA addresses APA's job security concerns while ensuring that American achieves a satisfactory return on investment. American cites its agreement to protect pilots from furlough and to cap the number of RJs at 67 during the life of the agreement as examples of its efforts to address APA's job security concerns. American thus proposes in summary form as follows on the RJ issue:

> a. that the TA, which does not contemplate having American pilots do all small jet flying, be adopted as the basis for the parties' agreement. But American stresses its willingness to negotiate with APA to develop the kind of safeguards the organization seeks to protect their job security. American remains committed to adopting the following additional proposals:

(1) no furlough for any American pilot on the seniority list at the date of signing of the Agreement;

(2) limitations on the number of small jets acquired in terms of aircraft mix, proportion of fleet, number of aircraft and commuter flying expressed as a percentage AMR flying;

(3) limitations on stage length of commuter flights;

(4) limitations on city pairs flown and development of routes;

(5) where American can make a fair return on a route using the Weighted Average Cost of Capital method of valuation, it will retain the route itself instead of permitting the Eagles to fly it.

C. Allied Pilots Association

According to APA, the tentative agreement was rejected by its members for two reasons: the economic package, including the "B-scale", and job security issues. In view of American's recent "record profits," APA seeks to improve the economic package offered to the pilots to get "value for value" for its work rule concessions, and to keep up with the cost of living over the life of the agreement. APA also seeks job security in light of AMR's plans to begin flying "small" 50 and 70 seat jets under the aegis of Eagle. With these goals in mind, APA presented the Board with the following proposals to resolve the dispute.

1. Compensation

APA contends that AMR and American have been and continue to be highly efficient organizations and there is every expectation the AMR family will continue to be an industry leader in the future. As such, American enjoys a cost advantage over its competitors. The airline industry is cyclical and cyclicality is expected to continue into the future. However, APA contends that such fluctuations should moderate, and given overall projected growth in the industry, American, as an industry leader, should expect to benefit from the expected growth trend.

Work rule accommodations previously conceded by the APA will contribute to American's ability to maintain its comparative cost advantage. In this regard, American and APA agree that, in part as a result of these work rule concessions, American Airline pilot jobs will shrink by 811. The APA seeks "value for value" for these work rule concessions which the Company estimates will produce $212 million in savings.

American enjoys another competitive cost advantage because its fleet is the newest in the industry. American's competitors will be required to expend enormous sums to update their aging

fleets at a faster and greater rate than will American, and as a result the competitive edge the Company enjoys in this area should be increased.

American's route structure (longer routes, bigger planes, larger markets) significantly contributes to and will continue to contribute to its relatively low operational costs.

APA seeks 7.25 million in stock options at $10 below the market rate in exchange for a pay freeze from the amendable date of August 31, 1993 through August 31, 1997 and proposes the following pay scale increases:

August 31, 1997	3 percent
August 31, 1998	3 percent
August 31, 1999	3 percent
August 31, 2000	2 percent.

2. "B" Scale

APA proposes a phased-in elimination of the "B" scale. The "B" scale presently provides for a five year merger of rates for new hires. The tentative agreement left the "B" scale unchanged. APA seeks to reduce the "B" scale from five years to one year over the life of the agreement. APA suggests that now is the time to eliminate the "B" scale. Since hiring at American during the contract term is likely to be minimal, elimination of the "B"scale would effect chiefly those pilots who have been called back from furlough recently. Thus, it would have a relatively low cost to American. APA's proposed implementation schedule follows:

August 31, 1997	Change 5th year First Officer percentage to 62% Change 5th year Flight Officer percentage to 53%
August 31, 1998	Change 4th year First Officer percentage to 61% Change 4th year Flight Officer percentage to 52.2%
August 31, 1999	Change 3rd year First Officer percentage to 60% Change 3rd year Flight Officer percentage to 51.3%
August 31, 2000	Change 2nd year First Officer percentage to 50% Change 2nd year Flight Officer percentage to 43.5%

3. Rates for New Equipment

APA proposes the negotiation of pay rates for new aircraft announced after the TA (Boeing 737 and 777).

4. Small or Regional Jets

APA proposes that American pilots fly all jets operated by American or the Eagles. To maintain American's competitive position, APA proposes to negotiate a "Small Jet Supplement" to the agreement that will permit American pilots to fly regional jets at competitive costs. APA characterizes its "Small Jet Supplement" as a crucial job security issue for AA pilots. American pilots will ultimately lose jobs, according to APA, if its members do not perform all RJ flying. According to APA, **RJs** are main line aircraft that can and will be used in service other than in commuter feeder operations. Therefore, APA seeks to protect its membership from losing work as main line routes are siphoned off to American Eagle carriers. According to APA, the supplement would embody the following principles: (1) the Supplement would be "competitive, implementable and affordable;" (2) the compensation and work rules would produce a competitive result; (3) **RJs** would be limited to 20 percent of American's jet fleet; (4) the Supplement together with a wage and work rule adjustment mechanism would lock in wages and work rules for more than ten years, and (5) an interest arbitration mechanism would be implemented to facilitate the extended duration. The specific terms of the "Small Jet Supplement" include:

Preferential Hiring

APA proposes the following preferential hiring guarantee be extended to American Eagle pilots:

> For every two pilot job openings, American Airlines will offer at least one of the openings to a pilot who is employed by any of the American Eagle carriers, and who otherwise meets all of the competitive hiring standards for employment by American Airlines as a pilot. This preferential hiring obligation shall apply only to the extent that American Eagle pilots meeting both of the foregoing criteria are available.

Work Rules

APA proposes the adoption of work rules that are cost neutral under the current Comair/ALPA agreement. APA specifically proposes adopting the work rules in that agreement which cover the minimum monthly guarantee, deadheading, miscellaneous flying, training (schedule portion only), hours of service, and scheduling. If American identifies any other work rule in the agreement that is not cost neutral with respect to the Comair Agreement, APA will enter discussions with American to find a cost neutral work rule.

Career Progression

APA proposes that the current provisions regarding entry level positions and career progression at American be modified to reflect that the position of First Officer on a **RJ**-50/RJ-70 or comparable aircraft shall be the new entry-level position at American. A pilot holding any position on a small jet may bid directly into any available position on a large jet on the basis of seniority, and

this shall not be considered a down-bid. A pilot who attains any position on a large jet shall not be required for the purposes of qualifying in turn to bid or be assigned to any small jet position.

APA proposes that in the event of a furlough that would allow a senior pilot on a large jet to displace a junior pilot on a small jet, that senior pilot shall have the right to elect a furlough in lieu of displacement, under the stand-in-stead principle that has been agreed to and implemented at American and that was incorporated into the TA.

Duration and Interest Arbitration

Under APA's proposal, the parties would meet and attempt to negotiate the first successor agreement governing the "Small Jet Supplement". If no agreement were reached within four months following the first amendable date, the unresolved pay and work rule issues would be submitted to interest arbitration. The arbitrator would establish pay rates and work rules comparable to those in effect at certain named operators of small jets, using the current Small Jet Supplement as an absolute floor. The arbitrator's decision would be rendered no later than six months following the first amendable date of the supplement, and would be effective back to the first amendable date. The duration of the Small Jet Successor Agreement would be 42 months. At the next amendable date, the parties would follow the same process with the second Small Jet Successor Agreement becoming effective on the amendable date of the first Small Jet Successor Agreement and extending for 42 months.

VI. EMERGENCY BOARD RECOMMENDATIONS

A. Compensation

1. Introductory Remarks

Essentially, there are two major arguments advanced by the parties dealing with the economic and compensation questions in dispute. The first is directed towards cost factors and American's ability to meet the compensation goals of the APA while continuing to remain competitive. The second deals with comparability factors that justify the most appropriate compensation due the pilots.

In considering the first question, there are several factors advanced by the parties and the major and most important of those arguments are listed below. A word of caution is in order, however. These detailed listings highlight the parties' most important arguments but do not represent all of their respective arguments, nor does this exposition attempt to explain in lengthy detail the major arguments. To do so would serve no useful purpose and would require an extensive and exhaustive treatment that, in this Board's view, is unnecessary.

The APA's concern about "value for value," i.e., compensation considerations for work rule concessions and job shrinkage, requires serious attention. Both parties agree that the job losses will

occur by attrition. The pilots are of the view that the savings American will realize as a result of these concessions and job losses, should accrue to the pilots. American contends these circumstances are essential to allow it the flexibility/efficiency matrix to keep its competitive edge. These arguments reflect the classic productivity sharing arguments made by labor and management over the years. What is being debated is who should get what share of the savings.

This Board has concluded that the pilots indeed will share in the proceeds of the work rule concessions. No convincing arguments have been made that payment is due for job loss because the job losses, if they in fact occur, will be only by attrition. Second, there is no evidence that anything other than de minimus increases in work hours will occur. Monthly minimums will have been advanced by two hours. Moreover, it can not be conclusively determined that more flying hours may be required above the new 80-hour monthly requirement. When or if such may be required, additional compensation at premium rates will be paid. In effect, greater efficiency and productivity should occur and no appreciable diminution of lifestyle and/or increase in work effort on the pilots' part has been demonstrated. Moreover, if productivity and efficiency increase, the result will be manifested in greater profit sharing rewards. The Board has taken the pilots' "value for value" theme into account in its consideration of the decision regarding the total compensation recommendations and it is of the view the entire compensation package already reflects that consideration.

With regard to all of the arguments the parties made on the effects of costs, the Board recognizes that both parties offered excellent, well prepared and meritorious arguments. However, these arguments are not compelling when determining the appropriate compensation package. While cost is not an unimportant factor, it is not a controlling or determinative factor in this matter. But cost is not the only constraining factor in this dispute. Thus, it is appropriate to review internal and external compensation comparisons as factors for determining compensation. Because "ability or inability to pay" has not been the major argument or defense, that axis of consideration may be the determinative factor in the outcome of this dispute only if the comparative facts require the Board to revisit the cost criteria arguments.

2. Comparative Factors

The APA makes the following arguments:

a. From 1991 to the present, the pilots have not realized any "real" compensation increases. The only increase received during that time period was the 1990 retroactive pay from those negotiations and that was paid in 1991. That payment inflates the Company's assessment of wage increases received by APA members during the relevant time period. Other increases such as movement from "B" scale, profit sharing and seat advancement, are the kind of increases employees in all occupations expect by virtue of promotions, job move-ups and longevity of employment. The failure to achieve any general salary increase during this time period is a critical factor. Moreover, many pilots who were at the top of their job progression did not receive some of those increases. As for profit-sharing payment, that was the result of work effort expended by the pilots who were properly rewarded and it should not be considered as a real compensation improvement. The APA

asserts that the Company characterization of the compensation received by its pilots during this time period is inflated and misleading.

b. The cost of living as measured by the (Consumer Price Index) CPI-U during the relevant time period has increased. When the CPI is taken into consideration, pilot compensation has decreased over the time period in question.

c. The increase sought by the APA if distributed over the six year period covering the negotiations and the length of the new contract, amounts to a little over 1.2% per year. In addition, since no retroactivity is being sought, the real CPI deflated earnings realized in the past three years can not be recovered.

d. The "B" scale pilots have not only been penalized by low compensation levels, in that their fringe benefits, most notably pension, are geared to salary, they have suffered an unrecoverable and a more serious future loss.

e. When making comparisons with pilots at United, Northwest and Delta, American pilots do not fare as well as AA purports. While conceding that American pilots have been near the top of their peer comparison group, APA claims their future standing will not be as well situated if the APA position is rejected in favor of American's position. In this regard the APA makes reference to the stock bonus grants made at United, Northwest and Delta. The stock plan as proposed by American is more restrictive and less attractive. In this instance, American's offer was to allow pilots the right to exercise non-tradeable stock options at $10.00 below the market price of AMR stock at the time of purchase of the stock. This situation requires the use of a non- tradeable option and the outlay of dollars to buy the stock. No such requirement existed at the other airlines. The stock in those instances was an outright grant. The APA contends American's offer must be considered to be of less value and is less attractive than the carrier represents it to be.

f. The APA rejects the notion that salary increases should be restricted to percentage increases obtained by other employee groups because of "me too" contract strictures between American and other unions. Such a notion is tantamount to acknowledging that the APA has no independent bargaining power or authority. The APA asserts that its salary and compensation goals should be accepted is justified and needed.

American makes the following arguments:

a. Since 1991, American pilots have enjoyed substantial compensation increases on an annual basis. While these increases have resulted from a retroactive payment in 1991 for 1990, a salary schedule increase, profit sharing rewards, and "B" scale and seat move-ups, these increases have been real in-pocket increases for most pilots. Nearly all have realized one or more of the combination of the above rewards during the relevant time period.

b. American compares CPI-U increases from 1991 to the present to the compensation increases the pilots received over the same time period and argues that the real compensation increases have outstripped increases in the CPI-U.

c. American contends that the original TA achieved in September of 1996, will accord its pilots a viable and competitive comparative compensation advantage over their peers at other companies. Profit sharing has been excellent the past two years and the carrier expects it to continue to be rewarding. To maintain its integrity, the carrier has adjusted and indexed the profit sharing plan to account for its partial sell off of SABRE and the resulting loss of its income contribution to AMR. American points out that its profit sharing plan is among the industry's best and over the past six years it has paid the average pilot about $15,000.00 in profit-sharing rewards.

d. By either measure, hourly rates or the annual salary on most aircraft types, American pilots now receive more than their counterparts at United, Northwest or Delta. The carrier contends that its compensation offer at the time of the tentative agreement would continue to keep its pilots in the lead in compensation, and if anything, their differential over their competitive peers will increase in the future. Even with salary snap back expectations at United and Northwest, American claims its predominant position should remain intact.

e. Internal compensation equity is one of the cornerstones of good compensation policy. American argues that if it were not consistent in its administration of internal compensation programs, it would not only defy good compensation practice, but it would negatively affect employee morale. American implies that if the percentage pilot compensation increases exceed those negotiated with other employee groups, it might well have to make adjustments for the other employees -- thus adding to its overall labor costs.

The options purchase plan and the stock offering proposed by American when compared to United, Delta and Northwest, is comparable in several respects. According to American, the valuation of this offer should be made consistently, and if done in such a manner, this offer when added to the rest of its compensation offer, provides American pilots with an excellent compensation package.

3. Analysis of the Comparative Data Arguments

In assessing these arguments, the Board will rely on a standard of what it considers to be fair and reasonable under the circumstances reflected in the record.

The "real" in-pocket compensation benefits realized by American pilots from 1991 to 1997, are more closely related to American's position, than APA's for the following reasons:

a. While seat advancements, "B" scale move up, profit sharing pay and retroactive pay are not salary scale advances, they nevertheless are real in-pocket monetary rewards. They constitute disposable income that can be spent or saved. In

addition, most, if not all of such income has fringe benefits (including pensions) attached to it. Moreover, "automatic" longevity increases and/or promotions must be considered as monetary rewards.

b. Reliance on the CPI-U as a cost of living indicator for this group of employees is misplaced. The CPI, even by the Bureau of Labor Statistics (BLS) definition, is not a measure of cost of living. At best, it measures the dollar increase in consumption patterns of an urban family of four, earning between $40,000.00 and $50,000.00 per year. The group of employees involved in this dispute does not fall within that definition, even if the CPI were relied upon. The CPI-U also has been under attack as an inflated index that overstates increases in prices. The following example highlights this point. The CPI has several sub indices, each of which is weighted. Among those sub indices is one dealing with medical costs and medical insurance. If that sub index reports increases in the medical cost area and concurrently reports increases in the medical insurance area, it is improperly inflating medical costs because it double counts these increases. In addition, if the employees are covered by medical insurance for which they pay no increase in premium, the index significantly over represents the increases. It is not necessary to belabor the point but the CPI is not an appropriate measure to rely upon to prove inflation for this group of employees. However, even if the CPI were taken into account as a cost of living factor, the "real in-pocket" increases in compensation realized by the pilots during the relevant time period exceeded CPI increases.

c. At Delta, Northwest and United, pilots took salary and salary scale reductions of sizeable amounts - up to 15 1/2 percent. While such cuts did not include major fringe benefits reduction, they indeed were real in-pocket monetary reductions. To be sure, stock was offered in exchange for these cuts, but the salient point is that those pilots received real pay cuts for three or more years and had restrictions on trading of stock during that time and perhaps beyond. This point is important for a variety of reasons. First, American pilots did not experience an across the board pay decrease and consequently their total compensation over the relevant time period was greater than their counterparts' elsewhere. Second, American should be recognized now for not asking its employees to share its profit shortcomings or losses by taking pay cuts. If employees are expected to take pay cuts in periods of the carrier's losses, they should expect to share greater benefits in periods of the carrier's prosperity. When no pay cuts are requested in non-profit years, a different result may be justified.

d. An analysis of the comparability data shows that American's data is more convincing than APA's in that American pilots' relative compensation status will remain substantially above their competitors' in the future. In addition, when the entire compensation package is considered, American's pilots' relative comparative standing does not seem to be in danger of being eroded or altered in the future. In fact their status may be heightened.

e. Internal compensation consistency is one measure of compensation policy. While "lock step" procedures or "me too" agreements should not and do not have an influence on this Board, if the compensation levels arrived at independently are fundamentally sound, then internal consistency should not be disturbed.

f. The $10.00 below market price for exercising a stock option indeed holds great promise for the pilots. Most analyses of American stock, which is now trading in the mid $80.00 range, reveals that a $120.00 price is more representative of its real market value. The price differential (between a mid $70.00 purchase price range under the stock option offer and a $120.00 value) is in fact equal to the $50.00 value placed on the options by the expert witnesses of both parties. Thus, while projections are always made with a certain degree of risk, the assumptions underlying the value of this offer are relatively sound.

In summary, the Board believes that the compensation elements in the tentative agreement are more representative of a fair and equitable settlement than is the last position advanced by the APA. However, the Board concludes that some enhancements of the tentative agreement compensation package can be a basis for a very fair and reasonable settlement. Accordingly the following recommendations are made.

4. Compensation Recommendations

a. Effective on the date of signing, five (5) million AMR stock options priced at $10.00 below market price at the date option is exercised.

b. The following increases to pilot pay scales are recommended:

- August 31, 1997 - 3% increase in the pay scale.
- August 31, 1998 - 2% increase in the pay scale.
- August 31, 1999 - 1.5% increase in the pay scale.

c. The Agreement should be amendable on August 31, 2000. At APA's option, the amendable date may be extended to March 1, 2001, in exchange for 1,000,000 (one million) stock options priced at market value.

d. All pilots on furlough between January 1, 1993, and March 15, 1997, will receive seniority credit for pay purposes only, in the amount of one (1) day for each two (2) days on furlough.

- such credit will be prospective and will not extend seniority for pay purposes beyond step 6.
- such credit will not impact any other matter including probationary status.

e. There will be a phased-in elimination of the B-scale. This addresses APA's economic concerns in terms of both salary and pensions and is regarded as fair and reasonable by this Board.

f. APA and American should continue their negotiation over pay rates for new equipment. If they can not reach an agreement by the time the new aircraft has been in service for 60 days, then the pay rates should be arbitrated. If the pay rates must be arbitrated, the arbitrator should be restricted to a rate between one and three percent above that used at other main line carriers.

B. Regional Jets

AMR Corporation, parent of American Airlines, also owns and operates the four commuter airlines known collectively as American Eagle or "the Eagles". These small air carriers operate turboprop airplanes to feed passengers to cities where American has established "hubs". A hub is the center point of the "hub and spoke" system developed by air carriers after deregulation of the airline industry in 1978. It was designed to provide air transportation to local geographic areas which, because of population size or geography, cannot support the efficient use of large jet aircraft. Smaller turboprop airplanes such as the Shorts are used as feeders to the hubs or connectors with hub flights. Stage lengths commonly average no more than 250 miles at American Eagle.

The Eagles were purchased by AMR in 1987 after the Allied Pilots Association agreed to "Supplement S", a special provision authorizing American to create, buy or contract with a commuter air carrier for the purpose of providing passenger and cargo feed to American flights and/or "to enhance the Company's overall market presence." The Supplement also provided limitations or "wraps" intended to limit Eagle flying to the parameters established for its existence.

In 1991, APA petitioned the National Mediation Board alleging the existence of a dispute with respect to representation on the four Eagle carriers. After a lengthy proceeding, the **NMB** found that there was a single system for representation purposes. In the election that followed, the Air Line Pilots Association won the right to represent all pilots flying the Eagles. Pilots at American Airlines, of course, are represented by the Allied Pilots Association, the organization which is a party to the dispute here.

1. Introductory Remarks

At the core of the dispute before this Emergency Board is APA's concern that the job security of American pilots is at risk because of AMR's stated intention of purchasing small jets. It is viewed by APA leadership as "...the first and foremost, the high priority issue." APA sees a potential for AMR to replace AA's F-100's and MD-80's now in use with new 50- or 70-passenger small jets which then can be flown instead in the Eagle system by Eagle pilots at commuter pay rates rather than the main line rates paid to AA pilots. These aircraft are not regarded simply as replacements for shorthaul commuter turboprops but rather, because they have cruising ranges of up to 2000 nautical miles, as an efficient and profitable commuter alternative for such main line purposes as accessing new markets and providing hub capacity relief. AMR intends to replace aging Eagle turboprops with RJs

in order to maintain market share, develop new routes and strengthen the feeder and connector systems already in place. But RJs capable of carrying more passengers faster, farther and more efficiently than turboprops, could threaten the job security of AA pilots if used for the development of routes by the Eagles which otherwise would be American routes. There could be a resulting loss of AA pilot positions, and the shrinkage of American Airlines.

Commuter airline feeders are essential to a hub and spoke system. Moreover, it is critical to have a feeder that shares American's code so that passengers can be ticketed on American for the entire trip rather than on an airline partner of a non-code sharing commuter airline.

Passengers are known to prefer jet aircraft to turboprops and will choose a jet commuter flight over a turboprop commuter flight if given the option. That is one reason why American concluded it is essential to gradually replace its commuter fleet with small jets. A second reason is that small jets are faster, lighter, capable of traveling longer distances and, because of their smaller capacity, have the potential to take advantage of new opportunities in longer, thinner markets. In sum, small jets are more efficient and promise a better earnings potential than the aircraft now in use on American Eagle.

The issue of regional jets gained momentum within pilot ranks after the TA was negotiated when the Chairman of AMR wrote a letter to a Miami pilot which, to the pilots, seemed to imply that neither the Chairman nor American's chief negotiator cared who flew the small jets so long as the costs were Eagle-equivalent costs, not American costs. Pilots at the top of the seniority list on an Eagle carrier earn about $64,000 per year. The pilots concluded from the letter that an exclusive right to fly the small jets was obtainable in bargaining if APA pressed hard enough. The team that had negotiated the TA received a vote of "no confidence" and was replaced.

American insists that it has no intention of substituting Eagle flying for AA flying, arguing that it seeks only to strengthen the feeder system and establish new markets to enhance American's presence. But it recognizes the job security issue raised by the pilots and remains willing to adopt appropriate limitations or "wraps" on the use of RJs by commuter carriers.

The proposal made by the pilots to fly RJs at special rates, as entry level positions on American, although made in good faith, is non-competitive, because the proposed rates far exceed cabin costs, including flight attendant costs, on the commuters and the proposal makes no provision at all for other costs. Moreover, APA's proposal acknowledges that there is little likelihood that American pilots currently flying as Captains or First Officers on F-100's or MD-80's would be willing to bid to the **RJs** at lower rates of pay.

American's major competitors already have purchased or have options on up to 300 small jet aircraft demonstrating their commitments to operate RJs at their commuter partners. American, to compete effectively, can do no less.

In addition to pilot costs, there are other costs which differ between the Eagles and American. Even if the pilots agreed to a Small Jet Supplement which provided for reduced rates for American pilots flying RJs for commuter-type flying, there is no means to reduce in a corresponding way the

costs associated with other employee groups.

The RJs do not threaten to supplant the large aircraft American flies on its main lines because of the unit cost advantage of large aircraft and the revenue advantages of amenities like first class cabins. And inasmuch as American represents more than three quarters of AMR, it would be counterproductive for American to give way to the Eagles.

2. **Regional Jets Recommendations**

Cognizant that the regional jet issue is fraught with emotional and technical issues beyond the capacity of this Board to resolve in the limited time available, the PEB recommends the following broad guidelines, anticipating that representatives of the parties with the necessary technical expertise will flesh out the proposals into practical contract language.

a. The Emergency Board does not recommend APA's proposal that all RJ flying be flown by American pilots. In 1987, APA agreed to Supplement "S" which allowed the Commuter Air Carriers to operate jet-powered aircraft and we are not inclined to revisit that agreement. Ultimately that option could and most probably would lead to the extinction of American Eagle as a feeder/connector airline thereby weakening the hub and spoke system to the detriment of American's competitiveness. The data do not support a conclusion that a cost-effective small jet supplement is reasonably attainable.

b. The restrictions or wraps set forth with respect to regional jets that appear in the TA should be used as the basis for the parties' agreement with the following additional provisions:

(1) AA Fleet Floor

In the event that the AA fleet count falls below 628 aircraft, then the Commuter Air Carriers operating pursuant to Section 1.D shall remove from service one RJ for every two AA aircraft below 628. This provision shall not apply if the reduction in aircraft below 628 is caused by conditions beyond the Company's control, such as, but not limited to the following: (1) an act of God, (2) a strike by any other Company employee group or by the employees of a Commuter Air Carrier operating pursuant to Section 1.D., (3) a national emergency, (4) involuntary revocation of the Company's operating certificate(s), (5) grounding of a substantial number of the Company's aircraft, (6) a reduction in the Company's operation resulting from a decrease in available fuel supply caused by either governmental action or by commercial suppliers being unable to meet the Company's demands, (7) the unavailability of aircraft scheduled for delivery.

(2) Pilot Floor

i. If the number of pilots falls below 7,300, the commuter exception contained in Section 1.D. terminates. The Company shall have reasonable

time to complete disposition of such operations.

ii. Between 7,300 AA pilots and 8342 AA pilots (the number of AA pilots on the seniority list on 3/3/97 minus 811), the number of aircraft operated pursuant to Section 1.D. is frozen (i.e., neither the number of turboprops nor the number of RJs may be increased).

(3) Block Hour Limitation

i. Eliminate "new flying" exception for block hours.

ii. In the event of a furlough:

(a) The total block hours for all Commuter Air Carriers as of the date of the furlough cannot be increased, pending recall of the furloughed pilots, and

(b) The block hours percentage may not exceed the block hour limits set out in the TA as a result of a reduction in AA block hours.

(4) Stage Length Limitation

Eighty-five percent of all RJ departures must be limited to stage lengths of not more than 1000 nautical miles.

(5) Deployment in Hubs/Major Airports

85% of all RJ departures must be into or out of the following hubs/major airports: DFW, ORD, SJU, SFO, LAX, LGA, and JFK. RJ departures utilizing commuter slots at slot controlled airports other than those listed above (e.g., DCA), and departures from airports limited to commuter departures by other governmental or aircraft operational restrictions (e.g., SAF), shall not be covered by this provision.

(6) Methodology

The methodology for counting departures shall be consistent with the methodology contained in the previous tentative agreement between the parties for counting RJs, block hours, ASM's, aircraft, and seats.

(7) Remedies

i. Add language to Section 1.L. of the Scope Clause which allows APA to enforce an arbitration award in court by the use of injunctive relief.

ii. AA, AMR and APA shall enter into a side letter wherein AMR acknowledges that it is an affiliate of American within the meaning of Section 1 and that AMR is bound by Section 1 in the same manner as American.

The Board makes no other recommendations with respect to the issue of regional jets.

VII. CONCLUSION

This Report is submitted by the Emergency Board in the hope that it will be viewed by the parties as a fair and reasonable basis for resolution of all issues remaining in dispute.

Respectfully,

Robert 0. Harris, Chairman

Helen M. Witt, Member

Anthony V. Sinicropi, Member

EXECUTIVE ORDER

__13036___

ESTABLISHING AN EMERGENCY BOARD TO INVESTIGATE A DISPUTE BETWEEN AMERICAN AIRLINES AND ITS EMPLOYEES REPRESENTED BY THE ALLIED PILOTS ASSOCIATION

WHEREAS, a dispute exists between American Airlines and its employees represented by the Allied Pilots Association; and

WHEREAS, the dispute has not heretofore been adjusted under the provisions of the Railway Labor Act, as amended (45 U.S.C. 151-188) (the "Act"); and

WHEREAS, in the judgment of the National Mediation Board, this dispute threatens substantially to interrupt interstate commerce to a degree that would deprive sections of the country of essential transportation service,

NOW, THEREFORE, by the authority vested in me as President by the Constitution and the laws of the United States, including sections 10 and 201 of the Act, 45 U.S.C. 160 and 181, it is hereby ordered as follows:

Section 1. Establishment of Emergency Board ("Board"). There is established, effective February 15, 1997, a Board of three members to be appointed by the President to investigate this dispute. No member shall be pecuniarily or otherwise interested in any organization of airline employees or any air carrier. The Board shall perform its functions subject to the availability of funds.

Sec. 2. Report. The Board shall report to the President with respect to the dispute within 30 days of its creation.

Sec. 3. Maintaining Conditions. As provided by section 10 of the Act, from the date of the creation of the Board and for 30 days after the Board has submitted its report to the President, no change in the conditions out of which the dispute arose shall be made by the parties to the controversy, except by agreement of the parties.

Sec. 4. Records Maintenance. The records and files of the Board are records of the Office of the President and upon the Board's termination shall be maintained in the physical custody of the National Mediation Board.

Sec. 5. Expiration. The Board shall terminate upon the submission of the report provided for in sections 2 and 3 of this order.

William J. Clinton

THE WHITE HOUSE,

February 15, 1997.