



"We Move America"

FAX COVER SHEET

DATE: 1/17/12

JAMES C. LITTLE
International President

PLEASE DELIVER IMMEDIATELY TO: _____

HARRY LOMBARDO
International Executive Vice President

AA Presidents 501-590

JOSEPH C. GORDON
International Secretary Treasurer

FAX #: _____

JOHN M. CONLEY
Administrative Vice President

FROM: Don Videtich & Jim Gillespie

GARY E. MASLANKA
Administrative Vice President
Railroad Division Director

NUMBER OF PAGES (INCL. COVER SHEET): _____

JEFFREY L. BROOKS, SR.
Administrative Assistant to the
International President

COMMENTS: _____

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UNION OF AMERICA
AFL-CIO

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President

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January 17, 2012

TO: All Local Presidents

RE: Bankruptcy Wage Order Impact on Grievance Settlements

Dear Brothers:

In recent weeks, American Airlines management has been implementing changes to their policy regarding how they settle grievances. Specifically, there are limitations on any grievance that may include a monetary remedy, through either an arbitrator's decision or a settlement between the parties. The company has taken the position that there is no prohibition on settling grievances or arbitrating cases, but there are limitations on what American management can pay now that they are in bankruptcy.

We were notified that the Company only has authority pursuant to the wage order entered by the Bankruptcy Court to pay prepetition employee claims up to a cap of \$11,725, but only to the extent the amounts were earned within 180 days prior to the bankruptcy filing (which was on 11/29/2011). American can use that authority to pay an employee pre-petition back-pay so long as that back-pay falls below the cap and would have been earned within 180 days prior to the bankruptcy filing. Grievances involving pre-petition wages earned more than 180 days prior to the bankruptcy filing result in unsecured claims and cannot be paid now under the wage order. As of now, all grievance violations that occurred post bankruptcy filing will be handled as normal.

We were also notified that over the last two weeks that HR Operations support, ER and operating management have been made aware of this limitation and that they have been instructed to continue to settle grievances and to do so as they have done before and that they need to be mindful of the above when resolving matters. We were also notified that they will be adding the following language to any future settlements:

"The parties understand and agree that any payments required pursuant to this settlement agreement will be paid in the form of a stipulated unsecured pre-petition claim in the Company's current bankruptcy proceedings."

Our attorneys have reviewed the wage order and how American management is complying with the order along with the additional language on the settlement letters and they have advised us that it is normal accepted practice.

For purposes of the CBA and the grievance process under Article 30-32, it is business as usual with respect to filing, processing, etc. In addition, submission for the System and Area Boards will continue as well. The only thing that is a change is the company's ability to pay settlements and/or awards for contract violations below is a summary of how monetary remedies will be impacted.

System Boards:

- Contractual violations that occurred June 1, 2011 or earlier (older than 180 days from the company petitioning for bankruptcy November 29, 2011) may be settled locally or arbitrated. For these cases, the monetary remedies if settled locally or awarded in arbitration the grievant should file a proof of claim in the bankruptcy court process and will receive a payment or other distribution, if any in the bankruptcy cases. Payment usually takes place near the end of the bankruptcy process and may not be in cash. These claims generally less than their total value e.g. 10-80 cents on the dollar, stock or even nothing, depending on the court ruling.
- Contractual violations that occurred from June 2, 2011 through November 29, 2011 (during the 180 days preceding the company petitioning for bankruptcy on November 29, 2011) may be settled locally or arbitrated. For these cases, the monetary remedies if settled locally or awarded in arbitration will be subject to a maximum payment of \$11,725.00 per individual any monetary amount above \$11,725.00 would then become a prepetition claim that the grievant would need to file with the court as indicated above.
- Contractual violations that occur November 30, 2011 or later (post bankruptcy petition) may be settled locally or arbitrated. For these post bankruptcy cases the monetary remedies if settled locally or awarded in arbitration are paid in full (business as usual).

Please note there may be cases that the timeframe a violation occurs could take place through time periods referenced above. In those cases, any monetary remedies, if settled locally or awarded in arbitration, will be subject to payment or claim requirements identified in the time frames annotated above.

Area Boards:

- Grievances involving discipline or terminations that occurred June 1, 2011 or earlier (older than 180 days from the company petitioning for bankruptcy November 29, 2011) may be settled locally or arbitrated. For these cases, the monetary remedies, if settled locally or awarded in arbitration, the grievant will have to file a proof of claim in the bankruptcy court process and will not be paid until the court allows these claims to be paid. Payment usually takes place near the end of the bankruptcy process, prior to the company exiting bankruptcy. These claims are usually paid at a rate less than their total value e.g. 10-80 cents on the dollar, stock, or even nothing, depending on the court ruling.
- Grievances involving discipline or terminations that occurred from June 2, 2011 through November 29, 2011 (during the 180 days preceding the company petitioning for bankruptcy on November 29, 2011) may be settled locally or arbitrated. For these cases the monetary remedies, if settled locally or awarded in arbitration, they will be subject to a maximum payment of \$11,725.00 per individual; any monetary amount above \$11,725.00 would then become a pre-petition claim that the grievant would need to file with the court as indicated above.
- Grievances involving discipline or terminations that occurred November 30, 2011 or later (post bankruptcy petition) may be settled locally or arbitrated. For these cases the monetary remedies, if settled locally or awarded in arbitration, are paid in full. (business as usual)

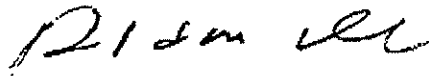
Please note there will be cases that the timeframe that a termination occurred that any back pay would impact some or all of the time periods and payment requirements referenced above. In those cases, any monetary remedies, if settled locally or awarded in arbitration, will be subject to payment or claim requirements identified in those timeframes.

Please keep in mind that when the company exits from bankruptcy, all the grievances and/or contract violations that took place prior to the bankruptcy filing, like other

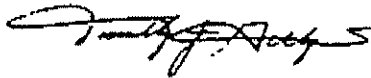
unsecured claims, are at risk and may not be paid, could be dismissed or could be eliminated by the court. In addition, all Locals should anticipate taking their docketed cases forward regardless of the limit on what the company can pay for earnings due to the wage order. We would also like to emphasize that all Locals need to get with their local management and try to settle as many open grievances as possible.

In reference to the System Boards, we are currently in discussions with Employee Relations to try to expedite docketed cases to be heard and we will update you as to the outcome of those discussions.

Fraternally,



Donald M. Videtich
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