



July 14, 2020

Marge Krueger  
Administrative Director  
Communication Workers of America  
Bridgeville, PA 15017

Kimberly Barboro  
National Coordinator  
International Brotherhood of Teamsters, Local 104  
Phoenix, AZ

*Re: July 2020 Special Voluntary Early Out Program*

Dear Marge & Kim:

This Letter of Agreement ("LOA") is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between American Airlines, Inc. ("American" or the "Company") and the Passenger Service Employees in the service of American Airlines, Inc., as represented by the CWA-IBT Association ("Union" or the "Association"), with both the Company and Union referred to as the "Parties." The below Special Voluntary Early Out Program is not being provided generally going forward but has been agreed to by American and the Union on a one-time basis to address the impact of the COVID-19 pandemic. The Parties agree the below Special Voluntary Early Out Program is not comparable and is in addition to any existing program provided pursuant to the 2015 Joint Collective Bargaining Agreement ("JCBA") or any other program currently provided by the Company. Moreover, the time period to apply for the below Special Voluntary Early Out Program shall be limited.

The parties agree that upon the execution of this LOA, the Company will offer eligible Passenger Service Employees the opportunity to elect to participate in a Special Voluntary Early Out Program ("VEOP"). The parties agree that the VEOP will be subject to the following terms and conditions:

1. **Eligibility:** Absent exceptions required by law, employees that are in an active status, as determined by the Company, as of July 15, 2020 shall be eligible to bid for these VEOP options. "Active status" for the purpose of this program is defined as a team member on payroll receiving pay from the Company, such as paid sick/vacation, salary continuance, as well as a previously offered PVLOA or VLOA, FMLA, or military leave. An employee must also remain in continuous employment with the Company through and including the date on which the employee is released pursuant to the VEOP.
2. The Company will determine the duration and total number of VEOPs, as well as the groups, classifications, and locations where the VEOPs will be offered. VEOPs will be awarded by seniority order within groups, classifications, and by location where the VEOPs are offered. The VEOP release dates will be determined by the Company.

3. Once an employee has elected to participate in and been awarded the VEOP, such election shall be irrevocable.
4. A Passenger Service Employee who (i) meets the eligibility requirements listed in Paragraph 1 and set forth in each option below; (ii) timely applies for the VEOP during the application period; (iii) is awarded the VEOP by the Company; and (iv) satisfies all other conditions of the VEOP program as set forth in this LOA, including execution of the General Release prepared by the Company, will receive the following benefits if he/she elects to participate in and is awarded the VEOP:

#### **Option A – Ten (10) Years of Passenger Service Seniority – No Lump Sum**

- **Eligibility** – Passenger Service Employees with ten (10) or more years of Passenger Service seniority that are in an “active status,” as determined by the Company, as of July 15, 2020 shall be eligible to bid for this VEOP option. “Active status” for the purpose of this program is defined as a team member on payroll receiving pay from the Company, such as paid sick/vacation, salary continuance, as well as a previously offered PVLOA or VLOA, FMLA, or military leave.
- **Pay** – The equivalent of six (6) months of pay paid out over twelve (12) months of time as follows: From the starting date of the VEOP (the “Release Date”), and for a period of twelve (12) consecutive months thereafter, a Passenger Service Employee shall receive a portion of their base pay at their pay scale rate of pay. Specifically, a full-time Passenger Service Employee will receive base pay for twenty (20) hours each week, and a part-time Passenger Service Employee will receive base pay for ten (10) hours each week. Payments shall be made at successive payroll periods following the starting date of the employee’s VEOP. “Base pay” does not include overtime, premiums, or any other pay over and above the respective employee’s straight time hourly pay rate. Payments, less applicable deductions and withholdings, will be made successively at the regular pay periods after the Release Date. The rate of pay will remain the same throughout the payout period.
- **Travel** – A one-time allotment of eight (8) positive space round trip passes (E Inventory) to be used within five (5) years of the commencement of the VEOP. Travel as active from the commencement of the VEOP through the twelve (12) months of pay as described above. For those that qualify under the 65 Point Plan, retiree travel will continue in accordance with Company policy.
- **Vacation Payout** – Any accrued vacation for use in 2020, not used as a result of an employee’s VEOP, will be paid out the following year under the terms of the JCBA.
- **Health Benefits** – For a period of thirty (30) consecutive months from the Release Date, a Passenger Service Employee shall be eligible for medical, dental & vision coverage at active status employee rates. During a VEOP, a Passenger Service Employee will be responsible for payment of the employee portion of all premiums, which will be payroll deducted during the period of salary continuation (or billed pursuant to Company practice for the remainder if earnings are insufficient). A Passenger Service Employee’s failure to



make timely premium payments may result in the loss of coverage, subject to the Company's regular premium collection process. COBRA benefits will run concurrently beginning in the thirteenth (13<sup>th</sup>) month following the commencement of the VEOP.

- For Passenger Service Employees With 65 Points ONLY – Retiree Health Reimbursement Arrangement (“RHRA”) – For those Passenger Service Employees who meet all eligibility requirements of the VEOP and who have 65 points under the 65-point plan as of the date of retirement from the Company, the Company will establish a Retiree Health Reimbursement Arrangement (“RHRA”) for the Passenger Service Employee, as soon as administratively practicable following the employee's retirement from the Company, and credit to a notional HRA account the value indicated in the chart below. The RHRA credits may only be used to reimburse a Passenger Service Employee for unreimbursed, substantiated, qualified medical expenses, and qualified premiums as specified in Code Section 213(d) of the Passenger Service Employee and/or eligible dependents up to the RHRA credit balance. Upon retiree's death, the Passenger Service Employee's surviving spouse is eligible to continue to use any remaining credits, and may use such credits for eligible dependent qualified expenses. All RHRA credits will be forfeited: (1) upon death of retiree Passenger Service Employee with no surviving spouse; (2) upon death of surviving spouse who became eligible to continue RHRA usage after death of retiree; and (3) if retiree Passenger Service Employee is rehired by American Airlines. The RHRA must comply with all applicable laws and regulations. The Company will be responsible for drafting and maintaining the RHRA plan documents(s), will have discretion over all plan-related items not addressed in this Letter, and will be responsible for any operating costs associated with the RHRA. The Company shall have the right to amend any provision of the HRA plan that is required by applicable law or is necessary to maintain the tax qualified status of the plan.

Years (Y) From Commencement of VEOP to Medicare Eligibility	RHRA Credit Value
$Y > 4$	\$150,000
$3 < Y \leq 4$	\$140,000
$2 < Y \leq 3$	\$130,000
$1 < Y \leq 2$	\$120,000
$Y \leq 1$	\$110,000
Medicare Eligible as of Commencement of VEOP	\$100,000

- Sick Leave Payout - At the end of the twelve (12) month period from the Release Date (the “Separation Date”), a Passenger Service Employee shall receive a payment of eight dollars and sixty-five cents (\$8.65) per hour for any accrued and unused hours remaining in an employee's sick bank and hours in an employee's sick retirement balance, up to a

maximum of one thousand four hundred (1,400) hours in accordance with Articles 18.D and 27.D.7 of the JCBA.

### **Option B – 10 Years of Passenger Service Seniority – Lump Sum**

- Eligibility – Passenger Service Employees with ten (10) or more years of Passenger Service seniority that are in an “active status,” as determined by the Company, as of July 15, 2020 shall be eligible to bid for this VEOP option. “Active status” for the purpose of this program is defined as a team member on payroll receiving pay from the Company, such as paid sick/vacation, salary continuance, as well as a previously offered PVLOA or VLOA, FMLA, or military leave.
- Pay – A full-time Passenger Service Employee will receive 1040 hours of base pay, and a part-time Passenger Service Employee will receive 520 hours of base pay. The lump sum payment will be subject to tax withholding as required by law and shall be paid no later than August 15, 2021. “Base pay” does not include overtime, premiums, or any other pay over and above the respective employee’s straight time hourly pay rate.
- Travel – A one-time allotment of eight (8) positive space round trip passes (E Inventory) to be used within five (5) years of the commencement of the VEOP. Beginning upon the commencement of the VEOP, two (2) years of retiree travel in accordance with Company policy. For those that qualify under the 65 Point Plan, retiree travel will continue in accordance with Company policy.
- Vacation Payout – Any accrued vacation for use in 2020, not used as a result of an employee’s VEOP, will be paid out the following year under the terms of the JCBA.
- Health Benefits – From the starting date of the VEOP (the “Release Date”), and for a period of thirty (30) consecutive months thereafter, a Passenger Service Employee shall be eligible for COBRA medical, dental & vision coverage at active status employee rates. During a VEOP, a Passenger Service Employee will be responsible for payment of the employee portion of all premiums. A Passenger Service Employee’s failure to make timely premium payments may result in the loss of coverage, subject to the Company’s regular premium collection process.
  - For Passenger Service Employees With 65 Points ONLY – Retiree Health Reimbursement Arrangement (“RHRA”) – For those Passenger Service Employees who meet all eligibility requirements of the VEOP and who have 65 points under the 65-point plan as of the date of retirement from the Company, the Company will establish a Retiree Health Reimbursement Arrangement (“RHRA”) for the Passenger Service Employee, as soon as administratively practicable following the employee’s retirement from the Company, and credit to a notional HRA account the value indicated in the chart below. The RHRA credits may only be used to reimburse a Passenger Service Employee for unreimbursed, substantiated, qualified medical expenses, and qualified premiums as specified in



Code Section 213(d) of the Passenger Service Employee and/or eligible dependents up to the RHRA credit balance. Upon retiree's death, the Passenger Service Employee's surviving spouse is eligible to continue to use any remaining credits, and may use such credits for eligible dependent qualified expenses. All RHRA credits will be forfeited: (1) upon death of retiree Passenger Service Employee with no surviving spouse; (2) upon death of surviving spouse who became eligible to continue RHRA usage after death of retiree; and (3) if retiree Passenger Service Employee is rehired by American Airlines. The RHRA must comply with all applicable laws and regulations. The Company will be responsible for drafting and maintaining the RHRA plan documents(s), will have discretion over all plan-related items not addressed in this Letter, and will be responsible for any operating costs associated with the RHRA. The Company shall have the right to amend any provision of the HRA plan that is required by applicable law or is necessary to maintain the tax qualified status of the plan.

Years (Y) From Commencement of VEOP to Medicare Eligibility	RHRA Credit Value
$Y > 4$	\$150,000
$3 < Y \leq 4$	\$140,000
$2 < Y \leq 3$	\$130,000
$1 < Y \leq 2$	\$120,000
$Y \leq 1$	\$110,000
Medicare Eligible as of Commencement of VEOP	\$100,000

- **Sick Leave Payout** - Upon release, a Passenger Service Employee shall receive a payment of eight dollars and sixty-five cents (\$8.65) per hour for any accrued and unused hours remaining in an employee's sick bank and hours in an employee's sick retirement balance, up to a maximum of one thousand four hundred (1,400) hours in accordance with Articles 18.D and 27.D.7 of the JCBA.

#### **Option C – Less Than 10 Years of Passenger Service Seniority**

- **Eligibility** – Passenger Service Employees with fewer than ten (10) years of Passenger Service seniority who are in an “active status,” as determined by the Company, as of July 15, 2020 shall be eligible to bid for this VEOP option. “Active status” for the purpose of this program is defined as a team member on payroll receiving pay from the Company, such as paid sick/vacation, salary continuance, as well as a previously offered PVLOA or VLOA, FMLA, or military leave.
- **Health Benefits** – From the starting date of the VEOP, and for a period of six (6) consecutive months thereafter, a Passenger Service Employee shall be eligible for medical, dental & vision coverage at active status employee rates. During a VEOP, a Passenger Service Employee will be responsible for payment of the employee portion of all premiums. A Passenger Service Employee's failure to make timely premium payments

may result in the loss of coverage, subject to the Company's regular premium collection process. COBRA benefits will run concurrently beginning at the commencement of the VEOP.

- Travel – For a period of twenty-four (24) months after the commencement of the VEOP, travel privileges at D2R status, in accordance with Company policy.
- Vacation Payout – Any accrued vacation for use in 2020, not used as a result of an employee's VEOP, will be paid out the following year under the terms of the JCBA.

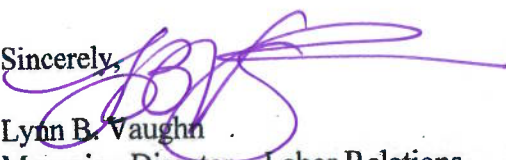
#### VEOP Other Considerations for All Options

5. Passenger Service Employees on any of the VEOP options above will not accrue vacation or sick time after the commencement of the VEOP.
6. Any Passenger Service Employee who participates in the VEOP shall not be eligible for any other form of severance (other than as described in Paragraph 4, Options A, B, and C, above) and shall be permanently separated from employment with the Company.
7. A Passenger Service Employee's participation in the VEOP and separation from employment pursuant to the VEOP is entirely voluntary. If the Company receives a request for information from a state or local agency with responsibility for unemployment compensation claims, the Company will respond by providing factually accurate information regarding an employee's status. However, the Company will not actively contest an employee's claim for unemployment compensation benefits.

This is a one-time limited agreement, shall not constitute precedent in any other case, and shall not be used or cited as such in any arbitration, hearing or negotiation, except for the purposes of its enforcement. This agreement supersedes any other agreement concerning the matters contained herein, including the VLOA Agreement. Furthermore, this LOA does not change, alter, or modify the provisions of the JCBA, except as expressly provided herein, or the application of Company policy. Any disputes which arise between the parties in regard to the interpretation and/or application of this LOA shall be subject to the grievance and arbitration provisions in Articles 25 and 26 of the JCBA.

In addition, the terms or existence of the LOA will not be construed against any party nor will it prejudice the parties' respective positions for purposes of any other matter. If the CWA-IBT Association agrees, please confirm by signing below.

Sincerely,

  
Lynn B. Vaughn  
Managing Director – Labor Relations  
American Airlines, Inc.

Agreed to, on Behalf of the CWA-IBT Association:

Marge Krueger  
Marge Krueger  
Administrative Director  
Communication Workers of America

7/14/20  
Date

Kelly Barbora  
Kimberly Barbora  
National Coordinator  
International Brotherhood of Teamsters, Local 104

7-14-20  
Date