



ALPA Exploratory Committee Report

**Presented to the APA Board of Directors
Winter 2001 Meeting**

March 27, 2001

ALLIED PILOTS ASSOCIATION



ALLIED PILOTS ASSOCIATION



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March 27, 2001

APA Members,

Per Resolution 2000-92 from the APA Board of Directors, we are providing the following ALPA Exploratory Committee Report.

— *APA Communications*

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Committee Operation and Overview

The APA Board of Directors established the ALPA Exploratory Committee (AEC) through Resolution R2000-92. The AEC was constituted with five members including First Officer Fred Mueller (DCA) as Chairman, Captain Steve Catalano (LAX), Captain John Quinlan (LAX), Captain Tom Bloom (ORD Vice Chairman), and First Officer Al Aitken (DCA Chairman). First Officer John B. Clark Jr. (LAX Vice Chairman) was appointed the Communications Committee Liaison for the AEC.

The AEC was tasked with examining and reporting all relevant issues concerning any possible re-affiliation with ALPA. The research is to include at least, but not limited to, the following considerations: dues, AFL-CIO affiliation, constitutional and organizational structure, ALPA merger policies, ALPA/APA health and benefits programs, ALPA contract research and analysis capabilities, legal issues, ALPA/APA PACs, ALPA/APA staff structures, the American Eagle Flow-Through Agreement and the APA Federal Credit Union. In accordance with R2000-92, upon approval of the AEC report by the BOD, this report is to be mailed to the APA membership.

The first AEC meeting took place at APA Headquarters on November 5, 2000. During that meeting, it was decided all AEC research and reporting would be conducted in a neutral and unbiased fashion. Additional issues were identified and included in the research objectives, and a timeline was developed emphasizing the successful completion of a report prior to the Winter BOD meeting.

In December the committee reprinted and distributed Captain Dick Lyons' booklet, "The Birth of APA" and Professor George Hopkins' chapters 21 and 22 from his book [Flying the Line](#). The intention was to present an historical backdrop. Additionally, we had a highly informative meeting with senior ALPA leaders in early December. The study of our collective research and documentation proceeded throughout the process, and the bulk drafting of this report occurred during an AEC meeting held on January 4-6, 2001. A final informational meeting with the ALPA United Airlines MEC Officers was held the following week.

This ALPA Exploratory Committee report is based solely on the research and documentation secured by the AEC in the allowable timeframe, and is intended to be as complete and accurate as possible. Any questions or clarifications may be addressed by contacting the AEC at **ALPA-SPECIAL@alliedpilots.org**.

Resolutions

The APA Board of Directors established the ALPA Exploratory Committee (AEC) through Resolution R2000-92. Resolution R2000-124 Rev. 1 set out a process to select the AEC and gave the committee operational guidelines.

| | | | | | |
|------------|-------------------------|-----|-----------|---------|----------|
| APA R2000- | <u>92</u> | FOR | <u>13</u> | AGAINST | <u>2</u> |
| DOMICILE: | <u>LAX</u> | | | ABSTAIN | <u>0</u> |
| SBOD MTG: | <u>9/24 – 9/29/2000</u> | | | ABSENT | <u>2</u> |

Title: ALPA Exploratory Committee

Presented by: First Officer John B. Clark Jr. Seconded by: First Officer Dave Aldrich

WHEREAS, numerous members have expressed interest and asked questions concerning a possible affiliation with the Air Line Pilots Association (ALPA); and

WHEREAS, the Los Angeles and Chicago domiciles have passed resolutions calling upon the Allied Pilots Association (APA) Board of Directors (BOD) to form an exploratory committee to define the issues concerning a re-affiliation with the Airline Pilots Association; and

WHEREAS, there is an ongoing industry consolidation trend that could possibly involve American Airlines and an airline represented by ALPA; therefore

BE IT RESOLVED, that the ALPA Exploratory Committee (AEC) is created to examine and report to the APA BOD on all relevant issues concerning any possible re-affiliation of the APA with the ALPA. The investigation shall include, but not be limited to: dues, AFL-CIO affiliation, constitutional and organizational structure, ALPA merger policies, ALPA/APA health and benefits programs, ALPA contract research and analysis capabilities, legal issues, ALPA/APA PACs, ALPA/APA staff structures, the American Eagle Flow-Through Agreement and the APA Federal Credit Union.

BE IT FURTHER RESOLVED, that the AEC shall consist of three members, elected by the APA Board of Directors.

BE IT FURTHER RESOLVED, that expenses incurred by the AEC shall be paid from the General Financial Reserve fund.

BE IT FURTHER RESOLVED, that the results of the AEC’s study be reported to the APA Board of Directors in an open session of the regularly scheduled Winter Board of Directors meeting, and be mailed to the membership, after approval of the APA Board of Directors.

| | | | | | |
|----------|----------------------|-----|-----------|---------|----------|
| R2000 – | <u>124 Rev. 1</u> | FOR | <u>15</u> | AGAINST | <u>0</u> |
| DOMICILE | <u>LAX</u> | | | ABSTAIN | <u>0</u> |
| BOD MTG: | <u>10/24-28/2000</u> | | | ABSENT | <u>2</u> |

Title: ALPA Exploratory Committee Operations

Presented by: First Officer John B. Clark, Jr.

Seconded by: Captain Dan Hall

WHEREAS, the ALPA Exploratory Committee (AEC) has been created by APA Board of Directors Resolution R2000-92; therefore

BE IT RESOLVED, that the APA Board of Directors elects the AEC Chairman by secret ballot.

BE IT FURTHER RESOLVED, that the AEC Chairman has sole discretion to approve leave requests for those on the committee to perform the tasks contemplated by Resolution R2000-92.

BE IT FURTHER RESOLVED, that the AEC shall consist of five (5) members, as chosen by the APA Board of Directors.

BE IT FURTHER RESOLVED, that the AEC Chairman shall have the discretion to utilize the services of other APA Committees, Committeemen and staff, if necessary, to perform the tasks contemplated by R2000-92.

BE IT FURTHER RESOLVED, that a budget for this committee shall be approved by the Board of Directors during the regular Fall 2000 Meeting.

ALPA Organizational Structure

The basic organizational structure of ALPA has many similarities to our APA organizational structure and some significant differences. The foundation of the ALPA structure is the individual member in any given airline. Members of that airline are grouped into Local Councils in given geographical areas similar to our domiciles. This means that an entire domicile would make up a Local Council. The vehicle for membership input is the Local Council meeting. Leadership in the Local Councils is vested in Status Representatives elected by the council membership. In Local Councils where there are Flight Engineer positions (three-status domiciles or councils), one Captain Status Representative, one First Officer Status Representative and one Second Officer Status Representative are elected. In Local Councils where there are only Captains and First Officers (two-status councils), one Captain Status Representative and one First Officer Status Representative are elected. Each Status Representative must hold the appropriate bid status. For example, a Captain Status Representative must be a Captain. Each Local Council at American Airlines (AAL) would have three elected Officers, a Chairman, a Vice Chairman and a Secretary-Treasurer. Officers must also be Status Representatives, so at American the elected Status Representatives would effectively become the Officers and the election of Officers would be held merely to decide which Status Representatives became which Officers. In two-status councils, the Secretary-Treasurer would be elected from the membership at large.

The Chairman, Vice Chairman and Secretary-Treasurer comprise the Local Executive Council (LEC) that is charged with and responsible for the affairs of the Local Council. These responsibilities include conducting Local Council meetings at least once every three months and establishing and supervising LEC committees.

The next tier in the ALPA structure is the Master Executive Council (MEC). Similar in design and purpose to our APA Headquarters, the MEC is made up of all of the Status Representatives from all of the Local Councils and functions as the coordinating Council on our airline. Based on our present domiciles and equipment flown, an AAL MEC would consist of Status Representatives or members based on the following breakdown:

| | |
|------------|----------|
| BOS | 2 |
| DCA | 3 |
| DFW | 3 |
| LAX | 2 |
| LGA | 2 |
| MIA | 3 |
| ORD | 2 |
| SFO | 2 |

19

Tulsa is an unusual situation and does not fit within the ALPA LEC structure in that it has no four-part bid statuses. Pilots are interviewed and selected by management for TUL positions and fly three different airplanes from both the left and right seat as needed. Therefore, it should be assumed that Tulsa would be handled as decided by a newly formed AAL MEC. Based on our current structure of representing Tulsa, the pilots would likely be included in the DFW LEC.

The elected Officers of our MEC would consist of a Master Chairman, a Master Vice Chairman and either a Secretary-Treasurer or a Secretary and a Treasurer depending on the wishes of the MEC. Candidates for MEC Officers could be MEC members or members at large. MEC Officers would be elected by a majority vote of the members of the MEC with each member having one vote. The terms of office for each of the Officers of the MEC would be 24 months running concurrently for all three or four Officers.

Specific jurisdiction and duties of the Master Chairman include responsibility for expeditious processing of members' complaints and grievances and acting as the Association's representative on his airline for implementation of the objectives of the Board of Directors and the Executive Board. The Master Chairman is an ex officio member of the negotiating committee and the ALPA Board of Directors.

Our MEC would be empowered to make the final decision on any problem regarding the pilots of our airline as long as this is consistent with the *ALPA Constitution and Bylaws*. The decision to conduct a strike ballot of the members of our airline would require the approval by a majority vote of the MEC, with the advice of the ALPA President, and an approved strike vote would be by secret ballot. Our MEC would also be required to hold at least two MEC meetings per year, normally in the April/May and October/November timeframes. A special MEC meeting may be called at any time by the MEC Chairman or by the ALPA President. Voting at MEC meetings on all issues would be decided by a majority vote with each member having one vote. On issues other than elections of Officers, roll call votes would be allowed on request with each MEC member having one vote for each active member in good standing that he or she represents.

The ALPA Board of Directors is the highest elected governing body of ALPA. It consists of all Status Representatives from all of the Local Councils in all of the ALPA airlines. Members of the Executive Council and Master Chairmen who are not local representatives are ex officio members of the BOD. The BOD is vested with the control of ALPA, its general management and its business affairs. BOD decisions, whether rendered by ballot or in session, are the final governing decisions of the Association and are binding on the Executive Board, the Executive Council, the Officers and all members of ALPA.

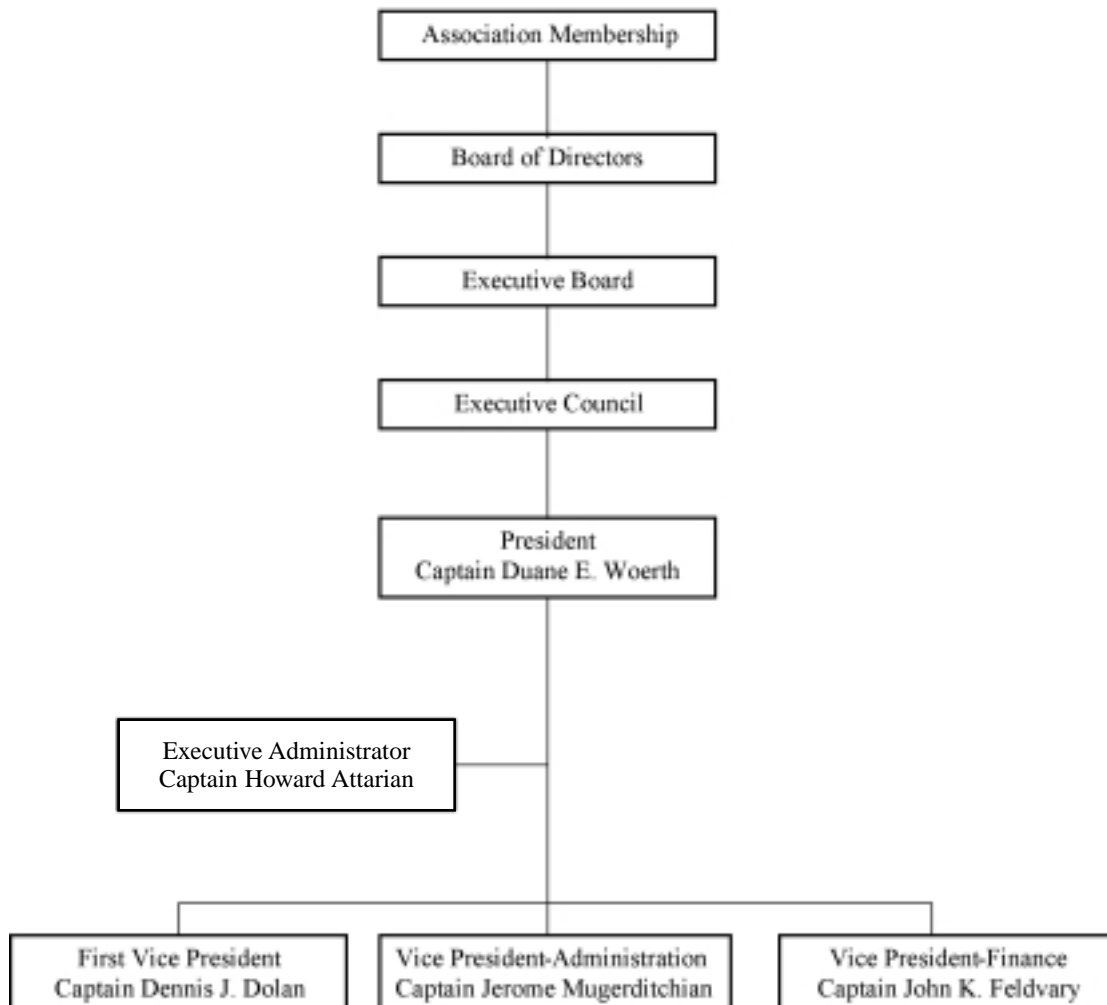
Regular meetings of the BOD are held once every two years. The Executive Council, the Executive Board or the ALPA President may call special meetings of the BOD at any time. The BOD will conduct elections of the National Officers and Executive Vice Presidents as the first order of business on the third day of the regular BOD meetings.

The Executive Board of ALPA consists of the Chairman of the MEC of each airline and holds meetings twice a year during the periods April/May and September/October. The ALPA President or a majority vote of the Executive Council (to be discussed next) may call special meetings of the Executive Board at any time. The Executive Board in session has the power and authority to control the Association, its general management and its business affairs subject to the *ALPA Constitution and Bylaws*. The Executive Board may change policy previously announced by the Board of Directors (BOD) and may interpret but not change the Constitution and Bylaws nor alter the dues structure nor levy assessments. However, the Executive Board may by a 2/3 vote adopt proposed changes to the Constitution and Bylaws subject to the approval by a 2/3 majority on a roll call vote of the BOD.

The Executive Council consists of the National Officers of ALPA, the President, the First Vice President, the Vice President-Administration/Secretary and the Vice President-Finance-Treasurer. The ALPA BOD (to be discussed next) in session conducts the nomination and election of the National Officers. The Executive Council also includes Executive Vice Presidents, who are executive representatives from airlines with greater than 4,000 members. Two seats are also reserved for groups of smaller airlines and one seat for the airlines of Canada. Our Executive Vice President would be nominated and elected in an Election Caucus consisting of our MEC while in session. The Executive Council meets once every three months and the ALPA President may call special meetings at any time.

The Executive Council attends all meetings of the ALPA BOD and the ALPA Executive Board. It has the authority to interpret the Constitution and Bylaws and policy, as defined in the *ALPA Administrative Manual*. The Executive Council acts in the capacity of owners' representatives and general trusteeship of the Associations business and funds, and effects loans and guarantees notes as necessary for the implementation of approved programs. Subject to the approval of the Executive Board, the Executive Council may adopt policy or initiate changes to the Constitution and Bylaws for approval by the BOD.

**ALPA ORGANIZATIONAL CHART
(MEMBERS AND NATIONAL OFFICERS)**



AA Pilot Representation Within ALPA

An AA MEC would immediately be represented at the national level with AAL pilots in the following position:

1. Board of Directors Members. The Board of Directors meets once every two years.
2. Executive Board Member. The Executive Board meets twice a year.
3. Executive Council Member by way of newly created Executive Vice President position. The Executive Council meets every three months. Executive council members are determined by classifying MECs into Election Groups.

There are four Election Groups A-D

- Group A All US airlines with 4,000 or more Active Members in Good Standing.
- Group B All US airlines with less than 4,000 Active Members in Good Standing which operate a fleet composed solely of turbojet aircraft.
- Group C All US airlines with less than 4,000 Active Members in Good Standing which operate a fleet composed of turboprop or other propeller-driven aircraft or a combination of turbojet and turboprop or other propeller-driven aircraft.
- Group D All Canadian airlines.

There is one Executive Vice President elected by each airline in Group A, two from Groups B and C, and one from Group D. An AA MEC would have the largest block of “roll call” votes in ALPA as of this writing.

National Committees are generally under the supervision of the Executive Council. It has been acknowledged that AA pilots have a lot to offer in this area and that committee appointments would be made quickly to take advantage of available expertise.

Constitution & Bylaws

The *ALPA Constitution and Bylaws* is a 98-page document including a brief history and 22 Articles compared to our 26-page *APA Constitution and Bylaws* that includes 13 Articles and a Code of Ethics. APA’s “Objectives” as stated in our C&B include 12 objects compared to 16 embraced by the ALPA C&B reprinted here:

1. To provide representation for all members of the airline piloting profession; to promote the interests of that profession; and to safeguard the rights, individually and collectively, of its members.

2. To safeguard, with ceaseless vigilance, the safety of scheduled air transportation in recognition of the high degree of public trust, confidence, and responsibility placed on the members.
3. To further scheduling with safety in any practical manner.
4. To advance and promote the professional image of the airline pilot in the business and educational communities and with the public at large.
5. To establish and exercise the right of collective bargaining for the purposes of making and maintaining employment agreements covering rates of pay, rules, and working conditions for the members of the Association, and to settle promptly disputes and grievances which may arise between such members and their employers.
6. To establish fair rates of compensation, maximum hours of employment, and uniform principles of seniority for members of the Association, and to seek the adoption and perpetuation thereof.
7. To obtain suitable health, retirement, and disability benefits for all members of the Association through legislation, collective bargaining, and other means.
8. To disseminate news in any manner to keep Association members alert and well informed in all matters relating to their profession.
9. To provide a means for participation by members of the Association in resolution of issues that affect the pilot profession.
10. To urge, support, and sponsor the passage of legislation and regulations affecting members of the Association, which will improve, protect, and increase the safety of their working conditions or otherwise advance their professional interests.
11. To develop, administer, and make available to members of the Association services that will provide protection and/or assistance in unforeseen circumstances which may jeopardize their continued employment in the piloting profession.
12. To develop, administer and make available to members of the Association benefit programs designed to satisfy specific needs not adequately provided for by their respective employers.
13. To participate in or sponsor research in aviation-related matters that will contribute to the advancement of the airline piloting profession.
14. To participate in appropriate efforts to preserve, document, and memorialize noteworthy events and achievements in aviation history.
15. To provide suitable and effective support services to the Association's officers, representatives, and staff, and its governing bodies and technical committees.
16. To foster an environment that encourages respect for the dignity, the rights, and the human concerns of all members and employees of the Association, and to provide motivation for those individuals to strive for the best of which they are capable.

Independence

The Allied Pilots Association is an independent union; by definition we have all the autonomy a union can possibly exercise. Only the law limits us. The events surrounding the American Airline pilots split from ALPA in 1963 may still generate different recollections of events but almost all will agree that at the heart of the dispute was the right of that pilot group to exercise greater control over its own affairs, particularly with regard to collective bargaining.

ALPA's constitution and By-laws do require the president to sign contracts in order for them to be effective. The president of ALPA has not declined to sign a contract in more than 20 years since elimination of the mandatory crew complement policy. There are no longer any mandatory collective bargaining policies at ALPA that pilot groups must adhere to.

The issue of independence also extends beyond the collective bargaining process. Influence in the ALPA organization takes place at levels other than the representational seats on the Board of Directors, Executive Board and Executive Council. Many ALPA committees make recommendations that do influence the direction and policies of the organization, in this respect ALPA is no different than APA. A significant difference is that these committees which influence the organization can also end up having a larger impact in the legislative and rulemaking arena than APA. At issue is the value of being able to influence the larger group and speak with one voice to legislators and rulemaking agencies versus the potential that at times we may have to live with positions that are not synonymous with the particular position of our pilot group.

“Independence plus” is a term that ALPA uses to describe the autonomy of its member pilot groups, independence in running their own affairs plus the ability to tap into the resources of the larger organization. Clearly, an ALPA pilot group will not have the complete autonomy of any independent union. The issue is whether the trade of complete independence is more valuable than any benefits realized from membership in the larger union.

AFL-CIO Affiliation

The American Federation of Labor merged with the Congress of Industrial Organizations in 1955 to form what we now know as the AFL-CIO. The AFL-CIO is comprised of 68 unions with approximately 13 million members. The AFL-CIO is governed by a biennial convention that sets broad policies and goals. The president of ALPA sits on the executive council of the AFL-CIO.

In 1930 ALPA founder Dave Behncke obtained an AFL charter, the underlying reason being that there is strength in numbers, which the early organization relied upon simply for survival, and later for the enhancement and expansion of its sphere of influence on all issues that would affect airline pilots.

ALPA holds the AFL-CIO charter for airline pilots, the AFL-CIO does not charter multiple unions that represent the same class and craft; therefore it is not possible for APA to obtain an AFL-CIO charter.

It would be possible for APA to affiliate through the airline division of the International Brotherhood of Teamsters (IBT) as a method of affiliation with the AFL-CIO. The IBT airline division represents 41,000 airline industry workers, including mechanics, customer service and ramp agents, stock clerks, dispatch personnel, flight attendants, and pilots. Of the 41,000 members of the airline division, approximately 4500 are airline pilots from carriers such as Airborne Express, Horizon Air, World Airways and a number of smaller regional and non-scheduled carriers.

Objectively assessing the impact of AFL-CIO affiliation can be difficult. It is an organization that exercises political influence and gauging that influence can quickly become subjective. The process of asserting influence is a less subjective matter. In the case of a pilot group within ALPA, the issues at hand would either be directly articulated to the ALPA national headquarters, or as most often occurs, the issues at hand would already be well known by ALPA national officers. As a member of the AFL-CIO executive committee, the President of ALPA has an open line of communication with the AFL-CIO President. To the extent that the AFL-CIO President commands the attention of the politicians, he exercises influence. According to the anti-union “National Right to Work Legal Defense Foundation” attorney Ray LaJeunesse,

“Despite popular belief, and contrary to some figures that may indicate otherwise, the decline of organized labor in the United States is a myth.

“There is anecdotal evidence that shows... efforts by organized labor have had an effect in terms of power and influence both in politics and in the economic sphere.”

— *Ray LaJeunesse’s remarks were made at the Federalist Society’s annual Lawyers Convention in Washington, DC on November 12, 1998*

ALPA Dues

ALPA dues are 1.95%. Total dues income are allocated as follows:

| | |
|---|-------|
| 1. Operating Dues Income | 1.50% |
| 2. Special MEC Reserve Account (SMRA) Income | .35% |
| 3. Additional Income allotted to Administrative and Support | .10% |

ALPA operates on a balanced budget and allocates funds based on a spending limit concept. The spending limit concept provides for the establishment of the following accounts to be established from the 1.50% Operating Dues Income:

- Administrative and Support Account
- MEC Account
- Operating Contingency Fund

Shown on the next page is a slightly more detailed account of how these funds are further divided.

1.50% Operating Dues Income

- 1. Administrative and Support 71.5%

83% of ALPA staff are under the administrative and support budget. It is important to note that most staff at the MECs are paid from this account and not from the MEC account. A chart and table at the end of this section is included to give a further breakdown of A&S expenditures.

- 2. MEC Account 24%

Funds direct MEC expenses:

- a. Flight Pay Loss
- b. Meetings
- c. Offices and other local costs

- 3. Operating Contingency Fund 4.5 %

The two other components of the 1.95% dues deserve additional explanation.

.35% Special MEC Reserve Account (SMRA) Income

- 1. Funds direct MEC Expenses; or
- 2. Rebated to members at MEC discretion

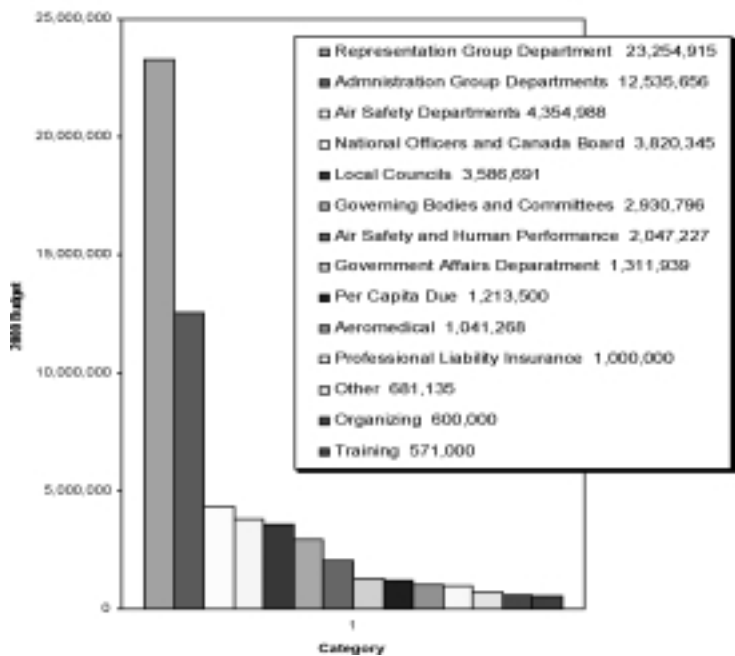
The SMRA is an account that can accumulate at the MEC or be rebated to the members at year end. Typically, this fund is accumulated during negotiations or a period of uncertainty and rebated in whole or part periodically. Some MECs have an unbroken string of yearly rebates and others only rebate periodically, if at all.

.10% Additional Income allotted to Administrative and Support Account

- 1. MEC and Member services not funded by the:
 - a. MEC account.
 - b. Special MEC reserve account.

This additional .10% was added to the dues structure during a period of concessionary contracts (NWA, DAL, UAL, etc...) to ensure adequate funding for ALPA operations.

2000 ADMINISTRATION AND SUPPORT BY MAJOR BUDGET CATEGORY



**EXAMPLES OF ADMINISTRATION AND SUPPORT BUDGET
BY MAJOR BUDGET CATEGORY**

| Category | Examples of Service |
|------------------------------------|---|
| Representation Group Departments | Negotiations & Pilot Representation by: Contract Administration, Professional Negotiators, Benefits, Specialists, Actuaries, Economic Analysts, Communications Specialists, Lawyers (ERISA, Grievance, Litigation) |
| Organizing | Cost of organizing drives |
| Training | Leadership Conference, MEC Officers, Secretary/Treasurers Conference |
| Air Safety Departments | Engineering, Operating, Accident Investigation |
| Air Safety and Human Performance | Air Safety Structure and Human Performance Committees |
| Aeromedical | ALPA cost of Aeromedical Office in Denver |
| Government Affairs Department | Lobbying and government affairs activities |
| Per Capita Dues | ALPA dues to AFL-CIO, IFALPA and other labor organizations |
| Local Councils | LEC per-capita funds, publications and Council Service Coordinators |
| Administration Group Departments | MEC, LEC and department budgets; billing and member expenses; Membership account services; Loss of License and other insurance; Human Resources; purchasing; printing and mailing; information systems — equipment, networks, programming and Internet/Intranet |
| National Officers and Canada Board | Office, staff, FPL costs |
| Governing Bodies and Committees | Board of Directors, Executive Board and Executive Council meetings; National Committees such as Retirement and Insurance |
| Professional Liability Insurance | Annual insurance premiums to Kitty Hawk |
| Other | General Counsel, “Heads Up” publication, property insurance |

Fiscal Authority of the MEC

The MEC establishes a budget for fiscal year with the ALPA VP Finance. With a large MEC this is usually about, but never less than, 20% of the Operating Dues Income ($20\% \times 1.50\% = .30\%$).

The MEC approves expenses and flight-pay loss for the LEC and MEC, for MEC meetings and airline specific projects, including negotiations.

The MEC can choose to spend, save, or refund the Special MEC Reserve Account to the membership.

With ALPA National approval, MEC can access funds from the Major Contingency Fund (MCF). The MCF is what is commonly known as the “War Chest.”

The MEC has direct control of one-third (1/3) of annual dues income (.30% operating dues income + .35% SMRA). Most ALPA staff, including most professional staff permanently assigned to an MEC, are paid from ALPA’s Administrative and Support account. Because ALPA commingles nationally funded resources with locally funded resources in support of an airline’s pilot group, a side-by-side comparison of an APA budget and an MEC budget is of diminished value. If the APA continues to examine re-affiliation there will come a time when confidentially protected financial disclosures between APA and ALPA must occur. At that time a detailed comparison will be possible.

ALPA Contract Research/Analysis

ALPA’s administrative staff support includes directorates similar to APA’s. One such directorate is the Director-Economic and Finance Analysis (E&FA). The Director of E&FA is responsible for providing financial, statistical, economic and labor agreement analysis and advice to National Officers, Executive Board members, Contract Administrators and Negotiating Committees.

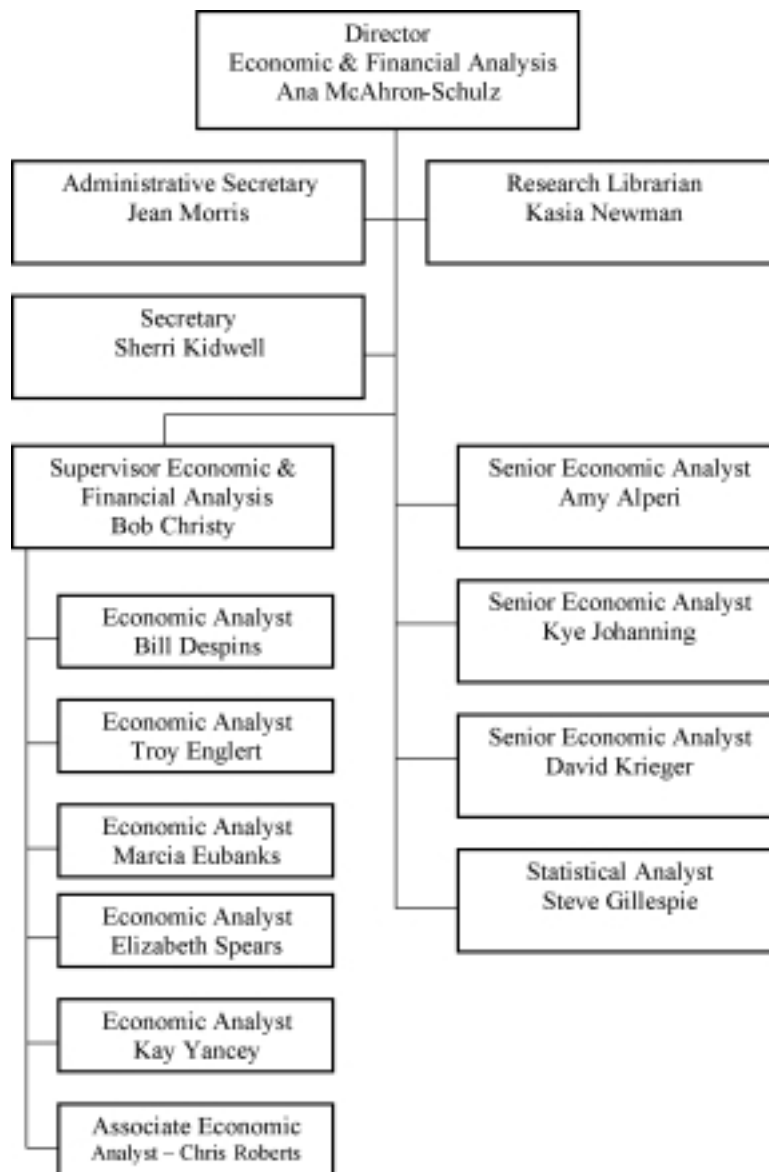
The E&FA department maintains ALPA’s computerized labor agreement database, researches various issues and prepares exhibits to support ALPA’s position in a variety of areas such as negotiations, grievances, litigation, Presidential Commissions and Department of Transportation hearings. ALPA appears to be the only airline union that has a department dedicated solely to research and analysis of all economic areas of an airline contract. While they perform somewhat different research and analysis for their respective unions, the E&FA would essentially be our APA TASC counterpart.

During meetings with the current Director of E&FA, Ms. Ana McAhron-Schulz, a comprehensive description of the capabilities of her department was presented. ALPA represents approximately 50 airlines. Given that volume and the frequency of negotiations, ALPA is essentially involved in constant negotiations and therefore the E&FA maintains a continuous up-to-date database on industry-wide contractual elements, contractual proposals and the costing analysis for each. With that resource, near real-time information is available to MEC negotiators during the conduct of their contract talks with management. The building of this capability began in the mid 1980s shortly after UAL’s 1985 strike and was spearheaded by the former Director of E&FA, now ALPA General Manager Mr. Jalmer Johnson. It took several years to construct and fine-tune the E&FA database and costing capabilities. During the early years, various management groups were skeptical of the pertinence and accuracy of the ALPA E&FA data. Slowly these management groups gained confidence in the E&FA’s capabilities. Today, these various management groups not only accept the E&FA’s analysis and costing of contractual proposals, they also frequently

seek an analysis of the pilots’ proposal before they themselves place a proposal on the table. Because of the high level of recognition and expertise in this area within the industry, ALPA’s E&FA is often given extensive access to airline business plans, access that ALPA claims no other analysis organizations, including aircraft manufacturers and industry consultants, are afforded. Apparently, the reputation of ALPA’s E&FA has spread so far that their services are sought after and contracted to the pilot groups of several foreign carriers, including KLM and Lufthansa. ALPA’s wholly owned subsidiary, International Service Corporation is responsible for these service agreements.

APA currently has a services agreement with ALPA for analytical and clerical services used to create and collect data and analyze a membership contract survey. At the option of APA and ALPA, this services agreement could be expanded. It should be understood that these services are not those offered through the International Services Corporation nor are these services routinely available to domestic non-ALPA pilot groups. ALPA understands that we are rapidly approaching Section 6 negotiations while we simultaneously discuss the possibility of re-affiliation. Any rush to decision, in the hope of utilizing ALPA resources, is not in the best interests of either ALPA or the AA pilots. The services agreement is done with the intention of relieving any such pressure.

ECONOMIC & FINANCE ANALYSIS (E&FA) ORGANIZATIONAL CHART



ALPA Merger Policy

ALPA Merger Policy sets up a process for integration of pilot seniority lists. It does not prescribe or dictate the criteria or methods to be used in merging the seniority lists. ALPA provides the procedures for integrating the lists in a fair and equitable manner. But, ALPA maintains a completely neutral position on the merits — that is, how the lists are put together – throughout the process until a merged list is obtained by agreement of the two pilot groups or in arbitration. The process contains specific time limits for each stage designed to lead to a merged list in a reasonable time. The elements of this process, including the time limits, have been reviewed periodically by ALPA committees consisting of pilot leaders who have had hands-on involvement in merger situations. These reviews have resulted in revisions to the policy which have been adopted by ALPA governing bodies to insure that the seniority integration process is efficient and fair.

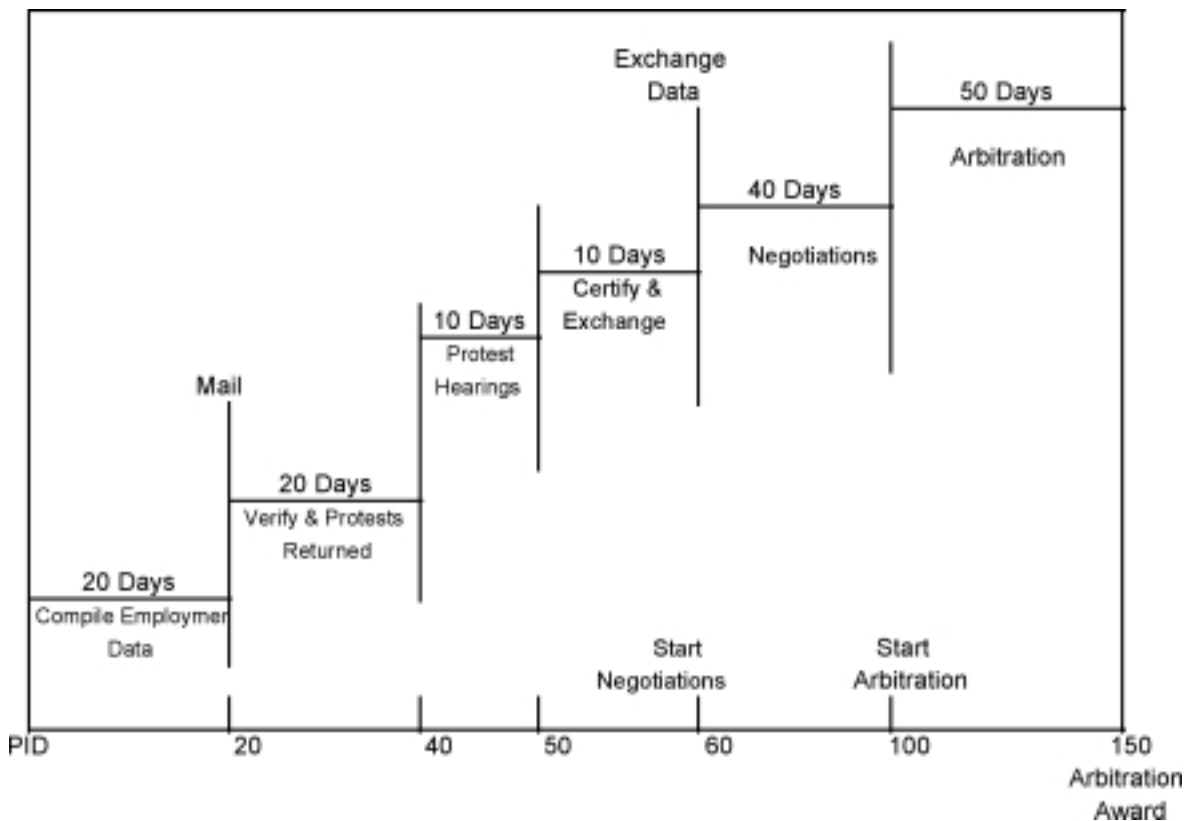
The steps in the process of ALPA Merger Policy are as follows:

- The policy is triggered by a determination by the ALPA Executive Council that a merger has occurred.
- The merger representatives of each of the pilot groups then compile, verify, and exchange seniority list data.
- The merger representatives meet in an effort to arrive at a mutually satisfactory method of integration. The representatives may compromise their differences to reach agreement but the relative position of pilots on their pre-merger lists must be maintained.
- The merger representatives are encouraged to keep the following goals in mind to reach a fair and equitable agreement:
 - Preserve jobs.
 - Avoid windfalls to either group.
 - Maintain or improve pre-merger working conditions.
 - Minimize detrimental changes to career expectations.
- Each pilot group may be represented by counsel of its own choosing at each stage of the process. Counsels are not ALPA employees and are compensated by assessment rather than dues.
- If direct negotiations do not result in an agreed upon merged list, the parties may resolve their differences through mediation conducted by a neutral.
- If mediation is unsuccessful or if the merger representatives waive mediation, arbitration is mandatory.
- Arbitration is conducted before an Arbitration Board consisting of a neutral professional arbitrator chosen from a list of arbitrators and two pilot neutrals chosen from a list of 50 ALPA members. The professional neutral is Chairman of the Arbitration Board.
- If the merger representatives cannot agree on an arbitrator, they alternately strike names from the list of arbitrators until one is selected. This list is a standing list maintained by the ALPA Representation Department and it consists solely of professional labor arbitrators who are recognized by labor and management for their expertise in resolving workplace disputes, especially in the airline industry.

It is worth emphasizing that their stock in trade is their reputation for total and complete neutrality and impartiality — their careers depend on it. Also, virtually all of the arbitrators are members of the American Arbitration Association or the National Academy of Arbitrators.

- The merger representatives from each of the pilot groups in the merger select one pilot neutral from the list of 50. The members on this list are selected by the Executive Council. This is a standing list, which is maintained by the Executive Council with input from all ALPA pilot groups. The list is not created or modified for a specific merger. Members from the merging airlines are not eligible to serve on the Arbitration Board for their merger. Typically, the main function of these pilot neutrals is to assist the arbitrator by providing a pilot’s perspective and technical expertise.
- The Arbitration Board makes its decision in a confidential executive session and issues an Opinion and Award which is binding and is defended and enforced by ALPA.
- The merged list is presented to management. ALPA uses all reasonable means at its disposal to compel the company to accept and implement the merged list.

The following chart provides a timeline for the procedure per the ALPA policy manual.



Negotiations Resources/Procedures

Negotiations at any ALPA carrier are planned for exhaustively by the applicable MEC with the constant support of the ALPA Headquarters staff. The ALPA E&FA provide economic analyses and contract comparisons to the MEC well in advance of the contract amendment date. A contract survey of the MEC's membership and response analysis is contracted for through ALPA's long-established relationship with the Wilson Center, a respected professional polling service organization. Armed with this data, the MEC formulates its contract objectives. Then, through a coordinated iterative process involving the MEC and the ALPA E&FA, Legal, Communications and other Staff Directorates, the MEC finalizes their initial contract proposal and planned course of action complete with timelines and milestones all prior to the exchange of Section Six openers. This process and these departments comprises what could be called a professional negotiations staff. Nearing the contract amendment date, ALPA begins to include potential arbitrators and mediators into the scope of their plans through their well-established ties to the National Mediation Board.

Effect of Re-affiliation on Headquarters

The international Headquarters for the Airline Pilots Association (ALPA) is located in Herndon, Virginia. They also have a building conveniently located in Washington, DC. The need for a building in the District of Columbia is obvious, as this is where the policy affecting airline pilots is made. Legislators and regulators are not inconvenienced by having to drive out to Herndon for a conversation or meeting.

ALPA centrally administers the needs of +/- 50 carriers out of the Herndon office. The administrative services include but are not limited to Accident Investigation, Accounting, Government Affairs, Representation and the Executive Offices.

The individual airline councils or MEC (Master Executive Council) have headquarters called Field Offices. These offices are usually located in the largest domicile (UAL-Chicago, DAL-Atlanta). The O'Connell Building in Fort Worth, Texas would become the AAL MEC Field Office.

The organizational structure is considerably different than APA's. All lines of staff authority within APA report to the President of our Association. In the ALPA staff structure, all lines of staff authority report to the national structure. The ALPA national leadership ultimately reports to the membership as in reality does the leadership of our organization. While this may seem like an unimportant distinction, it is worth pointing out that the line of staff reporting in ALPA bypasses the leadership of the pilot group. It is not that the MEC leadership has no authority over their staff, they indeed do, but it seems that ALPA's structure is designed to insulate the staff from MEC politics.

In an effort to see how an AAL MEC might be staffed, some members of the AEC committee went to visit the United MEC Field Office in Rosemont, IL (outside Chicago) for that purpose, among others.

ALPA does centralize certain functions that we perform locally at APA. There are valid concerns that some of our current staff might face dislocation if a transition to ALPA were to occur. We believe that most of this would be mitigated through a merger agreement. With AMR's recently announced acquisitions and the attendant increase in size of the pilot group, these concerns may be largely a moot point.

Member Benefit Programs

Included in Member benefit programs are Life Insurance, Loss of License, Supplemental Medical, Long Term/ Custodial Care, Accidental Death and Dismemberment, and Pilot Mutual Aid. It is obvious to the AEC that if the Collective Bargaining Agent (CBA) were to change, the membership would want the plans for the pilots of American Airlines represented by APA to transfer unchanged if a switch to ALPA is made.

Will the plans offered by APA remain if we were to merge with ALPA? The short answer is that all plans currently offered by the APA will remain intact if a merge with ALPA is negotiated and approved.

If the pilots of AA decide to change representation, an analysis and comparison of plans offered by ALPA would be a prudent action to undertake. It is possible that AA pilots would be better served by an ALPA plan. It is also a possibility that our plans could benefit other ALPA members. It seems reasonable that any time a group plan is made available to a larger group the costs go down while the number of those benefited goes up. Any action to expand the plans would be thoroughly researched. This is to ensure that letting in any high-risk (high-cost) participants does not jeopardize the APA pilot's benefits.

A comparison of our benefit products with ALPA products is contained at the end of this report for your review.

Supplement W (Eagle Flow-Through)

A short review of some American Eagle (EGL) history will be helpful in understanding what effect, if any, the Flow-Through Agreement combined with a representation change to ALPA could have on careers of American Airlines pilots.

In 1995, APA represented pilots at two Eagle carriers, Flagship (Nashville) and Executive Air (San Juan). Regional Pilots Association (RAPA) represented pilots at Wings West (Los Angeles). ALPA represented pilots at Simmons (Chicago).

There existed four airlines wholly owned by AMR Eagle, four collective bargaining agreements, four seniority lists and three different unions. Consequently, Eagle pilots were ripe for exploitation. Not surprisingly, AMR Eagle whipsawed one pilot group against another during contract negotiations.

At Flagship, AMR Eagle shifted flying to other Eagle carriers, shrinking the number of pilots from 1200 to 500 through furlough. Transfer rights did not exist between carriers; therefore, furloughed Flagship pilots went to the bottom of other carriers' seniority lists or on the street.

In an attempt to stop this exploitation, APA filed a "single carrier petition" with the National Mediation Board (NMB) seeking to have all Eagle carriers declared a single transportation system for Railway Labor Act purposes. The NMB ruled in favor of the petition, which required a representation election. ALPA won the election.

The most significant result of the NMB ruling: one union (ALPA) representing all four pilot groups. However, four airlines, four collective bargaining agreements and four seniority lists remained.

Eagle pilots' two-pronged objective for ensuing contract negotiations was replacement of four contracts with one collective bargaining agreement and merge four seniority lists into one list for all EGL pilots. It must be emphasized the NMB ruling did not provide for such remedies. The only way to achieve such an objective was through collective bargaining with AMR Eagle.

As a first step, the pilot groups established one Master Executive Council (MEC) including elected representatives from each airline. The newly formed Eagle MEC selected a negotiating committee, again including one member from each airline.

Eventually, a tentative agreement was reached. In exchange for a 16-year contract, AMR Eagle would agree to one contract and to recognize and accept a merged pilot seniority list. The TA also contained limited scope protection, and a pay formula with ensured annual rate adjustments. Included was a method for amending the contract fully, either through negotiations or "interest arbitration" at each four-year interval. The EGL MEC independently approved this concept.

Representatives from the four pilot groups negotiated and agreed on a merged seniority list. Subsequent negotiations with management resulted in the EGL pilots receiving retroactive seniority and longevity credit that made them "whole" for the losses attributable to past furloughs and recalls.

The completed agreement, signed on May 5, 1997, was submitted to all EGL pilots for membership ratification. Initial ratification failed. Some modifications were negotiated, and the agreement was resubmitted for ratification.

A single collective bargaining agreement and merged seniority list were significant improvements. It can be said Eagle pilots traded these significant improvements for a 16-year contract, but not much in the way of pay, work rules and benefits. In spite of these shortcomings, EGL pilots voted in favor of the agreement by a wide margin.

EGL bought Business Express, and its pilots were merged into the EGL seniority list; however, Business Express continues to be operated as a separate brand. EGL has grown dramatically and will continue to replace existing turboprops with regional jets. The airline has had tremendous pilot attrition

THE FLOW-THROUGH AGREEMENT

This agreement, Supplement W of APA /AA contract, is a product of collective bargaining between APA, ALPA, AMR Eagle, and American Airlines. Signed on May 5, 1997 with a 10-year term, it provides that EGL pilots who have completed Captain IOE on the RJ, who meet American's "years to captain" criteria, and who have elected the option to flow through rather than remain at EGL will be entitled to one-half of the new-hire class slots at American. Eligible EGL pilots who were on the seniority list when the agreement was signed have the opportunity to flow through to American. There are also certain furlough protections for American Airlines pilots.

EFFECT ON AMERICAN AIRLINES PILOTS

There are no provisions in the agreement to force a seniority merge between Eagle and American pilots. Moreover, according to counsel, no law exists to force a seniority merge between American and Eagle pilots. This fact remains true even if both groups were to be represented by ALPA. The same is true for the NMB "single carrier designation." After a careful reading of the language and consultation with APA legal counsel, this committee has concluded that American Airlines Pilots changing to ALPA representation would not affect the Flow-Through Agreement.

ALPA and Regional Jets

ALPA has no official policy on small jets. The MEC of each ALPA trunk carrier decides to what extent regional jets will be allowed to impact their airline. MEC control of regional jet deployment is achieved through Scope provisions of the collective bargaining agreement.

Pursuant to an ALPA BOD resolution in October 2000, the Bilateral Scope Impact Committee was formed. This committee will study whether or not ALPA policies should be developed with regard to the impact of Scope provisions on all ALPA pilots within an airline system. The committee will submit an interim report of their findings to the May 2001 ALPA Executive Board.

ALPA Political Action Committee (PAC)

The ALPA PAC was established in 1975.

Its mission is to support in a nonpartisan fashion, candidates for US Senate and House of Representatives who favor airline pilot and airline pilot issues through voluntary pilot contributions.

Its seven-member Steering Committee has five pilots and two ALPA officers to decide who gets funding based on candidate record on ALPA issues.

Its success rate in the 1998 election cycle was 92% (contributed to 234 campaigns with 216 successful).

1997 raised \$530,000.00

1998 raised \$550,000.00

1999 raised \$770,000.00

The principal issues of concern are safety, globalization issues, open skies, cabotage, foreign investment in US airlines, and age 60 retirement issues.

United MEC has its own PAC called UP-PAC with its own five-member steering committee. UP-PAC is a “sub PAC “ of ALPA-PAC in that it coordinates with ALPA-PAC on many issues but retains the ability to steer contributions to candidates who are sympathetic to United Pilots and United Pilot issues. The UP-PAC steering committee consists of UAL-MEC Chairman, MEC Vice Chairman, MEC Secretary-Treasurer, MEC Legislative Committee Chairman and a pilot member.

UAL MEC Chairman Captain Rick Dubinsky and his fellow MEC officers are ardent supporters of UP-PAC and ALPA-PAC. The UAL pilots can contribute to the ALPA-PAC or the UP-PAC or both.

APA-PAC

The Allied Pilots Association Political Action Committee, APA-PAC, was created in 1992 and began making campaign contributions in 1993. APA-PAC is non-partisan, and all contributions are made in accordance with APA's bylaws and only to those candidates who support APA's policies. Principal issues are safety, globalization, cabotage, and age 60 retirement issues.

Contributions are geared heavily towards those who have a direct impact on policies that affect APA members. Party leaders and members of committees that have jurisdiction over aviation policy received the vast majority of contributions.

From 1993-1998, APA-PAC has contributed \$413,700 to federal candidates. Senators serve six-year terms and a third of the body runs for reelection every two years. Consequently, several APA-PAC contributions made throughout this time period were given to candidates who did not run in the year 1998.

APA-PAC was successful in backing certain specific air safety and other provisions included in the FAA reauthorization bill known as AIR-21. Because of APA-PAC, the Allied Pilots Association won a hard-fought victory for its members when President Clinton signed the bill into law on April 5, 2000.

The APA-PAC's success rate for the 1998 election cycle (1997-1998) was 96%. Contributions were made to 111 campaigns, 107 of which were successful. APA-PAC contributed \$213,000 to winning candidates and \$5,000 to losing candidates.

The Political Action Steering committee has four members: APA President, APA Secretary Treasurer, an APA Board Member, and the Chairman from the Legislative Affairs Committee.

The Legislative Affairs Committee has four members: Chairman makes funding recommendations to APA-PAC Steering Committee based on advice from lobbying firm Bracy Williams. (APA pays Bracy Williams \$20,000 per month for a range of services and training programs and considers this money well spent.)

1997 raised \$ 98,495
1998 raised \$ 118,580
1999 raised \$ 104,088

APA-PAC is funded by voluntary pilot contributions.

AA pilots could also maintain their own separate PAC similar to the United MEC's UP-PAC.

Membership Issues

The Continental pilots recently negotiated a merger agreement with ALPA that would allow any Continental pilot in good standing with the Independent Association of Continental Pilots (IACP) to be offered membership in ALPA if the IACP ratifies the merger agreement. There has been some concern that ALPA would permit strike-breakers to become active members. This is one of the issues that derailed the ALPA-IACP merger discussions in 1996. Subsequently, ALPA committed to the principle that all members in good standing of an independent pilot association shall be permitted membership in ALPA. We asked the UAL MEC officers how they felt about Continental strikebreakers being granted active membership in ALPA and the answer was pragmatic. It is a principle of union organizing that when a workplace “scabs out” during a strike, the union goes right back in and tries to organize that same workplace. ALPA’s effort is consistent with principles of union organizing.

Expelled For Life

The Allied Pilots Association was founded by five determined, courageous men who pulled together and formed a union of their fellow American Airlines pilots while at the same time negotiating a truly industry-leading contract.

These men were:

- Captain Nick O’Connell
- Captain J.R. Lyons
- Captain P.G. Atkins
- Captain Joe Garvey
- Captain Bob Guba

On April 26, 1963 these gentlemen were “expelled for life” from the Air Line Pilots Association. We have been assured this issue can be easily resolved.

APAFCU (Allied Pilots Association Federal Credit Union)

The APA has a credit union and ALPA has a credit union. The similarities end when you move past the institutional category. The services offered by the APAFCU, in our estimation, are superior to what the ALPA Credit Union offers. By a significant margin, the ALPA Credit Union does not enjoy the level of membership participation the APAFCU does.

The APAFCU does not rely on the existence of APA and is unaffected by who the collective bargaining agent happens to be.

Summary

This report presents the basics of the ALPA organizational structure with its hierarchy of councils and boards, beginning with the individual ALPA member and culminating through the highest elected body being the Board of Directors. You have been presented with a brief comparison of the Constitution and Bylaws of both ALPA and our own APA, including a list of objectives found in the ALPA C&B. The ALPA dues structure was detailed and showed the portions of the 1.95% monthly membership dues that go to direct and reserve support of each MEC. Details were provided on portions of dues revenue that fund ALPA national resources and how these resources are employed by the MECs. Some of these resources, such as the Economic and Finance Analysis Department as well as other Directorates available to MECs for professional contract negotiations and administration were described. ALPA staff structure, health and insurance benefits and political action/lobbying issues were compared to our own at APA. Various ALPA policies were explored and detailed such as the Merger Policy, positions on small jets and the impact on our current Eagle Flow-Through contractual provisions, and the ALPA philosophy of “Independence Plus.”

Finally, other tangential issues such as the impact on our Allied Pilots Association Federal Credit, the relative advantages of affiliation with AFL-CIO and other issues attendant to a potential merger with ALPA were addressed. To provide an historical background, in December this committee distributed two booklets describing the separation from ALPA and our subsequent history.

APA and ALPA Member Benefits Comparison

| LIFE INSURANCE | | |
|---|---|---|
| BENEFIT PROVISION | APA | ALPA |
| Type of Plan | Fully insured term life insurance. | Fully insured term life insurance. |
| Eligibility | Active APA members and apprentice members and their eligible spouses and dependents. Retired APA members, spouses and dependents. | ALPA apprentice members, active members, reactivated members, executive active members, executive inactive members, inactive participants and their eligible dependents residing in the US, Puerto Rico and Canada. |
| Benefit Amount | | |
| Member | \$50,000, \$100,000, \$150,000, \$250,000, \$500,000, \$750,000, \$1,000,000 | Units of \$50,000 up to \$500,000. |
| Spouse | \$25,000, \$50,000, \$125,000, \$187,5000, \$250,000, \$375,000, \$500,000 | Units of \$50,000 up to \$500,000. Cannot be more than 100% of member amount (50% in Texas). |
| Dependent Child | \$10,000 per covered child. | \$5,000 per child while eligible dependent; coverage terminates when member attains age 70. |
| Benefit Reductions | Reduces to 25% of the original amount at age 60, maximum of \$125,000 and 12 1/2% at age 70, maximum of \$62,500. | At age 60 reduces to lesser of \$50,000 or 1/2 amount applicable when under 60. At age 70 reduces to 1/2 amount applicable at 60. At age 80 reduces to 1/2 amount applicable at 70. |
| Non-Smoker Rates | No | Yes for members and retirees only. |
| Exclusions | Suicide with two years of coverage or an increase in coverage. | |
| Waiver of Premium Provision for Life Benefit | No | Not addressed by New York Life; self-funded by ALPA. |
| Accelerated Death Benefit | Yes | Yes |
| Age Rated | 5-year age bands. | 5-year age bands. |
| Rates | 41-year old – \$100,000/\$157.20 annual. 41-year old spouse – \$100,000/\$157.20 annual, but option not available. Dependent child – \$15.60 annual. | 41-year old – \$100,000 non-smoker/ \$98 annual. 41-year old – \$100,000 smoker/ \$185 annual. Spouse – \$163.00 annual. Dependent child – \$15.00 annual. |
| Miscellaneous Provisions | Survivor financial counseling. Continued coverage for dependent children following death of member. Extended coverage for incapacitated dependent children. | |

MEDICAL

| PROVISION | APA | | ALPA |
|---------------------------------|---|---|--|
| | CHIP | Supplemental Medical | Major Medical |
| Type of Plan | Self insured. | Self insured. | Fully insured w/ New York Life. |
| Eligibility for Coverage | All active members of APA and their eligible dependents; eligible retired members. | Members actively at work and under age 55 on date of enrollment or re-enrollment. Spouses of enrolled members under age 55 on date of enrollment or re-enrollment. Eligible dependent children of enrolled members. May extend into retirement. | ALPA apprentice members, active members, reactivated members, executive active members, and executive inactive members both individual and family coverage. Retired pilots both individual and family coverage if employer-sponsored coverage terminated. Must enroll within 60 days of loss of coverage. |
| Cost | None | \$175 per year member. \$175 per year spouse. \$120 per year for dependent child(ren) coverage. | Varies by deductible, age, and family composition. \$500 deductible ranges from \$94.52 to \$916.17/mo. \$2,000 deductible ranges from \$75.61 to \$732.93/mo. |
| Max. Benefit | \$50,000/plan participant. | \$1,000,000/plan participant. | \$1,000,000/plan participant. |
| Annual Deductible | None except surviving spouse and dependents: \$50/person deductible. | None | \$500/person to maximum of \$1,000 per family. \$2,000/person to maximum of \$4,000/family. |
| Out of Pocket Maximum | None | \$10,000 annually. | \$10,000 annually (exclusive of deductible). |
| Co-Insurance Percentages | After any required deductible: 80%. | 90% to \$10,000 annually, thereafter 100%. | After deductible, 80% to \$10,000 annually, thereafter 100%. |
| Pre-existing Conditions | None | None | Any condition which covered person consulted a doctor, received medical services/supplies or took medication during 12 mos. prior to insured until either: 12 consecutive mos. did not consult a doctor, receive medical services/supplies or take medication for condition <u>or</u> person insured for 24 months <u>or</u> creditable coverage recognized under HIPAA. |
| Benefits Payable | When participant exhausts lifetime max. benefits of AA's group medical and any group health coverage under which participant is covered or has option to obtain coverage. | When participant exhausts lifetime max. benefits of AA's group medical, APA's Catastrophic Medical and any group health coverage under which participant is covered or has option to obtain coverage (except vision, orthodontia, or retiree dental). | For period of two years when coverage with employer plan lost, except coverage purchased by member who retires without medical coverage may maintain plan to age 65 and Medicare eligibility. |
| Additional Features | | Vision; active orthodontia; retiree dental. | |

ACCIDENTAL DEATH & DISMEMBERMENT

| BENEFIT PROVISION | APA | ALPA |
|---------------------------------|---|--|
| Eligibility for Coverage | Active or retired APA members, spouses, surviving spouses and dependent children. | ALPA apprentice members, active members, reactivated members, executive active members, and executive inactive members both individual and family. Retired pilots both individual and family. |
| Benefit Schedule | | |
| Member & Spouse | 100% member; 70% spouse. | 100% member; 50% spouse. |
| Member & Child(ren) | 100% member; 25% per child. | 100% member; 15% per child. |
| Member, Spouse, Children | 100% member; 60% spouse; 10% per child. | 100% member; 40% spouse; 10% per child. |
| Benefit Amount | Member or family coverage; \$250,000 or \$500,000 coverage. | Member or family coverage; \$50,000 increments from \$50,000 to \$350,000. |
| Features | Spouse retraining benefit; Seatbelt benefit; Common disaster benefit; Coma benefit; Education benefit for dependent children; Childcare benefit up to 5 years; Limited-term extension of family coverage at no cost following death of member/employee; Additional monthly benefit of 1/2% paid to surviving spouse for 12 months following death of covered spouse. | Spouse retraining benefit; Seatbelt benefit; Common disaster benefit; Coma benefit; Terrorist & hijacking benefit – increases by 50% if death or dismemberment occurs as result of occupational injury due to terrorist or hijacking acts; CRAF coverage – if accidental death or dismemberment occurs as result of occupational injury while serving as member of Civil Reserve Air Fleet, increases by 50%; Exposure and disappearance benefit – if body not found in one year, benefits fully paid. |
| Exclusions | Intentionally self-inflicted injuries, suicide or any attempt threat. Declared or undeclared war. Accident occurring while service on full-time, active duty in Armed Forces of any country. Illness, disease, pregnancy, childbirth, miscarriage, body infirmity or any bacterial infection other than occurring in consequence of accident cut or wound. Travel or flight in any vehicle or device for aerial navigation including boarding or alighting while used for experimental purposes or operating, learning to operate, or serving as crewmember in any aircraft other than owned or operated by or on behalf of AA. Voluntary self-administration of any drug or chemical substance not prescribed by, or taken according to directions of, a licensed physician except in case of accidental ingestion of poisonous substance. Commission of felony. | Intentionally self-inflicted injuries, suicide or any attempt threat; Declared or undeclared war. Losses that occur while in armed forces of any country except for first 14 days of any one period of service in National Guard or Reserves of US. Maximum available benefit of loss during first 14 days of such service is \$25,000 regardless of coverage level selected. Travel or flight in any aircraft or device, which can fly above earth's surface, if aircraft or device used for test or experimental purposes without FAA certification. Aircraft used for aerobatics, racing, crop dusting, and stunt flying. |

LOSS OF LICENSE

| PROVISION | APA | ALPA |
|---|---|---|
| | Loss of License | Loss of License |
| Type of Plan | Self insured. | Self insured with Stop Loss by New York Life. |
| Eligibility | Any APA member eligible if following conditions met: 1) On active flight status on effective date of coverage; and 2) Holds 1st or 2nd class FAA Medical Certificate on effective date. | 1) Any ALPA member in good standing w/ valid Airman Certificate or 2) Inactive participant flying in which they hold FAA license for acceptable non-ALPA carrier classified under FAA Regulations Parts 119, 121,129, or 135. |
| Apprentice Members | Must enroll in plan and make contributions. | Automatically enrolled at \$1,200 benefit level; no premiums required. If continue beyond apprentice year, 2nd year reduced 75%; 3rd year 50%. |
| Pre-Existing Condition Exclusion | Any condition which treatment or consultation occurred within 12 months prior to effective date. Pre-ex will not apply after treatment-free period of 12 months or period of 24 months with treatment. | 1) Policy may be offered at same premium by eliminating coverage for specific impairment/disease. 2) Pre-ex in effect for any injury/sickness occurring within 24 months of effective date if disability caused or contributed by injury/sickness in existence prior to effective date. |
| Definition of Disability | “Disabled” or “disability” mean inability to perform occupational duties as company pilot due to non-excluded injury/sickness. Must be under regular care of physician and unable to maintain 1st or 2nd class FAA medical certificate. | Inability to work in capacity and status insured is serving at time of disability due to covered sickness or injury. |
| Elimin. Period | 14 consecutive mos. of disability during any period of disability. | 12 consecutive mos. of disability during any period of disability. |
| Monthly Options | \$1,200; \$2,400; \$3,600, \$4,800. | \$600; \$1,200; \$1,800; \$2,400; \$3,000, \$3,600. |
| Maximum Benefit | 60% of average pay for six months prior to disability. | Annual comp. >\$50,000 = \$1,800; <\$50,000 = \$3,600. |
| Evidence of Insurability | None required. | Required |
| Max. Duration of Benefits | For any one period of disability, lesser of (a) 8 years (b) early retirement; or (c) to age 60. | For any one period of disability, lesser of (a) 48 months; or (b) until recovered. |
| Seat Change Protection | Not available. | Protects pay prior to disability. If prior to disability, held Class 1 Medical and disability forced to fly fewer hours for less pay, benefit makes up difference up to maximum coverage amount. |
| Chemical Dependency | Benefits related to chemical dependency limited to 18 months per lifetime. | Disability related to chemical dependency not considered until date disability begins if pilot enters rehab program within 90 days or date entered rehab and participation in all aspects of program. |
| Lump Sum Option | Not available. | May apply for lump sum option after 24 consecutive mos. of disability. May be granted if permanently unable to perform duty of employment in capacity of valid Airman Certificate. |
| Waiver of Premium | Premiums not required while disability benefits paid. | Premiums not required while disability benefits paid. |
| Refund of Contributions Made During Elim. Period | During elimination period, disabled participant required to continue contributions. Upon completion of elimination period contributions made during period will be refunded. | Not addressed. (No refund; premiums payable for first 90 days or once notification received, if later.) |
| Death Benefit | If disabled participant dies within 12 months after elimination period, beneficiary receives lump sum equal to one year’s benefit, plus amount of contributions made during 14-month period. | None |
| Recurrent Disability | Second period of disability considered part of first period if participant returns to active status for less than 12 months and subsequent disability due to same cause. | Second period of disability considered part of first period (a) if participant returns to active status for >3 months and subsequent disability due to same cause or (b) if due to different cause and not separated by return to active work. |
| Disability While Inactive | Disability incurred while on disability will not be covered. | Disability incurred while on disability due to different cause not separated by return to active work will be covered. |
| Monthly Cost | For the most part, 5-year age bands. 35-year old with \$3,600 monthly benefit is \$21/month. | One year age band. 35-year old with \$3,600 monthly benefit pays \$51/month. |

LOSS OF LICENSE

ALPA

Extended Total Disability Insurance

Underwritten by New York Life Insurance.

1) Any ALPA member in good standing w/ valid Airman Certificate and at active work. 2) Must be enrolled in ALPA Loss of License Plan.

No automatic enrollment for apprentice members.

Any condition which treatment or consultation occurred within 12 months prior to effective date. Pre-ex will not apply after treatment-free period of 12 months or period of 24 months with treatment.

Must be totally disabled (while insured under plan, injury or sickness occurs and completely and continuously prevents you from doing substantial duties of: 1) occupation during elimination period and; 2) any occupation which reasonably suited by education, training or experience, provided not engaged in any work for pay or profit.

Exhaustion of benefits under ALPA Loss of License Plan.

\$600; \$1,200; \$1,800; \$2,400; \$3,000

Amount may not exceed amount of ALPA LOL coverage in force.

Required

Earlier of no longer disabled or to end of benefit period, based on age at disability, as long as ALPA or NY Life does not terminate policy.

No

Not covered except as provided in Certificate of Insurance (same terms as LOL plan).

None stated

Does not require premiums while totally disabled and disability benefits paid either under this plan or ALPA LOL plan.

Not applicable as none would be collected due to waiver of premium.

None

Successive periods of total disability considered single period of disability if: (a) due to same or related causes and not separated by at least 3 continuous months of active work; or (b) due to different causes, but not separated by a return to active work.

See above.

Five-year age bands. 35-year old with \$3,000 monthly benefit (max benefit) pays \$45/month.

IFALPA Lump Sum LOL

Underwritten by various Lloyds of London syndicates and the IFALPA VEBA.

Any ALPA apprentice, active, executive or reactivated member.

Automatically provided by ALPA lump sum coverage of \$25,000 during apprenticeship.

Pre-ex in effect for any injury or sickness which occurs within 24 months of the effective date of coverage if such disability is caused or contributed to by an injury or sickness in existence prior to effective date.

Loss of license as a result of covered accident or illness.

12 months upon claim approval.

If terminal, may be eligible to receive benefit of 2% per month (after six-month wait) for 50 months or through lifetime, whichever is shorter.

Available in units of \$50,000 to \$250,000 maximum benefit. Beginning at age 45, coverage reduces each November 1 per unit from initial lump sum.

\$250,000 to age 45; decreases thereafter each November 1.

Required

Not applicable.

No

Disability related to chemical dependency not considered until date disability begins if pilot enters rehab program within 90 days or date entered rehab and participation in all aspects of program. Benefit limited to 25% of principal sum.

This is a lump sum plan.

Not addressed.

Not addressed. (Premiums due during elimination period.)

None

Not addressed. (Total of one lump-sum payment made for all periods of disability in participant's lifetime; coverage terminates after payout of total benefit.)

Five year age bands. 35-year old with \$50,000 lump sum coverage pays \$18.75/month.

LONG-TERM CARE/CUSTODIAL CARE

| PROVISION | APA | | ALPA |
|--|--|--|--|
| | CHIP | CCB | Long-Term Care |
| Type of Plan | Self insured. | Self insured. | Underwritten by John Hancock Insurance. |
| Eligibility for Coverage | Active or retired APA members, spouses, surviving spouses (until remarriage) and dependent children. | Active or retired APA members, spouses, surviving spouses (until remarriage) and dependent children. APA members and spouses must be members of APA Supplemental Medical plan and under age 55 at time of participation. | Eligible ALPA members who are actively at work and spouses (age 18 or older). Retired members and spouses. Parents and parents-in-law (issue age under 80) of members. |
| Evidence of Good Health Required? | No evidence required. | No evidence required. | Yes, evidence required. (One-time open enrollment window at policy inception). |
| Benefits Available | While confined as bed patient in covered institution. | While confined as bed patient in covered institution. | Qualify for benefits when patient advocate certifies due to covered condition you are dependent in at least two of six significant activities of daily living or are cognitively impaired, and completed elim. period. |
| Elimination Period | None | 365 days, coordinated with APA CHIP coverage. | Must be certified 90 days before benefits paid but don't have to receive long-term care services or be hospitalized. |
| Benefit Amount Institutional | Pilot: \$50/day Spouse: \$35/day Child: \$20/day | Participants: \$50/day | Choice of \$75, \$100, \$150 or \$200/day. |
| Alternate Care Facility | None | None | 75% of daily maximum benefit. |
| Home Care/ Adult Day Care | None | None | 60% of daily maximum benefit. |
| Informal Care | None | None | 25% of daily maximum benefit. |
| Benefit Duration | 365 days per person. | 730 days per person. | Until participant receives maximum payment amount (\$136,875, \$182,500, \$273,750 or \$365,000 for the \$75, \$100, \$150 or \$200 benefit amount respectively). |
| Portability | No | No | Yes, if retire or leave ALPA, coverage may continue at same premium. |
| Contributions | Not applicable. Provided to all active and retired members, surviving spouses and dependents. | \$125/year for pilots >60 and spouses; \$250 for pilots age 60+ and spouses. \$60 for dependent children. No rate guarantees. | Age-rated coverage, with age of entry as age for premiums. |
| Coordination of Benefits | No | No | Yes, may reduce or eliminate benefits otherwise payable under plan w/ respect to benefits payable under another plan. |
| Inflation Protection | None | None | Yes |



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