AA Proposal

AA Proposal	**Date: 6/23/2009**	**Time: 2:30 PM**
Subject: CPA Payout		**Version: 1**
Proposal Reference(s): NEW		
Contract Reference(s): Section 15/ Supplement N		

As a result of changes to Federal tax law through the enactment of section 409A of the Internal Revenue Code, the Credit Plan Account (CPA) constitutes "deferred compensation". The terms of the CPA do not comply with the section 409A requirements for such deferred compensation plans, and changing the CPA to comply with section 409A would make it inflexible and harder to administer. IRS transition rules for collectively bargained plans contain an effective date of January 1, 2010. Section 409A is otherwise effective January 1, 2005. Thus, unless the CPA is properly amended or is terminated prior to January 1, 2010, the CPA will be in violation of section 409A on January 1, 2010, triggering regular income taxes, an additional penalty tax of twenty percent, and interest, all to be withheld from pay. CPA hours earned prior to January 1, 2009, must be used or paid out prior to the end of 2009 to avoid this tax withholding if the CPA is to be terminated. CPA accruals for 2009 could be paid as late as March 15, 2010.

To minimize potential personal tax liability that pilots could be exposed to, the Company proposes the following:

- The Company proposes early implementation of the elimination of the CPA bank (Company proposal dated 10/21/2008).
- In the interim, the CPA Plan shall be amended with following provisions:
  - CPA time shall be credited and debited on a first-in, first-out basis
  - As of November 30, 2009, CPA time earned in 2008 or 2008 vacation hours converted to CPA time shall be paid out in the December 2009 pay period.
  - As of January 30, 2010, CPA time earned in 2009 or 2009 vacation hours converted to CPA time shall be

paid out in the February 2010 pay period.

- The parties shall discuss options to address any outstanding vacation bank balance after the completion of scheduled vacation for the months of February, March and April each year.

- The Company shall notify each pilot of any CPA balance owing from 2008 and/or 2009 no later than September 1, 2009.