

LETTER OF AGREEMENT #5
ENHANCED CAREER OPPORTUNITIES II

among
AMERICAN AIRLINES, INC.
and
PSA AIRLINES INC.
and
THE AIRLINE PILOTS
in the service of
PSA AIRLINES INC.
as represented by
THE AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

This Letter of Agreement (this “Agreement”) is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and among American Airlines, Inc. (“American”), PSA Airlines Inc. (“PSA”) (together, “the Airline Parties”), and the pilots in the service of PSA as represented by the Air Line Pilots Association, International (the “Association” or “ALPA”) (collectively, the “Parties”).

WHEREAS, in accordance with paragraph 7 of Letter of Agreement 3 of the ALPA/PSA Collective Bargaining Agreement (the “CBA”), the Parties met to discuss increasing the minimum number of pilot positions at American to be offered to pilots on the PSA Pilot Seniority List (“PSA Pilots”) taking into consideration the size of the PSA pilot force relative to other wholly-owned subsidiaries and PSA’s operating requirements, and

WHEREAS, as a result of these discussions, the Parties have reached agreement on provisions for additional enhanced career opportunities at American for PSA Pilots as well as certain other considerations;

NOW THEREFORE, the Parties hereby agree as follows:

The provisions of this Agreement, upon its effective date, will supersede and render null and void in its entirety Letter of Agreement #1 (Career Opportunities Letter of Agreement dated April 1, 2013) and Letter of Agreement #3 (Enhanced Career Opportunities Letter of Agreement dated September 27, 2013) by and among the Parties.

1. Pilot Flow-Up Procedure (PFP).
 - a. If, on or after the effective date of this Agreement, American makes the final determination, in its sole discretion, to seek to fill new pilot positions at American (“New Pilot Positions”), the Airline Parties will abide by this Agreement, whereby PSA Pilots are given the opportunity to flow up, in seniority order to New Pilot Positions (the “Pilot Flow-up Procedures” or the “PFP”). For purposes of this Agreement, “New Pilot Position” shall mean a pilot position offered to fill future vacancies necessitated by

attrition, growth, or other reason as determined by American. It does not mean a position filled by a pilot returning from furlough or other absence such as a personal leave of absence or medical leave of absence. For example: American schedules a class of 20 pilots in a month, 10 pilots are returning from furlough, and 10 pilots are returning from a medical leave of absence. In this example, there are no New Pilot Positions and the month is not considered a month in which American is hiring pilots.

- b. Nothing in this Agreement shall be construed to prohibit or in any way limit American from, at any time, soliciting, accepting, or processing any new hire pilot application or inquiry from, or hiring any, pilot who is not a PSA Pilot, except as otherwise required by the American Offer Commitment specified in paragraph 5.
- c. Any PSA Pilot who is hired by American, through the PFP or otherwise, will be placed on a personal leave of absence from PSA in accordance with the provisions of Section 13 of the CBA during initial new hire training. Such personal leave of absence will end upon the completion or termination of initial new hire training at American. Such pilot shall be treated by American as a new hire pilot for all purposes, including, by way of example, for purposes of longevity, required training, and probationary status. A PSA Pilot who fails initial training at American will retain the right, subject to requalification, to return to his most recent position on the PSA Pilot Seniority List, status, and domicile, and with his longevity and seniority as set forth in Section 13 of the CBA or, if that aircraft, status and domicile is not available, to such other aircraft, status, and domicile as his/her PSA seniority allows him/her to hold. A pilot electing to exercise such right shall notify PSA within fifteen (15) days following his/her release from training at American. If requalification is required, he/she will be placed in the first available class. He/she will be placed back on the PSA payroll on the day he/she reports to training to become qualified or, the first day that he/she first becomes available for active flight duty, whichever is earlier.
- d. A PSA Pilot who terminates his employment with American or whose employment is terminated by American after completion of initial new hire training will not retain the right to return to his most recent position on the PSA Pilot Seniority List and may, in PSA's sole discretion, return to PSA only as a new hire.

2. Eligibility for the PFP.

- a. American will permit a PSA Pilot who has applied for a New Pilot Position to participate in the PFP if, and only if, he/she:
 - i. within ten (10) days of being notified of his/her selection for a New Pilot Position, completes all application forms, paperwork or other application processes which would be required at the time by American of any other applicants, as those processes are amended from time to time, including any materials necessary to comply with the Pilot Records Improvement Act, and specifically indicates in the written application that he/she is a PSA Pilot;
 - ii. provides PSA a signed release permitting American to have full access to

- his/her employment and training records from PSA;
- iii. is an active and fully qualified pilot on the PSA Pilot Seniority List at the time he/she is notified of his/her selection to a New Pilot Position, and the date he/she is released to his/her new hire class at American;
 - iv. is not the subject of any active disciplinary charges;
 - v. must have been in his/her current position at PSA for a minimum of twelve (12) months at the time his/her selection for a New Pilot Position; except that, a pilot who has completed an upgrade to a Captain position will not be required to remain in that Captain position for any specified period of time, and
 - vi. meets all of American's published hiring criteria and requirements in place at the time American makes such determination, as those criteria and requirements may be amended or altered from time to time provided that, these hiring criteria will not require PSA Pilots to have a college degree to be hired pursuant to this Agreement and the pilot will not be required to interview.
- b. A pilot who is subject to active disciplinary charges and is otherwise eligible to flow to American under the provisions of paragraph 2.a. may elect to have his/her pending grievance resolved under the expedited procedures provided in this paragraph b.i-vii, below.
- i. An initial hearing will be conducted before the PSA Vice President of Flight Operations or his/her designee within ten (10) days after the pilot gives written notice of his/her election to utilize this procedure.
 - ii. In order to be eligible to use the expedited arbitration process described in this paragraph b, the pilot must attend the initial hearing in person.
 - iii. If the grievance remains unresolved after the initial hearing, PSA and the Association (and the pilot) will submit such pilot's grievance to the PSA Pilots' System Board of Adjustment, sitting with a neutral selected under Section 21.K. of the CBA, within thirty (30) days following the pilot's election to have his/her grievance resolved pursuant to this expedited procedure.
 - iv. Except as otherwise provided in this Agreement, the provisions of Section 21 of the CBA shall apply.
 - v. Decisions of the neutrals under this procedure shall be expedited and shall be issued as "bench" decisions whenever possible.
 - vi. Written briefs will not be available under this procedure and stenographic services shall not be used to transcribe the hearing.

- vii. The expenses of the hearing will be borne equally by the Association and PSA. Nothing in this paragraph shall require American to postpone offers to other pilots, under this Agreement or otherwise, should a pilot elect to utilize this expedited arbitration process. If an unresolved disciplinary charge is the only item which prevents a pilot from being eligible for participation in the PFP, the pilot shall be reconsidered, according to his/her position on the PSA Pilot Seniority List, at the first hiring opportunity after the disciplinary charges have been resolved or expired.
3. PSA Pilots who apply and satisfy the requirements of Paragraph 2 above will be eligible for a New Pilot Position as set forth herein, except that a pilot who has failed initial training at American and has exercised his/her right to return to PSA in accordance with paragraph 1.c. above shall not be entitled to any New Pilot Positions.
4. Procedures for PSA Pilot Advancement to Opportunities at American
- a. All PSA Pilots, including pilots who interviewed for a pilot position at US Airways or American under the terms of Letter of Agreement #3 (Enhanced Career Opportunities), and were not offered a pilot position at that time, shall be eligible to be offered an opportunity for a New Pilot Position at American as such positions become available pursuant to the terms of this Agreement.
 - b. Offers in seniority order
- When American seeks to fill New Pilot Positions, such positions will be made available to eligible PSA Pilots in accordance with paragraph 2, above and paragraph 5 below. Offers will be made in the order of pilot seniority at PSA.
- c. Standing Expression of Intent
 - i. Not later than sixty (60) days from the date of signing of this Agreement, PSA will publish and maintain a website on which each PSA Pilot may affirmatively state on a standing basis that he or she is willing to accept an opportunity for a pilot position at American offered under the PFP. A pilot may remove himself from the list and put himself back on the list.
 - ii. Each PSA Pilot who receives an offer in an American new hire class will have up to three (3) days after notification of the offer of the American new hire class to accept or decline the pilot position offered. An offer declined pursuant to this paragraph 4.c.ii. will not be counted toward the number of New Pilot Positions offered under the Offer Commitment.
5. American Offer Commitment.

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- a. American's Offer Commitment, as described below, will begin with the first offer American makes to any pilot to fill a New Pilot Position following the effective date of this Agreement.
- b. American's compliance with the Offer Commitment will be measured annually, as of December 31, 2015, and each succeeding December 31 until terminated in accordance with Paragraph 7, below.
- c. For the remainder of 2015, American commits to offer to PSA pilots, in seniority order, the lesser of (a) twenty-five percent (25%) of all New Pilot Positions filled (subject to standard rounding) in calendar year 2015, or (b) four (4) New Pilot Positions times the number of calendar months in calendar year 2015 in which US Airways and American actually hired pilots for New Pilot Positions reduced by the number of offers US Airways and American made to PSA Pilots pursuant to Letter of Agreement #3 (Enhanced Career Opportunities) prior to the implementation of this Agreement. For purposes of this Agreement, a pilot will be deemed "hired" by US Airways and American on the first day he/she commences training.
- d. Beginning in January 1, 2016, American commits to offer in seniority order to PSA Pilots, in each calendar year, the lesser of (a) twenty-five percent (25%) of all New Pilot Positions filled (subject to standard rounding) in that calendar year, or (b) five (5) New Pilot Positions (increased by 1 for every 62 active Captains above the number of active Captains on the PSA Pilot Seniority List as of January 1, 2016, not to exceed 8 pilots per month) times the number of calendar months in that calendar year in which American actually hired pilots for New Pilot Positions. For purposes of provision (b) of this subparagraph immediately above, the number of New Pilot Positions required after January 1, 2016 will be recalibrated monthly as of the tenth of the prior month. Once an additional New Pilot Position has been added, the number shall not decrease unless the number of active PSA captains decreases below the applicable 62 active captain threshold for more than ninety (90) days. For purposes of this Agreement, a pilot will be deemed "hired" by American on the first day he/she commences initial training. For purposes of this Agreement "Active Captain" means a Captain on the PSA Pilot Seniority List who is fully qualified on all aircraft variants as a Captain, has completed captain IOE/OE, is eligible to bid a monthly schedule as a Captain, holds permanent a captain vacancy, and is not on any type of leave from the company (e.g., personal, medical, FMLA, military, workers' compensation, jury duty, full Association, national Association). For example:
 - i. If the new Offer Commitment/PFP begins in September 2015, and US Airways and American hired a combined 200 pilots for New Pilot Positions, with hiring in each calendar month between February and August (not January) and, American hired another 180 pilots for New Pilot Positions between September and December, American will have complied with its Offer Commitment if it made offers for New Pilot Positions to 44 PSA Pilots (i.e., the lesser of 4 offers x 7 months (28, SSP), and 4 offers x 4 months (16, PFP)).

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- ii. In 2016, American hires a total of 500 pilots for New Pilot Positions, with hiring in each month of 2016. On January 1, 2016, there were 540 active captains on the PSA Pilot Seniority List. On September 9, 2016, there were 602 active Captains on the PSA Pilot Seniority List. American will have complied with its Offer Commitment for 2016 if it made no less than 63 offers for New Pilot Positions to PSA Pilots (i.e., the lesser of: 5 pilots x 9 months = 45 total pilots for January – September.; 6 pilots x 3 months = 18 total pilots for October to December. 45 +18= 63; or 25% x 500 pilots = 125 pilots).
- iii. In 2018, American hires 400 pilots for New Pilot Positions, with hiring in each month of the year. On January 1, 2016, there were 540 active Captains on the PSA Pilots Seniority List. There were 791 active Captains on the PSA Pilot Seniority List on December 9, 2017, with no active captains added in 2018. American will have complied with its Offer Commitment for 2018 if it made no less than 96 offers for New Pilot Positions to PSA Pilots (i.e., the lesser of 8 pilots x 12 months (capped at 8) = 96; or 25% x 400 = 100 pilots).
- e. PSA may delay a pilot's start of initial training at American as necessary to train and staff the PSA operation, provided that the number of PSA pilots who have commenced initial training at American by the end of the calendar year is no less than the number of offers of New Pilot Positions required under paragraph 5.c and 5.d, above.
- f. The following conditions apply to American's Offer Commitment in any given year:
 - i. The Offer Commitment will be fulfilled based on offers made to PSA Pilots for New Pilot Positions, regardless of whether the PSA pilot fails to appear as scheduled for an assigned new hire class date, or fails training. For example, if American has an Offer Commitment for 27 PSA Pilots for a specific calendar year, and American makes offers to 27 PSA Pilots, but one pilot fails to show for training and three pilots fail initial training, American will have fulfilled its Offer Commitment for that calendar year.
 - ii. A PSA Pilot who is offered a New Pilot Position by American, but who thereafter fails to maintain his/her eligibility in accordance with Paragraph 2 above until the date of his/her assigned release by PSA will forfeit his/her offer of employment under this Agreement; provided, however, that if a PSA pilot fails to maintain his/her eligibility solely by reason of Paragraph 2.a.iv above, he/she will not permanently forfeit his/her eligibility, but shall become eligible once his/her active disciplinary action is no longer active or has been overturned. For example, if the Offer Commitment is for 27 PSA pilots, and AA makes offers to 27 PSA pilots, but two of those pilots who have accepted the offer and who were eligible for New Pilot Positions under this Letter of Agreement fail to remain eligible, AA will have fulfilled its Offer Commitment for that calendar year.

- iii. A PSA pilot who was offered a New Pilot Position by US Airways or American under the SSP but declined the offer or is offered a New Pilot Position by American under the PFP but declines the offer will not be eligible for a another New Pilot Position offer until he notifies PSA and American in writing that he wishes to be considered for an offer under the PFP in accordance with this Agreement.

6. Dispute Resolution Procedure.

- a. General. Except as provided for in paragraph 2.b., above, the following dispute resolution procedure shall be the sole and exclusive procedure for adjusting disputes arising out of the interpretation or application of this Letter of Agreement.

- i. Except as limited in Paragraph 6.a.ii and iii. below, ALPA or a PSA pilot may file and pursue grievances regarding claims that American has not complied with its annual Offer Commitment set forth in Paragraph 5. above, or regarding other claims that the Airline Parties have violated provisions of this Agreement.

- ii. ALPA or a PSA pilot may not file and pursue grievances challenging American's uniform hiring criteria (published minimums) and requirements as those criteria and requirements may be amended or altered from time to time for New Pilot Positions, nor may ALPA or PSA pilots file and pursue grievances claiming that those uniform hiring criteria (published minimums) and requirements should not apply, or that one or more of those requirements should be waived, as to an individual(s) seeking to flow up to American.

- 1) If American declines to hire a PSA Pilot because he/she did not meet such criteria or requirements, American shall provide the pilot written notice why such pilot did not meet one or more of the eligibility standards set out in 2.a., above, and shall afford the pilot a prompt opportunity to notify American of any errors in its determination prior to filing of a grievance. American shall consider such information and correct its decision if it was based on one or more factual and material errors.

- 2) If American does not correct a decision based on factual and material errors, does not provide written notice or specific guidance why such pilot did not meet one or more of the eligibility standards set out in 2.a., above, or claims any other reason for its decision not to hire a PSA pilot, ALPA or a PSA pilot may file and pursue a grievance arising out of American's determination.

- iii. An Arbitrator does not have the authority to rule, however, that the eligibility requirements set out in 2.a., above, do not apply or should be waived as to a grievant.

b. Grievance Procedure.

- i. ALPA, any PSA Pilot, or group of PSA Pilots, may file a grievance in writing arising out of the interpretation or application of this Agreement, subject to the limitations set forth in Paragraph 6.a., above. Any grievance that complies with the conditions of Paragraph 6.a, above, must be filed with both the Vice President of Flight Operations of PSA or, his/her designee and, the Vice President of Flight Operations of American or, his/her designee, within sixty (60) days of the time ALPA or the affected PSA pilot(s) became aware of the alleged violation of this Agreement. The grievance must set forth a statement of facts giving rise to the grievance and the relief or remedy requested.
 - ii. Within fifteen (15) business days after the carriers receive the grievance, ALPA, the Airline Parties, and the Grievant shall meet and confer to address the grievance. The meet and confer, and any subsequent meet and confers regarding the grievance, may be conducted telephonically.
 - iii. If the grievance is not fully settled as a result of the meet and confer, any of the Parties may file a written request to submit the matter to the Special System Board of Adjustment established by the Parties, solely for the purpose of adjusting any disputes arising out of the interpretation or application of this Letter of Agreement (the "Special System Board" or "the Special Board"), which Special Board shall have exclusive jurisdiction over any such grievance. The written submission must be filed with both the Vice President of Flight Operations of PSA or, his/her designee and, the Vice President of Flight Operations of American or, his/her designee, within thirty (30) days after the first meet and confer referred to in Paragraph 6.b.ii. above.
- c. Special System Board of Adjustment Procedures.
- i. The Special System Board has exclusive jurisdiction to consider any grievances properly submitted, subject to the limitations set forth in Paragraph 5.a., above.
 - ii. The Special System Board will have sole and exclusive jurisdiction over grievances arising out of disputes regarding the interpretation or application of the terms of this Agreement. Any dispute involving the interpretation or application of this Agreement may be submitted to the Special Board only once, and may not be submitted separately against the other carrier. The Special System Board shall be limited to disputes involving the interpretation or application of this Agreement and thus will not have any power to alter or amend the provisions of this Agreement, nor to propose impose changes in rates of pay, rules, or working conditions. The Special Board's remedial powers are limited to issuing relief or remedy awards only against a Party found by the Special Board to have acted in violation of this Agreement.
 - iii. The Special System Board shall be comprised of one neutral arbitrator. Upon the submission of a written grievance with the Vice President of Flight Operations of PSA Airlines or, his/her designee and, the Vice President of Flight Operations of American or, his/her designee, ALPA and the Airline Parties (together, the "Special Board Parties") shall, within fifteen (15) calendar days, designate the neutral

arbitrator. If no neutral arbitrator is designated after fifteen (15) calendar days of the submission, the Special Board Parties shall select one of the arbitrators to serve as the neutral arbitrator. If a selection cannot be made by agreement, then the Parties shall alternately strike names from the list until one remains and such remaining arbitrator shall serve as the neutral arbitrator. If the alternate strike selection is not accomplished within seven (7) calendar days after the Special Board Parties fail to agree on a neutral arbitrator (such seven days to commence on the first day following the fifteen (15) calendar days specified above, unless the Special Board Parties otherwise agree) because one or more Party(ies) has failed to participate in the alternate strike procedure, the other Party(ies) may contact an arbitrator in order of the below sequence and commence the scheduling of the hearing.

1. Dana Eischen
 2. Josh Javits
 3. Richard Kasher
 4. Edward Krinsky
 5. Richard Bloch
- iv. The Special Board Parties will agree upon the date(s) the neutral arbitrator will hear the case, which shall be within ninety (90) days of contacting the neutral arbitrator. In the event the neutral arbitrator does not have sufficient dates available within such ninety (90) days, a date will be chosen within the next thirty (30) days, or the Parties will agree upon another neutral arbitrator under the same schedule outlined above.
- v. The Special System Board's decision shall be final and binding.
- vi. The Special System Board expenses, reasonable compensation of the arbitrator, and expenses of a stenographic transcript will be borne equally between the PSA, American, and ALPA, each to bear one-third. Each of the Special Board Parties will assume the compensation, travel expense and other expenses of the witnesses called by it. Grievants, witnesses, and representatives who are the employees of PSA or American shall receive Space Positive Company Business transportation for traveling to and from the location of the hearing.
- vii. The Special System Board shall meet in the city where the general offices of American are maintained, unless the Special Board Parties agree otherwise.
- viii. The Special System Board will hear cases in an order agreed upon by the Special Board Parties; however, in the event the Parties cannot agree upon which cases shall be presented first, the Special Board Parties will alternate, on a one-for-one basis, the selection of cases.

- ix. PSA Pilots with a grievance before the Special System Board may be represented at Special System Board hearings by such person or persons as they may choose and designate. The Parties may be represented by such person or persons as they may choose and designate. Evidence may be presented either orally or in writing, or both. All witnesses testifying orally or by deposition shall do so under oath. All written submissions to the Special System Board shall be addressed to the neutral arbitrator with one (1) copy to each of the Parties.
- x. The Special System Board may, on request of the neutral arbitrator or any Special Board Party, summon any witness employed by any of the Parties and who may be deemed necessary by both any Party to the dispute and the neutral arbitrator, provided such summons does not unnecessarily interfere with the operations of American or PSA.
- xi. Each and every witness summoned by the Special System Board or called by any Party shall be free from retaliation or adverse action by any of the Parties to this Agreement because of his/her giving testimony in good faith.

7. Effective Date and Termination of this Agreement.

This Agreement is contingent upon the ratification of Letter of Agreements #6 (Initial Operating Experience) between PSA and its pilots as represented by ALPA. This Agreement will become effective on (as expeditiously as possible following the date of signing, but no later the 60 days after date of signing), and shall continue in full force and effect for the same duration as, and subject to the same amendable date as the CBA.

8. Effect of Merger and Additional PFP Discussions

The provisions of this Agreement will be binding on any successor of American, including a successor that results from the operational merger of US Airways and American, and, American will require that any such successor agree in writing to be bound by this Letter of Agreement. The Parties will meet Within 30 days after June 1, 2016, and discuss whether to increase the minimum number of positions under paragraph 5.c and 5.d of this Agreement, taking into account the size of the PSA pilot force relative to the other wholly-owned subsidiaries and PSA's operating requirements.

9. Limitations

American's and PSA's obligations, as described herein, are limited solely to the PFP. This Agreement does not constitute an agreement with respect to (i) any collective bargaining agreement between American and the pilots in the service of American, as represented by the Allied Pilots Association, or (ii) any other obligation of PSA or American to pilots in the service of PSA or to ALPA.

10. American agrees to provide to the PSA MEC Chairman upon request monthly hiring statistics for each American wholly-owned carrier under its flow agreements and any external pilot hiring.

11. No Furlough. No pilot on the PSA Pilot Seniority List as of September 27, 2013 will be furloughed, except that such furlough protection shall not apply in circumstances where the non-compliance is caused in substantial part by Conditions Beyond PSA's and American's Control. "Conditions Beyond PSA's and American's Control" shall include, but not be limited to, the following: (1) an act of God; (2) a strike by any other PSA or American employee group or the employees of a Commuter Air Carrier operating pursuant to an authorized codeshare arrangement with American; (3) a national emergency; (4) involuntary revocation of the PSA's or American's operating certificate(s); (5) grounding of a substantial number of the PSA's or American's aircraft; (6) a reduction in PSA's or American's operation resulting from a decrease in available fuel supply caused by either governmental action or by commercial suppliers being unable to meet PSA's or American's demands; and (7) the unavailability of aircraft scheduled for delivery.

IN WITNESS WHEREOF, the Parties hereto have signed this Agreement this ___ day of _____, 2015.

FOR American Airlines INC.

FOR THE AIR LINE PILOTS
ASSOCIATION, INTERNATIONAL

Kenji Hashimoto
SVP – Regional Carriers

Captain Timothy G. Canoll
President

FOR PSA AIRLINES INC.

Dion Flannery
President

Captain Jason McConnell
Chairman, PSA Airlines
Master Executive Council