

LETTER OF AGREEMENT
between
AMERICAN AIRLINES, INC.
and the
MECHANIC AND RELATED EMPLOYEES (including Planners, Maintenance
Control Technicians, Stores/Material Logistics Specialists, Quality Assurance,
Technical Document Specialists and Maintenance Training Specialists)
in the service of
AMERICAN AIRLINES, INC.
as represented by the
TWU/IAM MECHANIC ASSOCIATION AND TWU/IAM STORES ASSOCIATION

This Letter of Agreement (this "Agreement") is made and entered into this 5th day of August, 2016 in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between American Airlines, Inc., ("American" or the "Company"), and the TWU/IAM Mechanic Association and the TWU/IAM Stores Association (collectively the "Association" or "Union"). All parties are collectively referred to as (the "Parties").

WHEREAS, pre-merger American Airlines and US Airways merged to create the Company; and

WHEREAS, the Parties intend that for the current collective bargaining agreements covering the Mechanic and related (includes Accreted Groups), Stores/Maintenance Control Technician (MCT) and Maintenance Training Specialist (MTS) employees of US Airways (the "IAM CBA") and the current collective bargaining agreements covering the Mechanic and related, Material Logistics Specialist (MLS) and Maintenance Control Technician (MCT) employees of pre-merger American Airlines (the "TWU CBA") to remain in effect while negotiations for a Joint Collective Bargaining Agreement ("JCBA") are being conducted; and

WHEREAS, the Parties intend to provide interim pay increases and new pay rates for the Mechanic and related (includes Accreted Groups), Stores/MLS/MCT and MTS employees of both US Airways and pre-merger American Airlines, to be effective while JCBA negotiations are underway; and

WHEREAS, the Parties intend for Mechanic and related (includes Accreted Groups), Stores/MCT and MTS employees of US Airways to be able to perform Mechanic and related, MLS/MCT and MTS employee functions for pre-merger American Airlines and for Mechanic and related, MLS, MCT and Accreted Group employees of pre-merger American Airlines to be able to perform Mechanic and related (includes Accreted Groups), Stores/MCT/MTS employee functions for US Airways while JCBA negotiations are underway; and

WHEREAS, the Parties intend to provide job protection for Mechanic and related (includes Accreted Groups), Stores/MLS/MCT and MTS employees of US Airways and pre-merger American Airlines while JCBA negotiations are underway,

THEREFORE, the Parties mutually agree as follows:

I. Pay Increase/Pay Slotting

The pay scales in Attachment A will be effective for both pre-merger American Airlines and US Airways employees currently covered by the TWU CBA or the IAM CBA. The pay increase and new rates and premiums will be effective August 5, 2016. Future increases are included as part of Attachment A.

A. For the Accreted Groups which includes the Planners/Quality Assurance (QA)/Technical Document Specialists and Management Training Instructors of pre-merger American Airlines:

1. The hourly rates and pay steps in Attachment A will be utilized in the manner described below to determine the pay increase or lump sum payment an employee will receive under this agreement. The Company will use the current pre-merger American Airlines company seniority date for each LAA Maintenance Planner/QA/MTS and Technical Document Specialist to determine the equivalent applicable pay step and hourly rate the employee may receive as if he/she were placed on the applicable pay steps in Attachment A. Any future general wage increases to the pre-merger American Airlines Maintenance Planners'/QA/MTS and Technical Document Specialists' base rate of pay will be applied in accordance with Attachment A.
2. If the employee's current hourly rate is higher than the corresponding pay step on the applicable pay scale in Attachment A based on his/her LAA company seniority, he/she shall receive the next step on the scale that is higher than his current pay rate (e.g., a fifth year pre-merger American Airlines Maintenance Planner that is currently earning \$32.00 per hour, which is above the fifth year pay step of \$30.77 per hour, but does not match any pay rate on the scale, will now earn a base rate pay equivalent to the sixth pay step which is \$33.43 per hour). Thereafter, the employee will progress to the next higher step on the pay scale when his company seniority date makes him eligible for such higher step.
3. All current MTS employees as of the effective date of this Agreement will be placed at TOS on the MTS pay scale in Attachment A.
4. If the employee's current hourly rate is lower than the corresponding pay step on the applicable pay scale in Attachment A based on his/her LAA company seniority, he/she shall receive an increase that brings him/her to that corresponding pay step on the pay scale (e.g. a fifth year pre-merger American Airlines Maintenance Planner that is currently earning \$27 per hour, which is below the fifth year pay step of \$30.77 per hour, will now earn a base rate equivalent to the fifth pay step which is \$30.77).
5. The pay seniority date established to place the accreted employees on to the applicable pay scale will be used to establish pay progression to the next higher step on the scale.

6. If the employee's current hourly rate exceeds the Top of Scale (TOS) rate outlined in Attachment A, he/she will be "red circled".
 7. For employees covered by Paragraph 6 above, they will receive a one-time lump sum payment equivalent to 23% of the employee's annual base earnings based on a 2080 hour work schedule.
- B. For all other employees covered by this Agreement, those employees who are at TOS will be placed at the TOS rate of pay on the applicable new scale in Attachment A. For US Airways Utility employees, the applicable new scale will be the Cleaner pay scale in Attachment A. Those employees who are not at TOS will be placed on the equivalent step on the applicable new scale in Attachment A, or if the equivalent step would result in a lower rate of pay based on their wage rate and applicable premiums, they will be "red circled" at their current rate of pay and receive a one-time lump sum payment as set forth in Attachment B. Thereafter, the employee will progress to the next higher step on the pay scale when his length of service in the classification makes him eligible for such higher step.
 - C. For employees receiving a flex rate of pay as of the effective date of this Agreement, such employees will be placed on the equivalent step on the applicable new pay scale in Attachment A. Such employees will remain at that pay step on the new pay scale until such time as his seniority reaches a point that would allow him to advance to the next step. If an employee subsequently relocates to a city where he is not entitled to a flex rate, the terms of the applicable CBA shall govern.
 - D. For employees who receive a lump sum payment(s) under this Agreement, such payment will be subject to applicable taxes and withholdings.
 - E. License Premium for US Airways mechanic and related employees will match pre-merger American Airlines TWU at \$2.50/hr. per license and will be applied to any employees pursuant to Article 12(H) of the IAM agreement.
 - F. Inspector Premium for US Airways Inspectors will match pre-merger American Airlines TWU at \$1.75/hr. and will be applied pursuant to Article 12(H) of the IAM agreement.
 - G. Line Premium for US Airways mechanics will match pre-merger American Airlines TWU at \$0.55/hr. and will be applied pursuant to Article 4(c)1 of the AA/TWU M&R agreement.
 - H. Line Premium for US Airways MCTs will match pre-merger American Airlines TWU at \$2.55/hr. and will be applied pursuant to Article 4(f) of the AA/TWU MCT agreement.
 - I. MCT Premium for pre-merger American Airlines MCT employees will match pre-merger US Airways IAM at \$1.75/hr. and will be applied pursuant to Article 18(H) of the IAM agreement.

- J. Skill Premium for US Airways and pre-merger American Airlines GSE/Plant Maintenance mechanics will be \$2.81/hr. and will be applied pursuant to Article 4(e)(9) of the AA/TWU M&R agreement.
- K. Skill Premium for US Airways mechanics performing welder or machinist work and not holding an A&P license will be \$3.45/hr.
- L. Current longevity pay for pre-merger American Airlines MLS and MCT employees will be included in the chart rate of pay in Attachment A (i.e., going forward, current longevity pay is included in the base rate of pay).
- M. The current skill premium for pre-merger American Airlines MSP employees under Article 4(e)(9) of the AA/TWU M&R agreement will be included in the chart rate of pay in Attachment A. (i.e., going forward, skill premium is included in the base rate of pay).
- N. The Company commits to work with the Association on any issues that may arise from utilizing pay seniority for pay slotting.
- O. Any premiums not listed in this agreement will be governed and applied as described under the existing CBA's.
- P. Since the pay increases provide a higher monetary value from the Company match contribution for pre-merger American Airlines TWU represented employees participating in American's 401k and Savings program, the Company agrees to increase contributions to the IAM Pension Plan on behalf of the employees covered by Article 21 of the IAM/US Airways Mechanic and related and Maintenance Training Specialist agreements to:
- \$2.20 per hour for all Planners, Technical Documentation Specialists, Mechanics and higher classifications in accordance with plan rules.
 - \$1.60 per hour for all Stock Clerk classifications in accordance with plan rules.
 - \$1.15 per hour for all Utility classifications in accordance with plan rules.
 - \$2.65 per hour for Maintenance Training Specialists in accordance with plan rules
- Q. The parties recognize that the Company may not be able to implement the pay and applicable premium increases and the lump sum payments at the time they become effective. For any payments that are not implemented at the time they become effective, the Company will make an estimated payment (equivalent to the increase in wages and applicable premiums and/or the lump sum payment) to the affected employee no later than 21 days after the effective date of this Agreement. No later than 150 days after the effective date of this Agreement, the Company will make a supplemental payment, if any, equivalent to the amount that the Company's estimated payment differs from the actual hours worked by the

employee during the relevant time period.

II. Cross Utilization

- A. Cross Utilization: Notwithstanding any provision in the TWU CBA, the Company may utilize US Airways employees in classifications as described in III A below, covered under the IAM CBAs, to perform pre-merger American Airlines Mechanic and Related work at any location (excluding bases) in classifications as described in III A below. Notwithstanding any provision in the IAM CBA, the Company may utilize pre-merger American Airlines employees, covered under the TWU CBAs in classifications as described in III A below, to perform US Airways maintenance and related work at any location (excluding bases) in classifications as described in III A below. Work performed (as covered by the current CBAs) by US Airways or pre-merger American Airlines Mechanic, MLS/Stores and MCT employees on any aircraft will not be considered a violation of any provision of any legacy CBA.
- B. The Company may utilize pre-merger American Airlines employees within the Accreted groups (Planners/QA/Tech Docs and Management Training Instructors) to perform US Airways equivalent work at any location.
- C. Should the Company staff any new domestic Line maintenance locations during this interim period, the provisions of II.A. will apply.

III. Job Protection

In exchange for the cross utilization changes contained within this Agreement, the Company agrees to provide job protection as defined below:

- A. Station protection: If cross-utilization is used by the Company at any line maintenance location within a specific classification, then station protection at that location is triggered for all eligible Association-represented employees in that same classification. For purposes of this Agreement, there will be three classification groups: 1.) Aircraft Mechanics, Inspectors, and MLS/Stores; 2.) GSE/Plant Maintenance; and 3.) MCT. Crew Chiefs/Leads will be station protected in their basic classification.
- B. Base maintenance employees will not receive station protection because they will continue to receive their existing headcount floor (and the outsourcing percentage limitation (Letter of Clarification of 2(B)) in the LUS M&R CBA and the outsourcing percentage limitations (Article 1(e)) in the LAA M&R CBA.
- C. If the Company cross-utilizes employees within a specific Accreted classification, then station protection is triggered for all eligible Association-represented employees in that Accreted classification in all locations.
- D. Relocation of the Accreted Groups as part of the integration and merger will not be considered a violation of the above job protection provisions.
- E. Prior to implementation of cross-utilization at a specific station, the Company will formally notify the Association of the effective date that employees will be cross

utilized at that station. If the Company directs employees to perform cross utilization work prior to notifying the Association, station protection as described above will be invoked.

F. The job protections described above will apply only to those employees whose names appear on the applicable system seniority list as of the effective date of this Agreement and shall not apply in circumstances where the Company's non-compliance is caused in substantial part by Conditions Beyond the Company's Control.

1. "Conditions Beyond The Company's Control" shall include, but not be limited to, the following: (1) an act of God; (2) a strike by any other company employee group or the employees of a Commuter Air Carrier operating pursuant to an authorized codeshare arrangement with the company; (3) a national emergency; (4) involuntary revocation of the company's operating certificate(s); (5) grounding of a substantial number of the company's aircraft; (6) a reduction in the company's operation resulting from a decrease in available fuel supply caused by either governmental action or by commercial suppliers being unable to meet the Company's demands; and (7) the unavailability of aircraft scheduled for delivery

IV. Effective Date and Duration

This Agreement will become effective upon the execution by the Parties and will remain in effect until a JCBA becomes effective.

To the extent not modified by this Agreement, all provisions of the IAM CBA and the TWU CBA remain in effect.

IN WITNESS WHEREOF, the parties hereto have executed this Letter of Agreement effective this 5 day of August 2016.

For American Airlines, Inc.

By: James B. Wenz

For TWU/IAM Mechanic Association

By: Hy Lombardi

Sito Pantoja

For TWU/IAM Stores Association

By: Hy Lombardi

Sito Pantoja

LAA Attachment A Mechanic and Related

Wage Scales

<u>AMTs</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
			1.5%
	0-1	22,35	22,69
	1-2	25,79	26,17
	2-3	27,47	27,88
	3-4	27,90	28,32
	4-5	28,93	29,36
	5-6	31,12	31,58
	6-7	33,33	33,83
	7-8	37,94	38,51
	8+	<u>41,76</u>	<u>42,39</u>

<u>Inspectors</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
			1.5%
	0-1	22,35	22,69
	1-2	25,79	26,18
	2-3	27,48	27,90
	3-4	27,95	28,37
	4-5	29,03	29,46
	5-6	31,33	31,80
	6-7	33,67	34,18
	7-8	38,53	39,11
	8+	<u>42,56</u>	43,20

<u>Plan#/GSE Mx</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
			1.5%
	0-1	22,35	22,69
	1-2	25,79	26,17
	2-3	27,47	27,88
	3-4	27,90	28,32
	4-5	28,93	29,36
	5-6	31,12	31,58
	6-7	33,33	33,83
	7-8	37,94	38,51
	8+	<u>41,76</u>	<u>42,39</u>

LAA Attachment A Mechanic and Related
Wage Scales

Stock Clerks	YOS	DOS	
	0-1	14.86	
	1-2	15.59	
	2-3	16.85	
	3-4	18.63	
	4-5	20.24	
	5-6	22.54	
	6-7	24.46	
	7-8	25.04	
	8-9	27.35	
	9-10	29.37	
	10-11	29.55	
	11+	<u>29.72</u>	
			1.5%
			<u>9/12/17</u>
Cleaners	YOS	DOS	
	0-1	12.26	12.44
	1-2	13.31	13.51
	2-3	13.96	14.17
	3-4	14.58	14.80
	4-5	15.86	16.10
	5-6	17.24	17.50
	6-7	17.76	18.02
	7-8	18.80	19.08
	8-9	22.50	22.83
	9+	<u>25.15</u>	<u>25.53</u>
			3.0%
			<u>9/12/17</u>
MOC	YOS	DOS	
	0-1	25.03	25.78
	1-2	29.16	30.04
	2-3	31.02	31.95
	3-4	31.50	32.45
	4-5	32.70	33.68
	5-6	35.56	36.63
	6-7	37.85	38.99
	7-8	43.16	44.45
	8-9	45.36	46.72
	9+	<u>52.08</u>	<u>53.64</u>

LAA Attachment A Mechanic and Related

Wage Scales

<u>OSM</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u> 1.5%
	0-1	11.43	11.60
	1-2	13.48	13.68
	2-3	15.18	15.40
	3-4	16.42	16.66
	4-5	17.95	18.22
	5-6	20.26	20.57
	6-7	21.64	21.97
	7-8	23.97	24.33
	8-9	25.47	25.85
	9+	<u>31.71</u>	<u>32.19</u>

<u>MSP</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u> 1.5%
	0-1	11.78	11.96
	1-2	14.01	14.22
	2-3	15.67	15.91
	3-4	16.95	17.20
	4-5	18.57	18.84
	5-6	21.05	21.37
	6-7	22.35	22.68
	7-8	24.89	25.26
	8-9	26.45	26.84
	9+	<u>31.75</u>	<u>32.22</u>

LUS Attachment A Mechanic and Related

Wage Scales

1.5%

<u>Mechanics</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
	0-1	22.35	22.69
	1-2	25.79	26.17
	2-3	27.47	27.88
	3-4	27.90	28.32
	4-5	28.93	29.36
	5-6	31.12	31.58
	6-7	33.33	33.83
	7-8	37.94	38.51
	8+	<u>41.76</u>	<u>42.39</u>

1.5%

<u>Inspectors</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
	0-1	22.35	22.69
	1-2	25.79	26.18
	2-3	27.48	27.90
	3-4	27.95	28.37
	4-5	29.03	29.46
	5-6	31.33	31.80
	6-7	33.67	34.18
	7-8	38.53	39.11
	8+	<u>42.56</u>	<u>43.20</u>

LUS Attachment A Mechanic and Related

Wage Scales

<u>Plan/GSE Mx</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
			1.5%
	0-1	22.35	22.69
	1-2	25.79	26.17
	2-3	27.47	27.88
	3-4	27.90	28.32
	4-5	28.93	29.36
	5-6	31.12	31.58
	6-7	33.33	33.83
	7-8	37.94	38.51
	8+	<u>41.76</u>	<u>42.39</u>

Stock Clerks

<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
		1.5%
0-1	14.86	15.08
1-2	15.59	15.82
2-3	16.85	17.11
3-4	18.63	18.90
4-5	20.24	20.55
5-6	22.54	22.88
6-7	24.46	24.82
7-8	25.04	25.42
8-9	27.35	27.76
9-10	29.37	29.81
10-11	29.55	29.99
11+	<u>29.72</u>	<u>30.16</u>

LUS Attachment A Mechanic and Related

Wage Scales

<u>Utility</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
	0-1	12.26	12.44
	1-2	13.31	13.51
	2-3	13.96	14.17
	3-4	14.58	14.80
	4-5	15.86	16.10
	5-6	17.24	17.50
	6-7	17.76	18.02
	7-8	18.80	19.08
	8-9	22.50	22.83
	9+	<u>25.15</u>	<u>25.53</u>

1.5%

<u>MCT</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
	0-1	25.03	25.41
	1-2	29.16	29.60
	2-3	31.02	31.48
	3-4	31.50	31.97
	4-5	32.70	33.19
	5-6	35.56	36.10
	6-7	37.85	38.42
	7-8	43.16	43.81
	8-9	45.36	46.04
	9+	<u>52.08</u>	<u>52.86</u>

LUS Attachment A Mechanic and Related

Wage Scales

<u>Planners</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
			1.5%
	0-1	18.46	18.73
	1-2	22.35	22.68
	2-3	25.09	25.47
	3-4	27.89	28.31
	4-5	30.77	31.23
	5-6	33.43	33.93
	6-7	34.82	35.34
	7+	<u>37.29</u>	<u>37.85</u>

<u>QAC</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
			1.5%
	0-1	25.51	25.90
	1-2	28.90	29.34
	2-3	30.67	31.13
	3-4	31.20	31.67
	4-5	32.30	32.78
	5-6	34.47	34.99
	6-7	36.97	37.53
	7-8	41.59	42.22
	8-9	43.72	44.37
	9+	<u>45.39</u>	<u>46.07</u>

LUS Attachment A Mechanic and Related

Wage Scales

<u>Tech Docs</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
	0-1	23.40	23.75
	1-2	26.89	27.29
	2-3	28.54	28.97
	3-4	28.98	29.42
	4-5	30.04	30.49
	5-6	32.49	32.97
	6-7	34.58	35.10
	7-8	39.23	39.82
	8-9	41.24	41.85
	9+	<u>42.77</u>	<u>43.41</u>

<u>MTS</u>	<u>YOS</u>	<u>DOS</u>	<u>9/12/17</u>
	0-1	33.39	33.89
	1-2	35.35	35.88
	2-3	37.40	37.96
	3-4	39.57	40.16
	4-5	41.89	42.51
	5-6	44.34	45.01
	6-7	46.90	47.60
	7+	<u>49.64</u>	<u>50.39</u>

<u>Work Group</u>	<u>LAA/LUS</u>	<u>YOS</u>	<u>Current All in Wage</u>	<u>% Increase</u>	<u>Lump Sum</u>
Stock Clerks	LUS	2	16,34	24%	8,323
Stock Clerks	LUS	3	17,92	24%	9,128
Stock Clerks	LUS	4	20,03	26%	10,657
Stock Clerks	LUS	5	21,86	26%	11,658
MCTS	LAA	1	41,80	2%	1,739
MCTS	LAA	2	42,34	11%	9,688
MCTS	LAA	3	42,83	13%	11,581
MCTS	LAA	4	43,52	12%	10,863
Cleaners	LUS	1	12,42	10%	2,489
Cleaners	LUS	4	16,38	13%	4,390
Cleaners	LUS	5	19,61	17%	7,066
Cleaners	LUS	6	19,85	23%	9,309
Cleaners	LUS	7	20,74	21%	9,150