

LETTER OF AGREEMENT
between
US AIRWAYS, INC. and AMERICA WEST AIRLINES, INC.
and the
MECHANICS AND RELATED EMPLOYEES and STOCK CLERKS
in the service of
AMERICA WEST AIRLINES, INC. and US AIRWAYS, INC.
as represented by
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

FINAL TRANSITION AGREEMENT

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended (the "Act"), by and between AMERICA WEST AIRLINES, INC. ("America West"), US AIRWAYS, INC. ("US Airways" and, together with America West, the "Airline Parties"), and the MECHANICS AND RELATED EMPLOYEES, AND STOCK CLERKS, in the service of US Airways and America West, as represented by the INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS (the "Union"). All parties are collectively referred to as the "Parties".

WHEREAS, effective September 27, 2005, America West Holdings Corporation became a subsidiary of US Airways Group Inc.; and

WHEREAS, effective August 11, 2006, the National Mediation Board found that the Union is the sole certified representative of the mechanics and related employees of both America West, Inc. and US Airways, Inc.; and extinguished the International Brotherhood of Teamsters ("IBT") certification; and

WHEREAS, effective September 21, 2006, the National Mediation Board found that the Union is the sole certified representative of the Stock Clerk employees at America West, Inc. and US Airways, Inc.; and extinguished the International Brotherhood of Teamsters ("IBT") certification; and

WHEREAS, the Airline Parties intend that they will continue to operate with separate mechanic and related work groups until the two mechanics and related employee workforces are integrated under the provisions herein.

THEREFORE, the Parties agree:

- I. Transition Dates:** In general, the America West Employees in the Mechanic & Related and Stock Clerk craft or class ("West Employees") will transition to the existing US Airways/IAM Collective Bargaining Agreement, as amended (the "CBA") within 30 days of ratification of this Agreement (the "Transition Date"), except where transition dates for specific CBA articles are otherwise set forth in Attachment A hereto.
- II. Operational Employee Integration:** Operational Employee Integration (OEI) is defined as the time the Mechanic & Related and Stock Clerk Employees of America West and US

Airways are integrated into a combined Mechanic & Related workforce, with the application of the combined Mechanic & Related and Stock Clerk seniority list. The Company will accomplish OEI no later than six (6) months following ratification. There will be no reduction in force for mechanic classifications prior to OEI.

III. Seniority List Integration

As described in Attachment B.

IV. Effective Date:

- A. This Letter of Agreement governs in case of conflict between one of its terms and a provision of the existing US Airways Mechanic & Related and Stock Clerk Collective Bargaining Agreement, as amended;
- B. The Company will, no later than six (6) months from date of ratification of this Agreement, provide each Mechanic & Related and Stock Clerk Employee a single Collective Bargaining Agreement containing the language changes incorporated in this Transition Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Letter of Agreement effective this ____ day of _____, 2008.

AMERICA WEST AIRLINES, INC.:

By: _____

US AIRWAYS, INC.:

By: _____

INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS:

By: _____

ATTACHMENT A

Below are the dates and terms for the transition of West Employees to specific CBA articles of the East Agreement. Where the Transition Date specified herein is prior to Operational Employee Integration (“OEI”), the application of such provision will be separate between East and West until OEI. Additionally certain modifications to the East Agreement are also included and will become effective as described in each section below.

1. **Preamble.** Will apply to West employees on the Transition Date.
2. **Article 1 (Purpose of Agreement).** Will apply to West employees on the Transition Date.
3. **Article 2 (Scope of Agreement).** Will apply to West employees no later than OEI.

Effective on OEI amend CBA as follows:

- Company will continue to utilize the PHX hangar facility for aircraft maintenance.
 - PHX and LAS will be added to the list of GSE cities.
 - PHX will be added to the list of plant maintenance cities.
 - PHX and LAS GSE/Plant Maintenance work currently being performed that is above the scope requirements of the CBA will not be outsourced if it directly results in a furlough of covered employees.
 - The Company may continue to perform unscheduled maintenance in any current West location where mechanics are staffed but not on duty.
 - The Company may contract a local maintenance vendor to perform MEL work inclusive of MEL application and clearance in Hawaiian locations.
4. **Article 3 (Status of Agreement).** Will apply to West employees on the Transition Date.

Effective Transition Date amend CBA as follows:

- CIC language lines 14 through 31, paragraph E, Article 3 deleted.
5. **Article 4 (Classifications).** West employees in the positions listed below will convert to the following job titles on the Transition Date, except their duties and responsibilities will convert no later than OEI. Where the same or substantially the same work classification exists under the CBA as existed under the West CBA, employees will transition to the same classification as follows:
 - West Inspectors will be assigned to the Inspector classification under Article 4 (A) of the CBA.

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- West Lead Mechanics will be assigned to the Lead Mechanic classification and West Mechanics will be assigned to the Mechanic classification under Article 4 (B) and (C) of the CBA.
- West Stock Clerks will be assigned to the Stock Clerk classification under Article 4 (E) of the CBA.
- West Maintenance Controllers will be assigned to the Maintenance Control Technician classification under Attachment B of the CBA.

Where the West classification does not exist under the CBA, employees will transition to the classification where the scope of work is most similar as follows:

- “Maintenance Event Controllers” will be assigned to the Senior Line Planner Aircraft Maintenance classification under Attachment D (S) of the CBA.
- West Tech Data Administrators will be assigned to the Tech Documentation Specialist classification under Attachment D (R) of the CBA.
- West Senior Tech Ops Planners will be assigned to Senior Aircraft Maintenance Planners and West Tech Ops Planners will be assigned to the Maintenance Planners classification under Attachment D (O) and (S) of the CBA.
- West Senior AOG Planners and Lead Planners will be assigned to the Senior Material Control Planners and West AOG Planners will be assigned to the Material Control Planner classification under Attachment D (Q) and (S) of the CBA.
- West Quality Assurance (QA) Auditors, West Senior QA Auditors and QA Airworthiness Inspectors will be assigned to the Quality Assurance Consultants classifications under Attachment C and C (N), of the CBA.
- West Lead Interior Repairmen will be assigned to the Lead Mechanic classification and Interior Repairmen will be assigned to the Mechanic classification under Article 4 (B) and (C) of the CBA. The Company may assign such employees to the Interior Mechanics bid area.
- West Tool Repairmen and Lead Tool Repairmen will be assigned to the Mechanic and Lead Mechanic classifications. The Company may assign such employees to the Interior Mechanics bid area.
- West Facilities Technicians will be assigned to the Mechanic classification under Article 4 (C) of the CBA.
- West Lead GSE Mechanics will be assigned to the Lead Mechanic classification and GSE Mechanics will be assigned to the Mechanic classification under Article 4 (B) and (C) of the CBA. The Company may assign GSE mechanics in LAX and CMH to the Interior Mechanics bid area. GSE mechanics in ELP may be eliminated through attrition.

- Effective OEI amend CBA as follows: A and P license will be considered preferred qualifications for Senior Line Maintenance Planner positions. Employees with previous Company senior line maintenance planning experience will be considered as meeting the preferred qualification described above to bid for the position.

6. Article 5 (Hours of Service). Will apply to West employees no later than OEI.

- The Company and the Union will sign a Letter of Agreement outlining the provisions for ten (10) hour or longer work days where the Company and the Union mutually agree.

7. Article 6 (Overtime and Holidays). Overtime provisions will apply to all employees no later than OEI. Holiday provisions will apply to West employees on January 1, 2009.

Effective no later than OEI amend CBA as follows:

Employees should be paid an hourly rate of double time for:

- Work performed on the seventh (7th) consecutive day worked if the employee is regularly scheduled to work five (5) days a week; and
- Work performed on the sixth (6th) and seventh (7th) consecutive day(s) worked if the employee is regularly scheduled to work four (4) days a week.

Effective Transition Date amend CBA as follows:

- Effective Transition Date, add Memorial Day and day after Thanksgiving Day, for East employees. Effective January 1, 2009, add Martin Luther King Day for all employees. Effective January 1, 2010, add Presidents Day for all employees. Effective January 1, 2011, add Columbus Day for all employees, for a total of ten (10) holidays.

8. Article 7 (Travel Pay). Will apply to all employees on the transition date.

Effective Transition Date amend CBA as follows:

- Employees called from home for field service will receive one (1) hour prep time for domestic field service, and two (2) hour prep time for international field service. (Definition of international is anywhere a passport is required.)

9. Article 8 (Seniority). Will apply to West employees on the Transition Date, except that the integrated seniority list will apply on OEI and will be used for scheduled bids occurring after OEI.

Amend CBA effective on the Transition Date as follows:

- Any furloughed employee accepting recall or bidding a job will return to the step on the pay scale occupied at the time of his furlough. Employees will not be permitted to change their recall station unless their existing recall station is closed. Employees who have been on furlough for more than five (5) years will not be eligible for travel under the Company's sixty-five (65) point plan unless the employee returns to active service for a minimum of six (6) months.

- Article 8.J as follows:

For employees who are injured in the service of the Company after the effective date of this agreement:

The Company will provide indefinite limited duty to employees injured on the job providing that their limitations are such that they can perform substantially all the essential elements of their job.

Employees who are able to perform reasonable productive work within their classification, but not substantially all the essential elements of their normal work classification will be provided limited duty for up to sixty (60) work days for the injury.

Where the employee's medical restrictions are such that he/she is unable to perform reasonable work within their classification and where the Company determines that productive work (for which the employee is qualified) exists, then such work may be assigned for periods not to exceed sixty (60) work days during the recuperative process.

10. Article 9 (Filling Vacancies). Will apply to all employees for all vacancies at OEI.

- Qualifications used in filling Interior Mechanic vacancies are: Airframe License or Repairman Certificate or satisfaction of eligibility requirements for Repairman Certificate.
- Following the Transition Date and prior to OEI, qualified East mechanics, lead mechanics, inspectors and stock clerks may transfer to West vacancies and qualified West mechanics, lead mechanics, inspectors and stock clerks employees may transfer to East vacancies prior to the Company employing a new hire. Where such transfers are accomplished the employee will be considered as TDY at the new location. Upon OEI the employee status will be changed from TDY to permanent transfer.

Effective OEI amend CBA as follows:

- Amend paragraph A beginning on line 21 to read "Employees awarded premium jobs will be subjected to a twelve (12) month stability period."
- Any employee that transfers/bids to a higher classification will be placed on the pay scale based on the Change in Classification memo (page 112 of CBA) or any previous pay seniority in the classification, which ever is greater.

11. Article 10 (Leaves of Absence). Will become applicable for West employees to all requests for leave and for any extensions or alterations to leaves that become effective on or after the Transition Date. The terms and conditions approved for leaves prior to the Transition Date will remain in effect until the termination of those terms and conditions.

Effective Transition Date amend CBA as follows:

- Employees on medical leave as a result of an occupational injury will have medical/dental benefits extended for nine (9) months after his/her last compensated day, provided the employee continues to pay his/her portion of the costs.

12. Article 11 (Vacation with Pay). Beginning January 1, 2008, East employees will begin accruing vacation as outlined in the scale below. Both East and West employees will bid vacation for 2009 based on accruals outlined in this scale, including the 1 to 40 ratio. (West employees will be grandfathered and will not suffer any loss of vacation accrual as a result from converting from the West method to the East accrual.)

Article 11 paragraph B will be amended as follows:

<u>Completed Years of Service</u>	<u>Vacation Allowance in Work Hours</u>
1	80
5	120
12	160
25*	200 Effective 1/1/2011

*Effective 1/1/2011, employees will accrue vacation based on the above scale for use in calendar year 2012.

- DAT days may be taken in half day increments.

13. Article 12 (Sick Leave, Premiums and Bonuses). Will apply to West employees on January 1, 2009. All unused accrued sick days for West employees will be placed into the employee's sick leave bank on this date. In addition, if a West employee was at the maximum West sick leave cap at anytime during 2006, 2007 or 2008 such employee will be credited with sick leave hours he would have otherwise accrued.

Effective OEI amend CBA as follows:

- The first three (3) consecutive days of each sick occurrence are paid at fifty-percent (50%) of the employee's scheduled hours and decremented at fifty-percent (50%) from the employee's available sick bank hours.
- Employees who have one hundred (100) or more days in their sick leave bank on the date of the sick leave occurrence will be paid one hundred percent (100%) and one hundred percent (100%) deducted from their sick bank.
- Employees hospitalized overnight within the first three (3) days will have applicable sick days paid at one hundred percent (100%).
- Sick leave bank cap of two hundred (200) days. (1600 hours)
- Employees who as of OEI date, have more than two hundred (200) days in their sick bank will be grandfathered and will not accrue sick leave until such time their sick leave bank drops below two hundred (200) days.

Effective Transition Date amend CBA as follows:

- Shift premiums will become effective the first day of the first pay period following the ratification date as follows: .61 cents for rotating shift, .58 cents for midnight shift, .51 cents

for afternoon shift. Afternoon shift will be recognized as starting between 0900 and 1959 hours. Midnight shifts 2000 through 0559 hours. Employees working afternoon, midnight or rotating shift will receive shift premium for all hours worked. In the event that the Company is unable to complete the necessary programming to implement shift premiums by the first day of the first pay period following ratification, then such premiums will be retroactive to that date.

- No employee will be scheduled by the Company to work more than two (2) basic shifts during a rotating or relief assignment.
- License pay will become effective the first day of the first pay period following the ratification date as follows: increase license pay to \$1.50 for each license. Effective the first day of the first pay period following 1/1/2010, license pay will be increased to \$1.75 for each license. In the event that the Company is unable to complete the necessary programming to implement license pay by the first day of the first pay period following ratification, then such pay will be retroactive to that date.
- FCC General Radio license will be considered two (2) licenses. Pay for FCC only applies to mechanics working in a line avionics function.
- Employees will be paid a maximum of two (2) licenses.
- License pay will not apply to the Interior Repairman bid area.
- Senior Line Maintenance Planners who possess an A and/or P license will be paid applicable license premiums.

14. Article 13 (Transportation). Will apply to West employees on the Transition Date.

Effective the Transition Date the Company will provide Space Positive Travel to Company Employees and Retirees on permanent full-time union business as follows:

The Company will authorize reasonable space positive travel (on a self-book basis) for up to five (5) union officials, providing that:

- Such officials are employees or retirees of the Company,
- Are on full time union leave, and
- Where the majority of their Union duties are related to the Company.

Such space positive travel is only authorized where the purpose of the travel is all or substantially all related to the Company. Space positive travel is not authorized for commuting, or any union business including but not limited to training and union conventions. Officials authorized space positive travel will be required to complete a monthly summary (no later than 10 days from the close of the previous business month) detailing all space positive travel in the applicable month.

15. Article 14 (Grievance Procedures). Will apply to West employees on the Transition Date.

16. Article 15 (System Board of Adjustments). Will apply to West employees on the Transition Date.

17. Article 16 (Safety and Health). Will apply to West employees on the Transition Date.

18. Article 17 (General and Miscellaneous). Will apply to West employees on OEI.

Effective no later than OEI amend the CBA as follows:

- All employees will transition to the current West uniform policy no later than OEI. Any initial costs associated with a change in uniforms will be borne by the Company.
- Shift swaps will be changed to a minimum of twenty six (26) per calendar quarter.

19. Article 18 (Wage Rates). The longevity steps and pay scales as found on Attachment C will become effective the first day of the first pay period following ratification of this Agreement. In no case will a West employee suffer a reduction in their current hourly base pay rate as a result of transitioning to the East pay scale.

- Effective the first day of the first pay period following ratification, current pay scales will be increased by 10%.
- Effective 1/1/2009 general increase to the scale of 3% in lieu of the 2% wage increase as outlined in the CBA.
- Effective 1/1/2010 general increase to the scale of 3%.
- Effective 1/1/2011 general increase to the scale of 3%.
- Paragraph H. Pursuant to a Letter of Agreement dated May 24, 2006, MOC will continue to be paid the \$1.00 per hour lead premium.
- Eliminate paragraph J as of 1/1/2008.
- The IAM agrees that it irrevocably waives and thus will not be eligible for any future profit sharing payments. It also agrees that such future monies that would otherwise have been due to the IAM under the profit sharing program will not be paid to the IAM and instead will be retained by the Company and will not be available for distribution for profit sharing to any other employee groups.
- West employees in the following classifications transitioning to the East pay rates will transition to fifty-percent (50%) of the difference between their then current pay rate and the pay rate of the appropriate step of the CBA.
 - Mechanic, GSE
 - Lead Mechanic, GSE
 - Mechanic, Plant Maintenance

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- Lead Interior Repairmen
- Interior Repairmen
- Stock Clerks
- Lead Tool Repairman
- Tool Repairman

Effective the first day of the first pay period six (6) months following the employee's first increase, such employee will transition to one-hundred percent (100%) of the appropriate step of the CBA.

Employees who have a pay anniversary date during the six (6) month transition period will receive an increase equal the difference between the new step and current step.

- West employees in the Planner, Tech Data Administration, and Quality Assurance classifications will transition to the longevity pay step on the applicable pay scale closest to, but not lower than their current hourly rate of pay, and will move to the next higher longevity step(s) annually thereafter.

The hourly rate of pay for those groups, except MOC, will be calculated as follows: Current annual salary divided by 2080 hours. MOC employee's hourly rate of pay will be calculated by using current annual salary, plus MOC retention bonus divided by 2190 hours.

- If an employee's present rate of pay is higher than the top of the scale, such employees will be red-circled until the top of the scale exceeds their rate of pay.
- Pay Date Transition - Effective OEI, West employees who are paid "current" (pay includes base rate of pay through pay date) will transition to the pay period as provided for in the CBA as follows:

Effective the first Friday after OEI, employees will receive pay for hours worked the previous Saturday and Sunday and exception pay from the previous week (Saturday through Friday).

Effective the second Friday after OEI, employees will receive pay for the previous week (Monday through Sunday) as provided for in the CBA.

Note: OEI will be effective on a Monday in the middle of a West two (2) week pay period.

20. Article 19 (Union Shop & Dues Check-off Agreement). Will apply to West employees on the Transition Date.

21. Article 20 (Severance Allowance). Will apply to West employees on the Transition Date.

22. Article 21 (Retirement). Will apply to all employees on May 5, 2008. On that date the employer contribution to the current 401k/Retirement Plans (3% DC East, 2% East 401k match

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and 3% West 401k match) for Mechanic and Related and Stock Clerk employees is frozen from new Company contributions for East and West employees.

- Amend Article 21 of CBA effective May 5, 2008, to replace current 401k/Retirement Plans and Company match with IAM National Pension Plan at the following rates:
 - \$1.60 per hour effective May 5, 2008, and \$2.00 per hour effective January 3, 2011 for all planners, mechanics and higher classifications in accordance with plan rules.
 - \$1.10 per hour effective May 5, 2008, and \$1.45 per hour effective January 3, 2011 for all stock clerk classifications in accordance with plan rules.
 - \$.85 cents per hour effective May 5, 2008, and \$1.05 per hour effective January 3, 2011 for all utility classifications in accordance with plan rules.
- Employees may continue to participate in the voluntary employee contribution 401k plan.

23. Article 22 (Insurance). West employees will transition to health and welfare benefits under Article 22 on January 1, 2009, and will no longer be eligible for Company paid STD and LTD on that date.

- US Airways will not oppose the Union's posting of any bulletins, offering benefits provided by any insurance company sanctioned by the Union on IAM bulletin boards that US Airways does not offer under the current benefits for employees covered under this agreement. (excluding the current LTD Plan offered through the company by NGP)
- Should the Company extend the duration of COBRA benefits to retirees of any other represented group such extension will also be made available to employees covered under the agreement.

24. Article 23 (Duration) This agreement shall remain effective through December 31, 2011. Amend line 16 to read: increased by three percent (3%) on July 1, 2012 and three percent (3%) on July 1, 2013 (delete remainder of sentence).

25. Clarification of Article 2.B to be modified as follows:

- Company base maintenance employees will perform fifty percent (50%) or greater of all aircraft base maintenance work, inclusive of narrow and wide-body aircraft, as follows: On an annualized basis, for every billable hour of work from aircraft base maintenance vendors performing Company base maintenance work; modification work; scheduled drop in maintenance; and any drop-in maintenance relating to fuselage damage or any other damage, there will be an equal or greater number of paid hours to Company base maintenance employees. This includes Company lead mechanics, mechanics, inspectors, utility and lead utility (combined) assigned to base maintenance.
- Deck work for vendor heavy maintenance overhaul will continue to be built by base maintenance planners.
- All aircraft line maintenance work, including phase checks and lower level checks above a daily check (e.g. A & B checks, overnight checks, weekly checks and unscheduled drop in

maintenance), performed by base maintenance employees will not be included as Company base maintenance hours for the purposes of this provision.

- Livery work may be outsourced and the billable hours do not count as base maintenance work, but other work performed by the vendor during the livery visit may be outsourced and the billable hours for such other work will count towards base maintenance work.
- Aircraft lease return maintenance visits may be outsourced and the vendor's billable hours will count towards base maintenance work.
- The Company, no later than January 31 of each year, will provide to the Union and/or the Union's advisor, documentation necessary to verify the Company's compliance with outsourcing provisions including a summary of the previous calendar year's base maintenance paid hours and vendor airframe base maintenance billed hours. On an ongoing basis the Company will provide to the Union no later than the end of the following month a summary of the previous month's base maintenance vendor's billable hours including tail numbers of the aircraft.
- In any year where the vendor billed hours are more than fifty percent (50%) of the total combined vendor billed hours and the Company base maintenance paid hours, such deficit hours will be added to the current calendar year required company base maintenance paid hours.
- Line maintenance stations will include at a minimum BOS, CLT, DCA, LGA, PHL, PHX, LAS & LAX and at least seven (7) other stations as determined by the Company.
- The Company will not furlough to the street any base mechanic who is active as of the effective date of this agreement provided such employee exercises their seniority to the fullest extent. (Subject to force majeure provisions as described in Article 5.H and 20.D.2)
- The Company shall maintain a minimum headcount of six-hundred and seventy-five (675) active base maintenance lead mechanics, mechanics, inspectors, lead utility and utility employees combined. (Subject to force majeure provisions as described in Article 5.H and 20.D.2.)
- The Company may continue to outsource the East 737 scribe work ongoing and such work will count towards the vendor hours for the fifty percent (50%) calculation.

Attachment B

IAM MECHANICS & RELATED AND STOCK CLERK SENIORITY INTEGRATION PROCEDURE

1. The seniority lists of America West Mechanic & Related and Stock Clerk Employees and US Airways Mechanic & Related and Stock Clerk Employees will be integrated in a fair and equitable manner in accordance with Section 3 of the Allegheny-Mohawk Labor Protective Provisions.
2. The Company and the Union agree on an integrated seniority list provided it results in no "system flush" whereby an active Mechanic & Related and Stock Clerk Employee may displace any other active Mechanic & Related and Stock Clerk Employee from the latter's position; and furloughed Mechanic & Related and Stock Clerk Employees may not bump/displace active Mechanic & Related and Stock Clerk Employees; and does not contain conditions and restrictions that materially increase costs associated with training or company paid moves.
3. The Company and the Union agree that integration of seniority lists will be based on an employee's date of entry into his/her classification as defined in the collective bargaining agreement covering each respective classification on the merged US Airways. The Company and the Union agree that this methodology complies with the requirements of paragraphs 1 and 2 above.
4. The Company will prepare integrated seniority lists using the criteria identified in paragraph 2 above for each craft or class using data from the Company's records.
5. The Company and the Union will post the integrated seniority lists and/or otherwise make the lists available to all affected US Airways' employees as required by Article 8.E of the US Airways' Agreement.
6. Any protests to the integrated seniority lists must be filed in writing with the Company and the Union within 90 days of the posting or other notice to the affected employees. Employees on inactive status who return to active status shall have 90 days from the date they return to work to protest the integrated lists. Seniority protests must be in compliance with the provisions of Article 8.E of the US Airways' Agreement.
7. All protests shall be reviewed by the Company and the Union. If the Company and the Union are unable to agree on resolution of employee protests, those protests shall be submitted to final and binding arbitration in accordance with Sections 3 and 13 of the Allegheny-Mohawk Labor Protective Provisions.