



October 6, 2016

Captain Travis Ricks
Chairman, PSA MEC
PSA Airlines
535 Herndon Parkway
Herndon, VA 20170

Re: PSA First Officer Compensation and Captain Retention Bonus

This shall serve to memorialize our discussions, and the agreements made therein, regarding PSA "First Officer Compensation," the "First Officer Retention Bonus Program," and the "Captain Retention Bonus Program."

As agreed, the First Officer Retention Bonus program letter dated August 1, 2016 and all subsequent letters modifying that letter shall be terminated and replaced in their entirety with the terms and conditions set forth herein for "First Officer Compensation," the "First Officer Retention Bonus Program," and the "Captain Retention Bonus Program" as set forth below.

First Officer Compensation:

Beginning on September 16, 2016 and continuing through the duration of this Letter of Agreement, First Officers in the service of PSA shall be compensated as follows:

1. First Officers hired on or after September 16, 2016, and First Officers with less than one year of pilot longevity on September 16, 2016, will be compensated at Step 3 of the First Officer scale. Upon such First Officer's first anniversary with the Company, he or she shall be compensated at Step 4 of the First Officer pay scale and shall remain at such rate until he or she is upgraded to Captain.
2. First Officers in their second or third year of pilot longevity on September 16, 2016 will be compensated at Step 4 of the First Officer scale until he or she is upgraded to Captain.
3. During the term of this letter, the Company may, at its discretion, increase all First Officers (including new hires) to Step 4 on the First Officer pay scale.
4. In the event that the Company terminates this program as provided for below, any First Officer whose compensation was adjusted pursuant to paragraphs 1-3 above prior to the termination, shall continue to be compensated under such provisions following the termination of this Letter of Agreement.
5. In the event a First Officer should become entitled to any rate greater than that set forth in paragraphs 1-3 above through operations of the provisions of the Collective Bargaining Agreement (CBA), that individual shall be compensated in accordance with the CBA.

First Officer Retention Bonus Program (Current Recipients)

1. PSA established a program in which eligible First Officers have an opportunity to earn up to \$20,000 during the two-year period from May 1, 2016 through April 30, 2018. To be eligible, First Officers are subject to the following.
2. To be eligible for the Retention Bonus program, First Officers must be on the PSA Pilot's System Seniority List as of May 1, 2016, which shall include new-hire First Officers who have begun their first day of training by that date. First Officers who are eligible for the Retention Bonus program and who are in Active Status as defined in paragraph 6 below shall qualify for up to \$20,000 of retention bonus compensation during the 24 months beginning May 1, 2016 and ending April 30, 2018.
3. Eligibility for retention bonuses under this program shall be based on the following three-month periods (each an "Eligibility Period" and collectively the "Eligibility Period"): May 1 – July 31, 2016; August 1 – October 31, 2016; November 1 – January 31, 2017; February 1 – April 30, 2017; May 1 – July 31, 2017; August 1 – October 31, 2017; November 1 – January 31, 2018; February 1 – April 30, 2018.
4. Retention bonus payments for a particular Eligibility Period shall normally be made on the second paycheck in the month following the end of the Eligibility Period but not later than the first paycheck in the second month following the end of the Eligibility Period. For example, Retention Bonus payments for the Eligibility Period from May 1 – July 31, 2016 should be paid in August 20, 2016 paycheck. However, payment must be made no later than the September 5, 2016 paycheck. Once a First Officer receives a Retention Bonus for a particular Eligibility Period, the Company cannot seek to recover such payment in the event an error is discovered regarding such First Officer's eligibility for that Eligibility Period.
5. Retention Bonus payments shall be \$2,500 per Eligibility Period, for a maximum of \$20,000 over the eight Eligibility Periods. Retention Bonus payments shall be subject to all applicable withholdings and will not be eligible for 401(k) deferral unless the PSA 401(k) plan is modified to permit such a deferral. Should the Company elect, in its sole discretion, to modify the 401(k) plan to permit such a deferral, retention payments deferred to a pilot's 401(k) account shall not be subject to any Company matching contribution.
6. A First Officer must be in the "Active Status" of the Company for at least fifty (50) days in a particular Eligibility Period to be eligible to receive a Retention Bonus payment for that Eligibility Period. Solely for the purposes of this Retention Bonus program, a First Officer shall be deemed to be in "Active Status" unless he or she is on a medical leave, other unpaid leave of absence and/or Short or Long Term Disability, military leave of greater than thirty days, furlough, periods of de-qualification that cause the pilot to be removed from pay status and that are not caused by the Company, suspension without pay, time off without pay (excluding days absent with an unpaid PED or PUD designation), or termination for just cause. A

pilot who is on Worker's Compensation leave will be considered to be in Active Status for the first sixty (60) days from the date of the injury.

7. A First Officer covered by this Agreement who upgrades to Captain and otherwise qualifies for payment based on the definition of Active Status during such eligibility period shall be entitled to a Retention Bonus payment for that Eligibility Period which shall be calculated by dividing the total number of days from the start of the Eligibility Period until the pilot completes upgrade training by the fifty (50) day minimum eligibility requirement, not to exceed one hundred percent (100%). Except for these prorated payments, upon Captain qualification a pilot will no longer be eligible for Retention Bonus payments, unless he/she subsequently downgrades to First Officer.
8. In order to receive a Retention Bonus payment for a particular Eligibility Period, a pilot must be employed with the Company on the date of the second paycheck in the month following the end of the Eligibility Period. A pilot is deemed "employed" for the purposes of this paragraph unless the pilot has been separated from employment due to resignation (excluding resignation associated with flow to American), or termination for just cause.

First Officer Retention Program (New Hires)

1. First Officers who began or will begin service with the Company after May 1, 2016, shall be entitled to earn a retention bonus totaling \$20,000 paid over eight consecutive three-month Eligibility Periods of active service with the Company.
2. Eligibility for Retention Bonuses under this program shall be based upon the following three month periods: October-December, January-March, April-June, and July-September (Each an "Eligibility Period") beginning in the first full Eligibility Period following his or her first anniversary date with the Company, provided he or she meets the definition of Active Service set forth in Paragraph 5 below.
3. Retention bonus payments for a particular Eligibility Period shall normally be made on the second paycheck in the month following the end of the Eligibility Period but not later than the first paycheck in the second month following the end of the Eligibility Period. For example, Retention Bonus payments for the October-December Eligibility Period will normally be paid on the January 20 paycheck. However, payment must be made no later than the February 5 paycheck. Once a First Officer receives a Retention Bonus for a particular Eligibility Period, the Company cannot seek to recover such payment in the event an error is discovered regarding such First Officer's eligibility for that Eligibility Period.
4. Retention Bonus payments shall be \$2,500 per Eligibility Period, for a maximum of \$20,000 over the eight consecutive Eligibility Periods. Retention Bonus payments shall be subject to all applicable withholdings and will not be eligible for 401(k) deferral unless the PSA 401(k) plan is modified to permit such a deferral. Should the Company elect, in its sole discretion, to modify the 401(k) plan to permit such a deferral, retention payments deferred to a pilot's 401(k) account shall not be subject to any Company matching contribution.

5. A First Officer must be in the "Active Status" of the Company for at least fifty (50) days in a particular Eligibility Period to be eligible to receive a Retention Bonus payment for that Eligibility Period. Solely for the purposes of this Retention Bonus program, a First Officer shall be deemed to be in "Active Status" unless he or she is on a medical leave, other unpaid leave of absence and/or Short or Long Term Disability, military leave of greater than thirty days, furlough, periods of de-qualification that cause the pilot to be removed from pay status and that are not caused by the Company, suspension without pay, time off without pay (excluding days absent with an unpaid PED or PUD designation), or termination for just cause. A pilot who is on Worker's Compensation leave will be considered to be in Active Status for the first sixty (60) days from the date of the injury.
6. A First Officer covered by this Agreement who upgrades to Captain and otherwise qualifies for payment based on the definition of Active Status during such Eligibility Period, shall be entitled to a Retention Bonus payment for that Eligibility Period which shall be calculated by dividing the total number of days from the start of the Eligibility Period until the pilot completes Captain upgrade training (Change in Status) by the 50 day minimum eligibility requirement, not to exceed 100%. Except for these prorated payments, upon Captain qualification (Change in Status) a pilot will no longer be eligible for Retention Bonus payments, unless he/she subsequently downgrades to First Officer.
7. In order to receive a Retention Bonus payment for a particular Eligibility Period, a pilot must be employed with the Company on the on the date of the second paycheck in the month following the end of the Eligibility Period. A Pilot is deemed "employed" for the purposes of this paragraph unless the pilot has been separated from employment due to resignation (excluding resignation associated with flow to American), or termination for just cause.


Captain Retention Bonus

1. Pilots employed by the Company as an Active Captain on September 16, 2016 (including simulator instructors and pilots who are in Captain upgrade training on the date of signing of this Letter of Agreement) shall be eligible for the Captain Retention Bonus. Captains who are eligible for the Captain Retention Bonus and who are in Active Status as defined in paragraph 3 below shall qualify for up to \$7,500 payable in three equal payments of \$2,500 on Jan. 1, 2017, June 1, 2017, and Dec. 1, 2017 (or closest business day thereto). Once a Captain receives a Retention Bonus for a particular Eligibility Period, the Company cannot seek to recover such payment in the event an error is discovered regarding such Captains' eligibility for that Eligibility Period.
 2. Eligibility for Captain Retention Bonuses under this program shall be based on the following "Eligibility Period" and collectively the "Eligibility Period"): October 1, 2016 – December 31, 2016 (Eligibility Period 1); January 1, 2017 – May 31, 2017 (Eligibility Period 2); June 1, 2017 – November 30, 2017 (Eligibility Period 3).
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3. A Captain must be in the "Active Status" of the Company for at least fifty (50) days in Eligibility Period 1, eighty-three (83) days in Eligibility Period 2, and one hundred (100) days in Eligibility Period 3 to be eligible to receive a Captain Retention Bonus payment for that Eligibility Period. Solely for the purposes of this Captain Retention Bonus program, a Captain shall be deemed to be in "Active Status" unless he or she is on a medical leave, other unpaid leave of absence and/or Short or Long Term Disability, military leave of greater than thirty days, furlough, periods of de-qualification that cause the pilot to be removed from pay status and that are not caused by the Company, suspension without pay, time off without pay (excluding days absent with an unpaid PED or PUD designation), or termination for just cause. A pilot who is on Worker's Compensation leave will be considered to be in Active Status for the first sixty (60) days from the date of the injury.
4. All Retention Bonus payments shall be subject to all applicable withholdings and will not be eligible for 401(k) deferral unless the PSA 401(k) plan is modified to permit such a deferral. Should the Company elect, in its sole discretion, to modify the 401(k) plan to permit such a deferral, retention payments deferred to a pilot's 401(k) account shall not be subject to any Company matching contribution.
5. If a Captain flows to American Airlines, including a Captain who flowed to American in the September 20, 2016 new hire pilot class, prior to receiving all Captain Retention Bonus installment payments, the unpaid portion will be paid in a lump sum at the time final wages are issued to the pilot. A Captain who flows to American and returns to PSA as a result of a failure of training at American will be considered eligible for a Captain Retention Bonus for one or more of the Eligibility Periods listed above, provided he or she meets the Active definition provided in paragraph 3 above.
6. Except as provided for below, First Officers as of the date of signing of this letter shall not be eligible for Captain Retention Bonus payments. A First Officer who is in upgrade training on the date of signing of this Letter of Agreement and otherwise qualifies for payment based on the definition of Active status during such Eligibility Period shall be entitled to a Retention Bonus payment for that Eligibility Period. In this case, the First officer will receive the greater of the remaining First Officers Retention bonus or the Captain retention bonus, not to exceed a total of \$7,500.
7. Captains voluntarily downgrading for any reason shall not be entitled to either a Captain Retention Bonus or a First Officer Retention Bonus.

This Letter of Agreement shall be effective September 16, 2016 and shall remain in full force and effect through at least December 31, 2018, at which time the Company may terminate these programs in its sole discretion. If the Company elects to terminate these programs, it will provide the Association at least thirty (30) days written notice.

On behalf of the Association

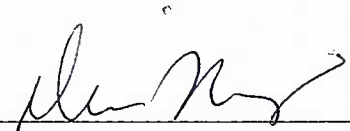


Captain Tim Canoll
President




Captain Travis Ricks
Chairman, PSA MEC

On behalf of PSA Airlines, Inc.



Dion Flannery, President
PSA Airlines, Inc.



Michael Scrobola
Vice President of Flight Operations