

LETTER OF AGREEMENT
Between
ALASKA AIRLINES, INC.,
VIRGIN AMERICA INC.
and the

AIRCRAFT MECHANICS FRATERNAL ASSOCIATION

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 ALASKA AIRLINES, INC. (“Alaska”), VIRGIN AMERICA INC. (“Virgin America,” and, together with Alaska, the “Airline Parties” or “Company”), and the AIRCRAFT MECHANICS FRATERNAL ASSOCIATION (“AMFA”). All parties are collectively referred to as the “Parties.”

WHEREAS, Alaska and AMFA are party to a collective bargaining agreement covering the Technicians and Related Craft Employees (“Technicians”) employed by Alaska, effective October 17, 2016 with an amendable date of October 17, 2021 (the “CBA”), and

WHEREAS, effective April 1, 2016, Virgin America, Inc., entered into an Agreement and Plan of Merger to become a subsidiary of Alaska Air Group, Inc. (“AAG”); and

WHEREAS, effective as of the date the National Mediation Board (“NMB”) extends AMFA’s certification to include all of the employees in the Technicians craft or class following the NMB’s determination that Alaska and Virgin America are operating as a single transportation system for the craft or class of Technicians (“Single Certification”), AMFA will become the certified bargaining representative of the combined Alaska and Virgin America Technicians workgroup; and

WHEREAS, prior to Single Certification of AMFA as the representative, the Virgin America Technicians were not represented by any labor organization and the Alaska Technicians were represented by AMFA; and

WHEREAS, the Airline Parties intend to integrate the Virgin America Technicians and the Alaska Technicians into a single workforce with an integrated seniority list; and

WHEREAS, the Airline Parties intend to utilize the Virgin America Technicians and the Alaska Technicians together to perform the Airline Parties’ operational functions relative to the classifications within the Technicians workgroup;

NOW, THEREFORE, the Parties agree as follows:

I. Single Carrier Filing.

No later than thirty (30) days following ratification of the Seniority Integration Agreement entered into between AMFA and the Virgin America Technical Operations Seniority Integration Committee (“SLI Agreement”) and ratification of this Transition Agreement by Alaska Technicians, AMFA will apply to the NMB to extend AMFA’s certification to include representation of the Virgin America Technicians.

II. Transition Agreement Effective Date.

The terms of the current CBA will become applicable to the corresponding Virgin America Technicians effective upon Single Certification, except where implementation dates for specific CBA articles are otherwise set forth in Attachment A hereto.

III. Ratification Bonus.

The Company will issue a one-time payment, less applicable deductions and withholdings, in the amount of one thousand five hundred dollars (\$1,500.00) to each active Technician on payroll as of the date of ratification of this Transition Agreement. This bonus payment will be paid no later than thirty (30) days following that date.

IV. Retirement Plan.

Effective no later than ninety (90) days following Single Certification, the active AMFA members in the Virgin America 401(k) Plan (“VX Plan”) will be transitioned into the Alaska COPS, MRP & Dispatch 401(k) Plan (“CMD Plan”). This will be a two-step process where first, such active AMFA members will become eligible for the CMD Plan and ineligible for the VX Plan, and second, the account balances of such active AMFA members will be transferred to the CMD Plan.

Effective [TBD*], Article 20, paragraph J of the CBA will be amended as follows and will apply to all covered employees:

Effective ~~October 16, 2017~~ [TBD*], AMFA employees participating in the Alaska Airlines, Inc. COPS, MRP & Dispatch 401(k) plan shall be entitled to an additional matching contribution in cash equal to 50% of up to an additional ~~two~~ **three** percent (~~2%~~**3%**) of the participant’s deferrals “i.e., maximum employee contribution to receive all Company match as of ~~October 16, 2017~~ [TBD* date] is ~~eight~~ **nine** percent (8% **9%**) of an employee’s deferrals, and the match will be a maximum of ~~4%~~ **4.5%** of eligible compensation.

V. Duration.

The amendable date of the CBA will be extended by one (1) year from October 17, 2021 to October 17, 2022 following ratification of this Transition Agreement. The annual increases to the “all in rates” beginning on October 17, 2021 are set forth in Attachment B. Annual review of Schedule A rates will be in accordance with the provisions outlined in Article 23.

VI. Job Security – Letter #9.

Effective immediately upon issuance of Single Certification, paragraph 1 of Letter #9 will apply to all active Technicians as of the time of issuance of Single Certification and be amended to add New York City (JFK) and Dallas (DAL) to the list of cities where the Company will not subcontract any scheduled line maintenance work currently performed by AMFA Technicians.

VII. Effective Date.

This Transition Agreement governs in case of conflict between one of its terms and a provision of the existing Alaska AMFA CBA referenced above.

IN WITNESS WHEREOF, the Parties hereto have executed this Letter of Agreement effective this ____ day of _____, 2018.

By: _____
Bret Oestreich, AMFA National Director
AIRCRAFT MECHANICS FRATERNAL ASSOCIATION

By: _____
Kurt Kinder, Vice President, M & E
ALASKA AIRLINES, INC.

By: _____
Earl Clark, AMFA Region 1 Director
AIRCRAFT MECHANICS FRATERNAL ASSOCIATION

By: _____
Greg Mays, Vice President, Labor
ALASKA AIRLINES, INC.

By: _____
Jarod Mills, Airline Representative
Local 14
AIRCRAFT MECHANICS FRATERNAL ASSOCIATION

By: _____
Sonia Alvarado, Labor Relations
ALASKA AIRLINES, INC.

By: _____
Mark Dahl, Airline Representative, Local 32
AIRCRAFT MECHANICS FRATERNAL ASSOCIATION

Attachment A

Below are the terms for the transition of Virgin America Technicians to specific Articles under the Alaska Airlines AMFA collective bargaining agreement (“CBA”). Where current Virgin America work rules will be replaced by CBA provisions specifically cited below, it is understood and agreed that such work rules will remain status quo until amended by implementation of this Transition Agreement.

Article 3 (Status of Agreement) – Will apply on Single Certification, except that, effective immediately upon the ratification of this Transition Agreement, the restrictions described in Article 3.F.c will no longer apply to the Alaska-Virgin America transaction as detailed in the Agreement and Plan of Merger.

Article 4 (Classification of Work) - Will apply on issuance of Single Certification. CBA classification titles shall be assigned to pre-merger Virgin America employees within thirty (30) days following the Single Carrier Determination in accordance with the SLI Agreement.

Article 5 (Hours of Service) - Will apply no later than ninety (90) days following issuance of Single Certification. For purposes of this Transition Agreement, Article 5.I.3 will not apply to current Alaska and Virgin America locations. Specifically, all current Alaska and Virgin America locations as of the date of this Transition Agreement will be considered as existing locations for the purpose of bid awarding. Within fourteen (14) days after Article 5.F becomes applicable, shift schedules will be rebid in accordance with the guidelines required under the CBA in each bid location where pre-merger Virgin America Technicians work.

Article 6 (Overtime) - Will apply no later than ninety (90) days following issuance of Single Certification.

Article 7 (Holidays) - Will apply no later than ninety (90) days following issuance of Single Certification. For Virgin America employees, any earned, unused Personal Days as of the effective date of this Article will be converted to banked holidays under Article 7.F.

Article 8 (Field Service and Special Projects) - Will apply no later than thirty (30) days following issuance of Single Certification.

Article 9 (Seniority) - Will apply on issuance of Single Certification. For purposes of computing company and classification probationary hours of the Virgin America Technicians covered by this Transition Agreement, time spent working at Virgin America shall be treated as time worked with Alaska. Seniority time that has previously been lost at either air carrier shall not be reestablished by operation of this agreement.

Article 10 (Vacancies) – Will apply no later than ninety (90) days following issuance of Single Certification.

Article 11 (Leave of Absence) - Will apply on issuance of Single Certification. For purposes of computing eligible leave for the Virgin America Technicians covered by this Transition Agreement, time spent working and/or time on leave at Virgin America shall be treated as time worked and/or time on leave with Alaska.

Article 12 (Training) - Will apply on issuance of Single Certification. Technician Trainer seniority for Virgin America Technicians will be as set forth in the SLI Agreement.

Article 13 (Vacations) – Will apply on issuance of Single Certification. Virgin America Technicians covered by this Transition Agreement shall be placed at the appropriate vacation accrual level based on years of seniority recognized for seniority purposes under the SLI Agreement. Thereafter, Virgin America Technicians will advance in accruals as described in Article 13.B. Current Virgin America Technician vacation accruals shall be transferred, credited for each Technician, and recognized for the purpose of bidding for vacation under the terms of the CBA.

Vacation periods bid for 2018 and held by employees shall be observed throughout 2018. Virgin America Technicians shall be able to carry over any unused vacation for 2018 into 2019 up to the accrual maximum set forth in the CBA. Negative balances shall not be carried over, provided, however, Virgin America Technicians shall no longer be allowed to take vacation which would cause their vacation balance to become negative.

Combined vacation bidding shall occur under the terms of the CBA for 2019 and thereafter. For purposes of the vacation periods bid for 2019, Virgin America Technicians' vacation accruals will be determined in accordance with Article 13 of the CBA as if they had been working under the CBA from January 1, 2018.

Article 14 (Sick Leave) - Will apply on issuance of Single Certification. No later than ninety (90) days following issuance of Single Certification, Virgin America Technicians covered by this Transition Agreement will be provided Sick Leave accrual in accordance with Article 14 of the CBA as if they had been working under the CBA for the duration of their employment at Virgin America, less actual sick leave usage during the same time period. The Sick Leave Accrual shall be for the actual time worked at Virgin America. For example, a three-year, three-month employee working full-time for Virgin America will receive three-years, three-months' worth of accruals, less sick leave actually used.

Article 15 (Transportation) - Will apply on issuance of Single Certification.

Article 19 (Severance Allowance) - Will apply on issuance of Single Certification. For purposes of computing years of service of the Virgin America Technicians covered by this Transition Agreement, time spent working at Virgin America shall be treated as time worked with Alaska Airlines.

Article 20 (Retirement Plan) – See Section IV of Transition Agreement.

Article 23 (Wage Rules) - Schedule A and all other wage rules will apply no later than the issuance of Single Certification. The Company will be obligated to compensate each covered employee beginning at such time, but may have no more than ninety (90) days following Single Certification for implementation purposes. Any amounts accrued by covered employees but not paid pending implementation of the wage rules shall be paid in a one-time, lump sum within thirty (30) days following implementation. Contractual pay rates will apply for all Technicians.

Article 26 (Schedule A) – Will apply effective no later than the issuance of Single Certification. Contractual pay rates will apply for all Technicians.

Article 27 (Letters of Agreement) - All Letters of Agreement included in the CBA will apply on issuance of Single Certification. Letter of Agreement #9 will be modified pursuant to the language set forth in Section VI of Transition Agreement. In addition, Letter #8 is modified pursuant to the changes below:

Letter #8 (Aviation Safety Action Program) shall replace any Memorandum of Understanding covering the Virgin America Aviation Safety Action Program on Single Carrier Determination.

Article 28 (Shift Differential) - Will apply effective no later than the issuance of Single Certification.

Article 29 (Longevity Allowance) - Will apply effective no later than the issuance of Single Certification.

Article 31 (Union Shop) - Will apply on issuance of Single Certification, however, automatic dues deduction shall not apply until the Company has received the appropriate fully executed Assignment and Authorization for Voluntary Check-Off of Association Dues from AMFA.

Attachment B

ARTICLE 26, SCHEDULE A

Each annual increase will be no less than one and one-half (1½) percent of the previous year's rates. The tables below reflect the minimum rates. Annual review of Schedule A rates will be in accordance with the provisions outlined in Article 23.

Classification 10-17-16 10-17-17 10-17-18 10-17-19 10-17-20 **10-17-21**

Lead Inspector Inspector + 1.75* Hourly
Inspector Technician + 1.75* Hourly
Lead Technician Technician + 1.75* Hourly

Technician						
1 st Step	25.50	25.96	26.44	26.92	27.41	<u>27.91</u>
2 nd Step	25.99	26.46	26.94	27.43	27.93	<u>28.43</u>
3 rd Step	26.81	27.29	27.79	28.29	28.80	<u>29.32</u>
4 th Step	29.24	29.76	30.29	30.83	31.38	<u>31.93</u>
5 th Step	30.10	30.63	31.17	31.73	32.29	<u>32.86</u>
6 th Step	31.86	32.42	32.99	33.57	34.16	<u>34.76</u>
7 th Step	33.65	34.24	34.83	35.44	36.06	<u>36.68</u>
8 th Step	40.15	40.84	41.54	42.25	42.97	<u>43.70</u>

Classification 10-17-16 10-17-17 10-17-18 10-17-19 10-17-20 **10-17-21**

Lead Janitor Janitor + 1.75* Hourly

Technician Helper / Janitor						
1 st Step	13.72	13.92	14.13	14.35	14.56	<u>14.78</u>
2 nd Step	14.56	14.78	15.00	15.23	15.46	<u>15.69</u>
3 rd Step	15.44	15.68	15.91	16.15	16.39	<u>16.64</u>
4 th Step	16.29	16.53	16.78	17.03	17.29	<u>17.55</u>
5 th Step	17.13	17.39	17.65	17.92	18.18	<u>18.46</u>
6 th Step	18.18	18.45	18.73	19.01	19.29	<u>19.58</u>
7 th Step	19.20	19.49	19.78	20.08	20.38	<u>20.68</u>
8 th Step	20.23	20.54	20.84	21.16	21.47	<u>21.80</u>
9 th Step	21.24	21.56	21.88	22.21	22.54	<u>22.88</u>
10 th Step	22.29	22.62	22.96	23.30	23.65	<u>25.80</u>
11 th Step	23.94	24.30	24.67	25.04	25.42	<u>26.11</u>

Classification
Lead Fleet Service Fleet Service + 1.75* Hourly

Fleet Service	
1 st Step	8.75
2 nd Step	9.29
3 rd Step	9.84
4 th Step	10.38
5 th Step	10.93
6 th Step	11.59
7 th Step	12.24
8 th Step	12.90
9 th Step	13.55
10 th Step	14.21
11 th Step	16.55

*The Lead premium shall be a differential over and above the normal rate in the progression step. For pay purposes it shall be considered as part of the basic rate for calculations.

The Performance Based Pay as outlined in Article 23 will not be included as part of "pay" as referenced in this Article 26

Attachment C

[Attachment C will be a list of any individual exceptions to the CBA wage scale.)

None