

**LETTER OF AGREEMENT
Between**

**ATLAS AIR, INC., SOUTHERN AIR, INC.,
And
THE INTERNATIONAL BROTHERHOOD OF TEAMSTERS, AIRLINE DIVISION,
And
AIRLINE PROFESSIONALS ASSOCIATION OF THE INTERNATIONAL BROTHERHOOD OF
TEAMSTERS, LOCAL UNION NO. 1224**

Negotiation Process to Facilitate Completion of Collective Bargaining Negotiations

This LETTER OF AGREEMENT (hereinafter, "LOA") is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between Atlas Air, Inc. ("Atlas"), Southern Air, Inc. ("Southern") Company", the International Brotherhood of Teamsters, Airline Division ("IBTAD", and Airline Professionals Association of the International Brotherhood of Teamsters, Local Union No. 1224 ("Local 1224"; together with the IBTAD, the "Union").

WHEREAS, the IBTAD is the exclusive bargaining representative of the flight deck crew members employed by Atlas and Southern; and

WHEREAS, Atlas, Southern and the Union are engaged in collective bargaining disputes and federal litigation relating to and arising from the acquisition by Atlas's corporate parent of Southern's corporate parent; and

WHEREAS, those disputes and the federal litigation have prevented the Parties signatory to this LOA from completing their collective bargaining negotiations; and

WHEREAS, the Parties have agreed upon a collective bargaining process as set forth in this LOA that is intended to facilitate the completion of their collective bargaining negotiations;

NOW THEREFORE, It is AGREED, as follows:

1. Atlas Air, Inc. ("Atlas") and Southern Air, Inc. ("Southern") will proceed with the federal court litigation seeking to compel the Union to arbitrate the management grievances.
 - A. The parties agree to jointly, and promptly, request the NMB to stay the NMB proceedings while they are engaged in the collective bargaining negotiations conducted in accordance with this Agreement.
 - B. If the Company obtains an order from the United States District Court for the Southern District of New York compelling the Union to arbitrate, the parties agree to stay the arbitration of the management grievances until the later of: (1) February 28, 2018; or (2) the date either party determines no further progress can be made on voluntary collective bargaining negotiations as

described below and within the timeframe below. Nothing herein is intended to prevent Atlas and Southern from appealing any denial by the United States District Court for the Southern District of New York of an order compelling the Union to arbitrate and/or dismissal of the pending lawsuit. Pending any such appeal, however, Atlas and Southern will, without delay, engage in the collective bargaining process provided for by this Agreement. Likewise, nothing herein is intended to prevent the Union from appealing any order by the United States District Court for the Southern District of New York compelling the Union to arbitrate the management grievances. The Union, however, will not seek to stay any such order by the United States District Court for the Southern District of New York pending appeal.

2. If the parties arbitrate the management grievances through the System Board of Adjustment and the Company prevails, then the Union, Atlas and Southern will all comply with the rulings.
3. If the Union prevails in the federal court litigation or the management grievance arbitrations, and the provisions set forth in Section 1.F.2.b.iii of the current Atlas Air, Inc.-IBT collective bargaining agreement (the "Atlas-IBT CBA") and Section 1.B.3 of the current Southern Air, Inc.-IBT collective bargaining agreement (the "Southern-IBT CBA") will therefore not be applied, the parties will negotiate to reach a mutually agreed upon collective bargaining agreement on a voluntary basis solely in accordance with the "block" schedules set forth in this Agreement, any of which schedules may be modified or extended upon mutual agreement. If, during the 240-day negotiation deadline (or such other deadline as may subsequently be agreed upon by the parties), the parties all conclude that no further progress can be made through such voluntary negotiations, they shall jointly request that the NMB lift its stay of the NMB proceedings. If, following expiration of the 240-day negotiation deadline (or such other deadline as may subsequently be agreed upon by the parties), any of the parties determine(s) that no further progress can be made through such voluntary negotiations, then any of them may request that the NMB lift the stay of its proceedings. Each party reserves all rights and arguments regarding those proceedings.
4. If the Union is ordered by a System Board of Adjustment (or voluntarily agrees) to engage in negotiations for a joint collective bargaining agreement pursuant to Section 1.F.2.b.iii of the Atlas-IBT CBA and/or Section 1.B.3. of the Southern-IBT CBA, and the parties then engage in an interest arbitration pursuant to one or both of those contract sections, the following provisions of this paragraph will apply. Prior to any such interest arbitration, the parties will attempt to reach agreement upon the applicable standard by which the arbitrator will be bound in rendering his or her award, but the parties recognize that the arbitrator will have ultimate authority to decide the applicable standard absent agreement by the parties. In this process, including any interest arbitration proceeding, the Company will neither request nor advocate for a standard that the IBT has referred to as "amalgamation/merger" of the two existing collective bargaining agreements whereby the arbitrator is required to choose between the terms of the existing Atlas-IBT and Southern-IBT CBAs. Nothing herein is intended to foreclose either party from advocating for the use of any standard, or to preclude the arbitrator from adopting any standard, that is not in conflict with the provisions of this Agreement. The parties expressly agree that the "predictive" standard as referenced in some interest arbitration decisions is not in conflict with the provisions of this Agreement (it being understood that each party reserves all rights and arguments with regard to such standard).

- A. Unless the parties otherwise mutually agree, bargaining history in negotiations covered by this Agreement cannot be used in the interest arbitration under Section 1.F.2.b.iii of the current Atlas-IBT CBA and 1.B.3 of the current Southern-IBT CBA.
5. Regardless of whether the collective bargaining negotiations described herein are conducted voluntarily in accordance with this Agreement or pursuant to an order of the System Board of Adjustment, the following shall apply:
- A. If and when a collective bargaining agreement is reached, ratified and executed, or is ordered by an arbitrator following interest arbitration, such collective bargaining agreement shall include the 6 tentatively agreed-upon articles and the 2 conditional understandings regarding two other articles, all of which were reached in 2016 all tentatively agreed upon Articles and tentatively agreed-upon sections, subsections, letters of agreements and memoranda of understandings of Articles proposed during the collective bargaining negotiations, and if applicable, all provisions set forth in an interest arbitration award.
- B. Commencing July 6, 2017, the parties will engage in negotiations regarding the outstanding proposals from 2016 (Articles 10, 13, 15, 19, 23 and 30), with an objective of reaching TAs on all of them by August 5, 2017. If the parties are unable to reach a tentative agreement on any of those articles, those Articles will be included in the "Block 1" negotiations described below.
- C. The parties shall agree to negotiate Article 1/Scope plus 3 blocks of bargaining:
- (i) Block 1 -- Hold-over Articles from the 2016 negotiations that are not yet TA'd, and all other non-economic items (e.g., Grievance, System Board.)
 - (ii) Block 2 -- Operational items (e.g., Scheduling, Hours of Service, Reserve, etc.)
 - (iii) Block 3 -- Compensation/Cost items (e.g., Rates, Per Diem, Retirement, Medical, etc.)
 - (iv) Article 1/Scope negotiations to commence in parallel with Block 1 negotiations and if necessary, through Block 2 negotiations
- D. The negotiation time table shall be as follows
- (i) Block 1 – 30 days; then
 - (ii) Block 2 – 120 days; then
 - (iii) Block 3 – 90 days;
 - (iv) Article 1/Scope negotiations to commence in parallel with and at same time as Block 1, to be completed by the end of Block 2.

The parties can mutually agree to extend any "Block" or to advance the schedule for dealing with any "Block" upon the completion of an earlier "Block" or for any other reasons.

- E. As soon as practical, upon reasonable written request, the Company will make an effort to provide the Union with readily available information necessary for collective bargaining negotiations, such as actuarial information, costing and scheduling data, and/or insurance data, subject to execution of confidentiality agreements. It is understood, however, that providing information pursuant to this paragraph will not be considered a contractual obligation.
- F. Commencing with the period covering July, 2017, Atlas, on its behalf and on behalf of Southern, will provide a credit to the monthly flight pay loss invoices for Atlas- IBT negotiators and Southern-IBT negotiators plus the applicable benefit override for each of the Atlas and Southern Air IBT negotiators. The monthly credit will be 200 hours for the union negotiators at Atlas and 144 hours for the union negotiators at Southern (344 hours total each month). The credit shall be applied using the weighted average pay rate applicable to all individuals on the respective ExCo's monthly flight pay loss invoice. This credit will continue through the completion of the collective bargaining process described in this Agreement.
- G. The parties will conduct all negotiations based on mutual respect and trust.

6. This LOA will not be admissible in the pending federal court case, styled *Atlas Air, Inc., et al., v. International Brotherhood of Teamsters, Airline Division, et al.*, Case No. 7:17-cv-00903-NSR (S.D.N.Y.); the arbitrations on the management grievances that are the subject of that federal court case and which were filed by Atlas and Southern on April 14, 2016 and January 24, 2017, respectively (if they occur); and the interest arbitration described above (if it occurs).

IN WITNESS WHEREOF, the Parties hereto have signed this LOA on June 12, 2017.

FOR:

INTERNATIONAL BROTHERHOOD
OF TEAMSTERS, AIRLINE DIVISION



David Bourne, Director

FOR:

ATLAS AIR, INC.




John W. Dietrich, President



Capt. Jeffrey Carlson,
Senior Vice President, Operations

FOR:


AIRLINE PROFESSIONALS ASSOCIATION
OF THE INTERNATIONAL BROTHERHOOD
OF TEAMSTERS, LOCAL UNION NO. 1224



Capt. Daniel C. Wells, President



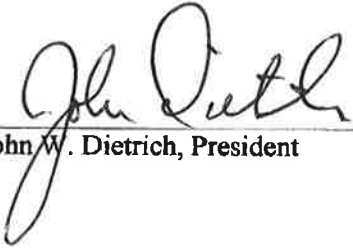
Capt. Robert Kirchner, Chairman,
Atlas Pilots Executive Council



Capt. Bryan Holmberg, Chairman,
Southern Pilots Executive Council

FOR:

SOUTHERN AIR, INC.



John W. Dietrich, President