

August 2, 2012

**Mr. James C. Little
International President
Transport Workers Union
1791 Hurstview Drive
Hurst, TX 76054**

Subject: Administrative Expense Claim and Bankruptcy Protections

Dear Mr. Little:

This Letter of Agreement is between American Eagle Airlines, Inc. and Executive Airlines, Inc. (collectively “Eagle” or “the Company”) and the Transport Workers Union of America, AFL-CIO (“TWU”).

The modifications to the collective bargaining agreements (“CBAs”) between the Company and two of the four (4) TWU-representative bargaining groups in connection with the Company’s Chapter 11 Restructuring embodied in the following two Tentative Agreements (the “Two Tentative Agreements”) were agreed to in furtherance of the Company’s effort to restructure its capital structure and operations:

- 1. July 20, 2012 Tentative Agreement covering Fleet Service employees (\$4.8 million)**
- 2. July 20, 2012 Tentative Agreement covering Aircraft Maintenance Technician, Inspector, Ground Support**

Technician, Aircraft Cleaner and Inventory Control Specialist employees (\$7 million)

This Letter of Agreement will be binding on any Chapter 11 trustee that may be appointed in the Company's pending cases under chapter 11 of the United States Bankruptcy Code entitled *In re AMR Corporation, et al.*, Chapter 11 Case No. 11-15463 (SHL) (the "Chapter 11 Cases"), or other entity operating with the equivalent authority of a Chapter 11 trustee.

The Company and TWU agree as follows:

1. Effective Date. Subject to the "1113 Me-Too" provisions in the Two Tentative Agreements, this Letter of Agreement shall not become effective until the later-occurring of both of the following events (the "Effective Date"):

- (1) Either of the Two Tentative Agreements is ratified by the TWU membership pursuant to procedures determined by the TWU;**
- (2) This Letter of Agreement is approved by a final order of the United States Bankruptcy Court for the Southern District of New York.**

It is expressly understood and agreed that if the Effective Date does not occur, all of the terms contained in this Letter of Agreement are inapplicable and will be of no force or effect. At such time as the Effective Date occurs but prior to the approval of any Plan of Reorganization in these Chapter

11 Cases, this Letter of Agreement shall constitute a binding and enforceable post-petition agreement between the TWU and the Company.

2. Administrative Claim for Fees and Expenses. The Plan of Reorganization shall provide that, subject to Court approval, TWU shall have an allowed administrative expense claim which shall be paid in full on the effective date of the Plan of Reorganization (“TWU Allowed Administrative Expense Claim”). The amount of the TWU Allowed Administrative Expense Claim shall be equal to the amount sufficient to reimburse TWU for all reasonable fees and expenses incurred by TWU lawyers, professionals, investment bankers and experts, and other reasonable expenses incurred, in the Chapter 11 Cases in connection with the negotiation related to the four (4) TWU CBAs, this Letter of Agreement, and Plan of Reorganization. The TWU Allowed Administrative Claim, however, shall not include any fees or expenses (a) incurred with respect to TWU’s opposition to any Company motion filed pursuant to 11 U.S.C. 1113; or (b) incurred with respect to any services rendered in connection with consideration or pursuit of any potential third party purchaser of the Company or merger partner (including but not limited to US Airways), and shall be capped at \$700,000.

3. Indemnification. The Company will indemnify and hold harmless TWU and its current or former (a) members, (b) officers, (c) directors, (d) committee members, (e) employees, (f) advisors, (g) attorneys, (h) accountants, (i)

investment bankers, (j) consultants, (k) agents, (l) actuaries, (m) financial advisors, (n) professionals, (o) agents and (p) other representatives (each an indemnitee) from fifty percent of any liability, loss, damages, fines, penalties, taxes, expenses, and costs (not including any income or excise taxes or similar amounts imposed by any governmental agency) relating to, concerning or resulting from any and all third party claims, lawsuits, or administrative charges of any sort whatsoever, including fifty percent of the reasonable attorney's fees and costs, arising in connection with matters relating to, concerning or connected to the negotiation or establishment of (a) either or both of the Two Tentative Agreements and this Letter of Agreement, and (b) any other document or agreement forming part of either or both of the Two Tentative Agreements and this Letter of Agreement. This fifty-percent sharing arrangement will exist until TWU's financial exposure reaches \$1 million. Any exposure exceeding \$1 million will be the responsibility of the Company.

Such indemnification and hold harmless obligation will not apply to: 1) any claim, lawsuit or administrative charge resulting from the willful or intentional conduct of any indemnitee; 2) any claim, lawsuit or administrative charge asserting that TWU violated its By-Laws or other organizational requirements by entering into the either of the Two Tentative Agreements and this Letter of Agreement; 3) any claim, lawsuit or administrative charge resulting from any statement made by any indemnitee that incorrectly describes either of the Two Tentative Agreements or this

Letter of Agreement or the modifications made thereby; 4) any claim, lawsuit or administrative charge related to allocation among Eagle employees represented by TWU of any proceeds or distribution received in connection with the TWU Eagle Claim (as defined below); or 5) any claim, lawsuit or administrative charge related to any disposition by TWU or employees represented by TWU to third parties of the TWU Eagle Claim or any proceeds or distribution received in connection therewith or on account thereof.

An indemnitee seeking to be indemnified and held harmless pursuant to this paragraph must provide to the Company written notice within seven business days of the indemnitee learning of the claim, lawsuit or administrative charge as to which the indemnitee seeks to be indemnified and held harmless. The Company will have the right to conduct the defense of such matter with counsel of the Company's choosing and enter into a settlement of such matter. The Company will give reasonable consideration to the wishes of the indemnitee in connection with the matters described in the foregoing sentence.

4. Exculpation. The Company agrees that it will not propose or support any Plan of Reorganization that does not contain an exculpation or release provision for TWU and each of their current or former members, officers, directors, committee members, employees, advisors, attorneys, accountants, actuaries, investment bankers, consultants, agents and other representatives at least as favorable as any exculpation or release provisions provided for the

Company's officers, directors, employees, advisors, attorneys, accountants, actuaries, investment bankers, consultants, agents and other representatives.

5. Bankruptcy Protection. From the date of this Letter Agreement until a date three years from the date of this Letter of Agreement, the Debtors will not file or support any motion ("Motion") pursuant to 11 U.S.C. Sections 1113, 1113(e), or any other relevant provision of the Bankruptcy Code, seeking rejection or modification of, or relief or interim relief from, the Two Tentative Agreements or this Letter of Agreement and the finalized documents implementing the Tentative Agreements or this Letter of Agreement. The Debtors will actively oppose any such Motion if filed by another party.

Notwithstanding the foregoing, the Debtors reserve the right to file or support any Motion if there is a material deterioration in the Company's financial condition or financial prospects, whether because of general economic conditions or otherwise. All requirements and provisions of Section 1113 will also remain applicable to any such Motion. TWU reserves its right to object to such Motion and nothing in this Letter Agreement shall be construed as an agreement by the TWU to such modifications or relief.

6. Non-Objection to Unsecured Claim. Eagle agrees not to oppose the allowance of a general non-priority unsecured claim under section 502 of the Bankruptcy Code asserted by TWU in the Chapter 11 Cases (against the Eagle estate or, at the option of TWU, from the same estate as any

similar claim allowed for any other labor union at Eagle) in an amount not to exceed \$ 11,800,000 (which is the total of the \$4.8 million in concessions agreed to in the Tentative Agreement covering Fleet Service employees and the \$7 million in concessions agreed to in the Tentative Agreement covering Aircraft Maintenance Technicians and Related Personnel) (the “TWU Eagle Claim”) in respect of all claims relating to the Two Tentative Agreements and corresponding existing CBA(s) between TWU and Eagle or otherwise; provided, however, that even if the TWU Eagle Claim is not allowed in the Chapter 11 Cases for any reason, this Letter of Agreement and its terms, as well as all terms of the Two Tentative Agreements, as ratified, shall remain in full force and effect. TWU further agrees that any TWU Eagle Claim may not be assigned or transferred (including the granting of any participation) prior to the effective date of a plan of reorganization, except with the express written consent of Eagle, exercised at its sole discretion.

7. Settlement Consideration. To the extent the Company agrees to provide settlement consideration in the form of equity or other value (other than the amount of the allowed administrative expense claim provided for in Paragraph 2 above) (“Settlement Consideration”) to any other labor union at Eagle that is in excess of the Settlement Consideration set forth in this agreement when compared to the size and payroll of such other union, the Company agrees to meet with TWU and negotiate in good faith for the provision of Settlement Consideration to TWU on the same relative terms and basis. For the avoidance of doubt, any

such Settlement Consideration for TWU would be in lieu of the TWU Eagle Claim in paragraph 6, the provisions of which would not apply to any such Settlement Consideration for TWU unless specifically agreed in such negotiations thereon.

8. Court Approval. With the full and active support of TWU, the Company will file and prosecute a motion for approval and assumption of the CBAs as modified by the Two Tentative Agreements and this Letter of Agreement under sections 363 and 1113 of the Bankruptcy Code and any other applicable sections thereof. Both the motion and the proposed order attached thereto (the 363 Order) shall be in form and substance reasonably acceptable to TWU. Both the Company and TWU will use their reasonable best efforts to obtain the support of the Official Committee of Unsecured Creditors and other parties and stakeholders for the Two Tentative Agreements, including this Letter of Agreement, and to seek entry of the 363 Order.

Agreed:

Cathy McCann

Vice President

Human Resources

Agreed:

James C. Little

International President

Transport Workers Union of America, AFL-CIO