

September 14, 2005

Proposed Modifications to the AFA Collective Bargaining Agreement
Pursuant to Bankruptcy Code §1113 (c)

This term sheet sets forth the proposals of Aloha Airlines, Inc., pursuant to Section 1113(c) of the U.S. Bankruptcy Code for necessary modifications to the January 1, 2003 – April 30, 2006 collective bargaining agreement.

Effective Date

The modifications will become effective upon ratification and Court approval.

Duration

Amendable date of April 30, 2009.

Wage Rates

Pay increase of 5% on 1/1/07 (previously negotiated); 4% on 1/1/08; and 3% on 1/1/09.

Recognition and Scope of Agreement (Section 1)

- Paragraph B.1.b - Flying may be subcontracted by Aloha or flying “wet leased”, if operationally necessary. For clarification purposes only, AFA recognizes that “by or for” language does not prohibit code sharing.
- Paragraph B.2.a (Island Air flying) – Delete.
- Paragraph D - Delete.
- Paragraph E - Delete.
- Paragraph F - Delete.

Definitions & Job Classifications (Section 2)

- Paragraph L – Modify definition of “Hours on Duty” to be when a flight attendant is required to report for duty at the designated reporting place or does in fact report for such duty, whichever is later; the duty period ends at the conclusion of any non-flying duty, block-in from deadheading, or the later of 15-minutes after block-in of a flight or actual release.
- Paragraph W - Modify definition of “Calendar Day” to be “any 24-hour period.”

Compensation (Section 4)

- Paragraph D (Rounding Up of Pay) – Delete.
- Paragraph J (Pay Protection for Senior Flight Attendants) - Delete.

Compensation for Expenses (Section 5)

- Paragraph A.1 – no per diem pay for training held in home base.
- Paragraph A.2 (OCONUS rates) – Delete.
- Paragraph D (Hotel Accommodations During Layover) – Modify such that the Company does not have to provide hotel accommodations unless a flight attendant is scheduled to layover at a location for four (4) or more hours.
- Paragraph G (Expenses) – Delete.

Hours of Service (Section 7)

- Paragraph A - Remove cap and any inconsistent provisions.
- Paragraphs B, C and H – Delete.
- Paragraph G – Clarify that 11-hour duty limitation applies only to inter-island flights.
 - Increase to a maximum of 14 hours per day. During irregular operations, duty periods may be increased to levels provided in FARs.
 - Duty period starts when flight attendant reports to the airport.
 - Trips may be changed up to one (1) hour before check-in and the crew must be contactable during the 12-hour period prior to report, whether in Honolulu or the mainland.
- Paragraph K - Reduce on duty pay to 50%.
- Paragraph L - For scheduling purposes only, reduce minimum number of calendar days per month free of all duty at the flight attendant's home base from 12 days to 10 days.
- Paragraphs M & N - Delete. Flight Attendant may begin more than one duty period in any 24-hour period provided he/she has his/her FAR-required rest period.
- Paragraph P – Modify to be consistent with Section 2.L.
- Paragraph R - Minimum rest provisions will be governed by the Federal Aviation Regulations. Delete any inconsistent provisions.

Scheduling (Section 8)

- Management flight attendants (not on the AFA seniority list) may perform check rides without any flight loss pay to the union.
- Paragraph 9 – Modify so that management flight attendants (not on the AFA seniority list) may fly on any Aloha flight as a working flight attendant without any flight loss pay to the union (with the exception of per diem).
- Paragraph B - Delete. No longer applicable since we use the PBS bidding system.
- Paragraph C.2 - The Company may reorder the priority in which flight attendants receive open time.
- Paragraph D - Mainland reserves are permitted and rest periods are not required to be in Honolulu.
- Eliminate adjustments.
- Paragraph E - Reduced bid guarantee to 70 hours per month. The Company will seek to build bids of 75-90 hours per month. (phase-in, with salary adjustments)

Deadhead (Section 9)

- 50% rate and credit.

Merger of Seniority Lists (Section 10)

- Paragraph E - Delete.

Reduction in Personnel (Section 12)

- Paragraph C - Delete. No part-time flight attendants. All flight attendants will have a 70-hour bid guarantee.
- Paragraph E:
 - Modify. Voluntary furloughs will be limited to flight attendants who would not otherwise be subject to being involuntarily furloughed because of their rank on the seniority list if such a voluntary furlough program did not exist.
 - Voluntary furloughs will be limited to a maximum of 6 months.
 - Flight attendants on voluntary furlough will retain their seniority and travel benefits on Aloha, and will be eligible for COBRA benefits (Medical or dental benefits at Company expense for a maximum of 6 months on voluntary furlough.)

Training (Section 13)

- The Company may block off trips for training purposes.

Vacations (Section 15)

- Paragraph A.2 – Modify so that flight attendant must bid 75% of annual vacation.
- Paragraph C - Delete. Eliminate existing accrued vacation banks (prepetition); accruals to present book.
- Paragraph I - Delete. No guaranteed days off before and after vacation.

Grievances (Section 22)

- Withdraw with prejudice all pending union grievances.
- Scope of grievance identical to arbitrable disputes.

Insurance (Section 26)

- Paragraph A - Modify effective January 1, 2007. Employees shall pay 20% of any medical premiums capped at the lesser of: (1) 1.5% of gross earnings for single coverage or 2% for two-party/family coverage; or (2) the following dollar caps (subject to annual adjustment) – single coverage (\$50), two-party coverage (\$110), family coverage (\$160).
- Paragraph D - Delete. No medical and dental benefits for future retirees.

Flight Pay Loss & Fringe Override (Document No. 1)

- Delete Paragraphs E2-4.

Extended Range Operations (Document No.6)

- Paragraph 3b and 3c –Delete since removing adjustments in Section 8.
- Paragraph 3f – Modify so that if a trip is cancelled or a segment is cancelled, Crew Scheduling may reassign the flight attendant.
- Paragraph 3g – Modify so that when a rescheduling occurs, no extra pay is due the flight attendant. If irregular operations occur, a flight attendant may be rescheduled.
- Paragraph 10.a.ii. – Delete and any other similar provisions that require the Company to mirror the flight attendants' terms and conditions of employment with the pilots.

DOT Drug & Alcohol Testing Policy (Document No. 10)

- Tests may be conducted during layovers.

Preferential Bidding System (Section A of Document No. 11)

- Modify so that changes may be made to the bid packet provided sufficient notice is given.
- Change bid packet release date from the 1st Tuesday of each month to the 2nd Tuesday of each month. Bid packets may be distributed electronically.
- Bidding discrepancies should be brought directly from the flight attendant to the bidding supervisor for review up until 1-week following bid awards.
- The Company may make changes to the published bid award.
- Paragraph A.o – Delete. No supplemental bids.
- Paragraph C.2 – Delete. No guaranteed pay for the day before and after vacation periods.

Monthly Optional Bidding System (Document No. 13)

- Eliminate flexible bid option, and any inconsistent provisions.

Ground Duty Pay (Document No. 16)

- Delete.

Profit Sharing Plan (LOA Document No. 24)

- The profit sharing plans included in the present agreement will be replaced on January 1, 2006 by a companywide profit sharing plan which all employees will participate.

Voluntary Flexibility Program #2 (Document No. 29)

- Delete.

Aloha Airlines Restructuring (Document No. 30)

- Paragraph C9.c – Delete.
- Paragraphs deleted for consistency with other proposals C9d, e, g, and E.

Enhanced Profit Sharing (Document No. 31)

- Delete.

Warrants (Document No. 32)

- Delete.

Hotel Committee (Document No. 33)

- Modify Hotel Committee Guidelines
- Paragraph A – The Company will make every reasonable effort to abide by the Hotel Committee Guidelines when contracting hotel accommodations.
- Paragraph A.B.3, A.C.2, D, E – Delete.
- Delete any reference to OCONUS rates.

Bankruptcy Comfort Letter (Section A.3 of LOA Document No. 39)

- Delete.

Defined Contribution Pension Plan

- Reduce contributions to 3%. If the AFA agrees during this round of negotiations to the proposed productivity enhancements, the Company will meet with the AFA to reach agreement on the value of the productivity savings, the percent of such savings to be contributed to the AFA Defined Contribution Plan, and the period of time such annual contributions shall be made. Each flight attendant active during a given Plan Year shall be entitled to a pro rata share of the distributions. Contributions that cannot be allocated to an eligible flight attendant's account due to limitations on compensation set out in the Internal Revenue Code shall be payable to the employee in cash subject to applicable withholding.
- All trustee, money manager, or other administrative fees of the AFA Defined Contribution Plan shall be paid by the Plan.

Documentation

- This term sheet describes the modifications to the 2003 – 2006 flight attendant agreement necessary for the reorganization of the Company under Section 1113(c) of the Bankruptcy Code and is not a final agreement between the parties. The parties agree to meet and reach agreement on final contract terms within 30 days. The parties also agree that any provisions of the 2003-2006 contract that are in conflict or inconsistent with this term sheet will be modified to eliminate the conflict or inconsistency.