



LETTER OF AGREEMENT

Between

ALOHA AIRLINES, INC.

And

FLIGHT ATTENDANTS

In The Service Of

ALOHA AIRLINES, INC.

As Represented By

ASSOCIATION OF FLIGHT ATTENDANTS-CWA, AFL-CIO

**Document 41**

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between ALOHA AIRLINES, INC., hereinafter referred to as the "Company," and the FLIGHT ATTENDANTS in the service of ALOHA AIRLINES, INC. as represented by the ASSOCIATION OF FLIGHT ATTENDANTS-CWA, hereinafter referred to as the "Association," and jointly hereinafter referred to as "the Parties."

NOW THEREFORE the parties agree to amend the Flight Attendant working agreement with such amendments becoming effective on the Effective Date of the pending Plan of Reorganization by the Yucaipa/AAIG parties, following the approval of the Bankruptcy Court, or as soon as practicable thereafter: [effective February 17, 2006]

**A. EXPENSES**

- The Company will pay all costs/expenses associated with the negotiations, including but not limited to flight pay loss, hotels, travel, meal expenses and professional advisors' fees, as well as costs associated with ratification and implementation of this agreement, not to exceed \$75,000.

- The Company will pay, separate and apart from the amount specified above, the entire cost of having ratification ballots sent to the flight attendants via express mail in order to meet the Company's desired ratification deadline.

## **B. COMPENSATION**

- Wage Increases: 5% 1/1/07; 5% 1/1/08; 4% 1/1/09. Should any other bargaining group be given wage increases in addition to these or greater than these, such increases will also be given to the Flight Attendants. Such increases will be effected by reducing the two 10% pay reductions by 50% of the agreed upon increase. Example: Effective 1/1/07, the flight attendant's pay will be calculated and then reduced by 7.5% and 7.5%. Effective 1/1/08, the flight attendant's pay will be calculated and then reduced by 5% and 5%. Effective 1/1/09, the flight attendant's pay will be calculated and then reduced by 3% and 3%.
- Per Diem: OCONUS Rates- Eff. 1/1/06, 70% of OCONUS rates as in 5.A.2.  
     Eff. 1/1/07, 80% of OCONUS rates as in 5.A.2.  
     Eff. 1/1/08, 90% of OCONUS rates as in 5.A.2.  
     Eff. 1/1/09, OCONUS rates as in 5.A.2.  
     AGREED, but no less favorable than ALPA.

## **C. Duration (Section 31)**

- The Duration of the current Flight Attendant Agreement, including Letters of Agreement, is extended to April 30, 2009. Any provision of the current Flight Attendant Agreement not specifically altered by this Letter of Agreement remains in full force and effect.

## **D. Profit Sharing**

- Document 24-Profit Sharing Plan and Document 31-Enhanced Supplemental Profit Sharing to be maintained unless the Association agrees to replace them after reviewing the final company-wide profit sharing plan based on operating income.
- The Association agrees to delete Document 32- Warrants provided that all other groups delete from their collective bargaining agreements.

## **E. Vacation**

- Effective 1/1/06 amend Section 15.A.1. as follows:
  1. Flight Attendants who have completed twelve (12) months of service with the Company shall receive vacation at the following rates:
 

1 <sup>st</sup> to 2 <sup>nd</sup> year of service	12 days
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After completion of the 2 <sup>nd</sup> year of service	13 days
After completion of the 3 <sup>rd</sup> year of service	16 days
After completion of the 5 <sup>th</sup> year of service	20 days
After completion of the 7 <sup>th</sup> year of service	24 days
After completion of the 10 <sup>th</sup> year of service	27 days
After completion of the 14 <sup>th</sup> year of service	32 days
After completion of the 19 <sup>th</sup> year of service	34 days
After completion of the 24 <sup>th</sup> year of service	35 days
After completion of the 28 <sup>th</sup> year of service	41 days

Note: All incumbent flight attendants grandfathered at her/his current accrual until she/he progresses to the next step, at which time her/his accrual will be based on the chart above.

- **Section 15.A.2.** - Flight Attendants will be required to take a minimum of seventy-five percent (75%) vacation earned in each anniversary year. Unused vacation may be accumulated in accordance with Paragraph C of this Section.
- **Section 15.E.2.:**  
During the vacation bidding period provided in Paragraph F. of this section, the Company will allow a minimum of eight percent (8%), or major fraction thereof, of the total number of Flight Attendants eligible to bid to take vacation concurrently, except for the month of August which shall be five percent (5%) or major fraction thereof. The Company shall offer sufficient vacation periods to cover the 75% earned Flight Attendant vacation. In no event shall the minimum number be less than provided in Paragraph E.1.
- **Section 15.F.2:**  
Bidding shall be conducted during the period October 1 through November 30. Vacation days may be split into no more than three (3) periods, provided that each period is not less than seven (7) days. ~~If one-half of a Flight Attendant's projected vacation is less than seven (7) days, such Flight Attendant shall be allowed to bid seven (7) days.~~ Each Flight Attendant shall be given a specific period as to when he/she shall submit his/her bid. Bidding will be conducted by seniority. The vacation bids shall be approved within forty-eight (48) hours after the closing of each bidding period. The approved period(s) shall be posted for the information of the remaining Flight Attendants.

## **F. Scheduling Modifications**

- Mainland Availability Pairings Sideletter (Document 42)
- Bid Packet Distribution: Amend Document 11.A.1.a. to read: The PBS bid packet shall be distributed in written form and electronically no later than the second Tuesday of each month. (Remainder of Document 11.A.1.a. remains current book.)

- Bid Discrepancies: Add to Document 11.A.1.c. A Flight Attendant will be removed from any pairing awarded in error. If the trip requested has a vacant position then the flight attendant will be placed on that trip. If not, she/he will make up the time on a “like trip” on the days and in the operation she/he should have been awarded. For the purposes of this paragraph “like trip” shall mean interisland for interisland or ETOPS for ETOPS. The flight attendant may, at her/his option, choose to accept flying of an unlike trip or on day(s) other than those originally scheduled. In either case the flight attendant will be paid the greater of the time actually flown or the trip awarded in error. If there is no time available then she/he will be pay protected for the pairing erroneously awarded. If the flight attendant would have been entitled to premium pay for the trip that should have been awarded, such premium pay will be applied to any make-up flying whether or not the flight attendant flies in the same position and/or operation.
- 24 in 7 Amend Section 7.J. and Document 6 and Document 11.E.7.
  - A Flight Attendant may, at her/his option, indicate a preference to use 24-in-7 off in lieu of one calendar day off in domicile when submitting her/his bid preferences. A flight attendant may, in actual operation, at her/his sole option, utilize 24-in-7 off in lieu of one calendar day off in domicile. (Example: Flight Attendant is awarded a bid of 3 days on, 1 day off and 3 days on. However, in actual operation the flight attendant returns to domicile on the 4<sup>th</sup> day. She/he may opt to exercise 24 in 7 and keep the second 3-day trip or maintain 1 day in domicile and would be removed from the second trip.) If, however, the 1 day off in 7 conflict arises at a downline station due to a canceled return segment, 24-in-7 will be used in lieu of 1 calendar day in 7 in domicile to resolve the illegality. (Example: Flight Attendant is awarded or picks up two 3-day trips back-to-back. The sixth day is canceled. The flight attendant may work back to domicile on the 7<sup>th</sup> day, provided there has been at least 24-hours free from duty in one of the preceding six days.)
- Rescheduling/Reassignment
  - New Document 6.3.g. (Renumber remaining) These provisions are intended to allow for orderly rescheduling procedures in the event of last minute operational irregularities that have a high probability of resulting in trip delay or cancellation. These provisions are not intended to be utilized in such a manner as to effectively require a Bid Flight Attendant to serve as a reserve.
  - Cancellation- New Doc. 6.3.f.1. In Domicile
    - When an ER trip has been canceled in domicile, the crew will be reassigned as a crew. Such crew will be notified as soon as possible of the cancellation and reassignment. The

new assignment, if any, cannot depart any earlier than the original trip and must return to domicile no later than twelve (12) hours after the report time of the final day of the original trip. All hours worked beyond the original check-out time of the last day of the original trip will be paid at two (2) times the flight attendant's hourly rate of pay. In all cases, effected flight attendants will receive pay for the greater of the original trip or the trip actually flown. (Example: crew scheduled for a 3-day OAK pairing checking in at 1200 and checking-out in domicile at 1200 with a check-in for the last duty period at 0700 HST. The trip is canceled. The crew is reassigned to a 3-day PHX pairing that checks in at 1230 and returns to domicile at 1800 on the third day. This crew would be paid the greater of the OAK or PHX pairing and double hourly rate(s) for all hours between 1200 and 1800 (or actual arrival if later.) Double pay is pay only, not double credit.

- Cancellation- New Doc. 6.3.f.2. Out of Domicile
  - When an ER trip has been canceled out of domicile, the effected crew will be rescheduled as a crew. At the Company's discretion, such crew may:
    - deadhead that same day to the next station in the trip or back to domicile;
    - continue on the originally scheduled flight as either a working crew or a deadheading crew the following day (within 24 hours);
    - be assigned to any other Aloha Airlines flight departing the same station the same day in the same direction as the originally scheduled flight. As an exception to this, the crew may be assigned to a different Aloha flight departing the same station that day not in the same direction if such flight will return to the crew to domicile.
    - In no case will the crew be reassigned in such a way that would return them to domicile more than 24 hours after the originally scheduled return to domicile.
    - The Crew identity shall be maintained regardless of the option exercised. However, should it be necessary to return an individual crew member to domicile for extenuating circumstances such as vacation or a personal emergency, that circumstance shall not necessitate the return of the entire crew.

Protecting the Flight Attendant's next scheduled trip shall NOT constitute an extenuating circumstance.

- Irregular Operations- New Doc. 6.3.g.1. In Domicile
  - In periods of irregular operations, an ER trip that is departing from the domicile may have one (1) additional stop added between the domicile and the RON station. Such additional stop cannot extend the duty period beyond the original applicable maximum duty period of twelve, fourteen or sixteen hours.
- Irregular Operations- New Doc. 6.3.g.2. Out of Domicile
  - When an ER trip is delayed away from domicile, the applicable maximum duty for that duty period may be extended by up to two (2) hours. (12 to 14, 14 to 16, or 16 to 18)
  - During periods of irregular operations, an ER trip that is away from domicile may have one (1) additional stop added to the duty period. Such additional stop may extend the applicable maximum duty for that duty period by no more than two (2) hours. (12 to 14, 14 to 16, or 16 to 18.)
- Recognizing that there are problems with the following Scheduling provisions that must be resolved prior to implementation, the parties agree that these provisions will not become effective until all such problems have been resolved to the mutual satisfaction of the parties and there is a full and final implementation of the new PBS system for Flight Attendants.
  - Document 22- Drop/Pick-up (DPU) will be amended to provide for unlimited flying via DPU and open time left after bid construction (Note: does not include "fall out" open time during the month from sick calls, injury, LOA, etc.) as long as flight attendant maintains six (6) days off and all FARs (pilot) and contractual legalities. (Trade window eliminated)
  - Bids (Section 8.E.4. and Document 13 and Document 29.) and Adjustments:  
New Bid Windows:
    - 37:30 Bid- 37:30-42:00 (37:30 pay guarantee or actual pay, whichever is greater.)
    - 55:00 Bid- 55:00-59:30 (55:00 pay guarantee or actual pay, whichever is greater.)
    - 75:00 Bid- 75:00-79:30 (75:00 pay guarantee or actual pay, whichever is greater.)
    - 85:00 Bid- 85:00-89:30 (85:00 pay guarantee or actual pay, whichever is greater.)

- 90:00 Bid- 90:00-94:30 (90:00 pay guarantee or actual pay, whichever is greater.)
- Minimum of 7% reduced bids. No maximum on 75, 85, or 90 hour bids but no one forced into a higher bid window.
- 25% minimum on 85-hour bid maintained.

Note: For the remainder of 2006, a Flight Attendant who has a vacation period of 21 days or more, inclusive of paid GOs, shall only be required to bid within the hours of the old bid window(s) for the month in which such vacation period occurs in order to preserve her/his bid guarantee.

Section 8.D.1.d. Adjustments: If a flight attendant's pay projection exceeds her/his bid window by one (1) hour or more, she/he may, at her/his option, be adjusted off a trip. Such flight attendant's pay will be the greater of her/his guarantee or actual credited hours.

## **G. Medical Insurance**

- Medical Insurance: It is agreed that if the same benefit changes are not implemented in all other collective bargaining agreements, the language in the current agreement will continue to apply.
- Effective January 1, 2007, Employees shall pay 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) 20% of the medical premiums with the following dollar caps (subject to annual adjustment which may be no greater increase than the percentage amount of any pay increase that year)- single coverage (\$50), two-party coverage (\$100), and family coverage (\$150). The employee's portion of the total premium cost is to be automatically contributed on a pre-tax basis.
- Individuals who decline the Company provided medical and dental coverage in accordance with the Waiver program will receive, on a taxable basis, 25% of the company's portion of the employee only premiums. Payment will be made on a quarterly basis for that quarter completed.
- The Company shall make available at company expense the "Benny Card" by Benefit Services of Hawaii (or any similar service from another provider) to each participant of the Flex Spending Program. Application of the card is limited only by provider plan limits.
- The Company in coordination with the MEC shall conduct a search for new medical coverage providers. A target implementation date of 1/1/07 shall be set to either transition or not from HMSA or Kaiser. The goal is to provide comparable benefits at a reduced cost to the Company and Flight Attendants. Any change in benefit level must be approved by the MEC. Plan benefits must be available throughout the USA (i.e. Blue Cross/Blue

Shield Alliance). Premium savings shall offset the flight attendants' premium contribution first.

- Retiree Medical Insurance
  - Retiree medical benefits eliminated for future retirees whose effective retirement date is February 1, 2006 or later. However those individuals retiring after February 1, 2006 shall be entitled to remain in the plan at their own expense.

#### H. Scope

- AAIG/Yucaipa Scope carve out: Me-too with ALPA.
  - Add to B.1.a.-The Company shall not create, acquire or operate any “alter ego” carrier or “virtual airline” to avoid or evade the provisions of this Section 1.
  - New B.2.b.- Notwithstanding 2.a. above, the Company may acquire, own, operate or control an air carrier holding a separate air carrier certificate issued by the Federal Aviation Administration (“Supplemental Carrier”) for the sole purpose of conducting inter-island flights within the Hawaiian Islands, provided: such Supplemental Carrier does not operate (or place upon its FAA certificate) any turbo-prop aircraft certificated by the FAA at more than seventy-five (75) passenger seats; and such Supplemental Carrier does not operate (or place upon its FAA certificate) any turbo-jet or fan-jet aircraft certificated by the FAA at more than sixty-nine (69) passenger seats; and such Supplemental Carrier operates no more than a cumulative total of eight (8) daily non-stop or connecting thru-flights between the principal Hawaiian Island airports of Lihue, Honolulu, Kahului, Kona and Hilo. Such Supplemental Carrier may operate unlimited flights on any other, non-competitive routes within the Hawaiian Islands not presently or in the future operated by Aloha Airlines utilizing Aloha Airlines aircraft operated by pilots on the Aloha Pilot Seniority List.
  - Pursuant to Paragraph B.1.b. above, the Company is authorized to enter into marketing, code sharing and/or related arrangements that permit any other air carrier (“Code-share Partner”) to utilize the Company’s designator code, name, logo, or marks in commercial flight operations (any such agreement shall herein be referred to as a “Code Sharing Agreement”), if the Company ensures that each of the following requirements is satisfied:
    - a. The Code-share Partner (i) operates only aircraft currently certificated in the United States with a maximum seating capacity of seventy-five (75) seats or less (turbo-prop aircraft), or sixty-nine (69) seats or

less (turbo-jet), or a maximum certified gross takeoff weight less than 75,000 pounds; and

- b. The Code-share Partner only conducts commercial flight operations (i) within the Hawaiian Islands or (ii) in markets (“city pairs”) that provide passenger feed to or from cities served by Aloha Airlines; and
- c. The Code-share Partner conducts no commercial flight operations of any kind between any of HNL, LIH, ITO, KOA and/or OGG that utilize the Company’s designator code, name, logo or marks; and
- d. The code Sharing Agreement does not result in: the furlough or displacement of any Aloha Flight Attendant, or the reduction in the number of block hours flown by Company aircraft.
- e. The Company’s intention in entering into a Code Sharing Agreement is to grow the Company’s business to benefit the Company, its shareholders and employees. The Company will not enter into a Code Sharing Agreement that directly or indirectly results in the loss of flight attendant job opportunities. The Association’s intent in authorizing the Company to enter into certain Code Sharing Agreements is to encourage the Company to grow and to operate profitably for the benefit of the Company, its shareholders and employees.
- f. The Company and the Association mutually agree to discuss in advance and in good faith any proposed Code Sharing Agreements and resolve any differences between them as to such Agreements expeditiously, utilizing, if necessary, the expedited arbitration provisions of this Section 1.

*[The Association agrees that it does not interpret this Section as in conflict with the current UAL-Aloha code share agreement, nor with a comparable agreement with another major carrier, because AFA does not object to other carriers putting their code on Aloha flights operated by Flight Attendants on the Aloha System Seniority list.]*

- o The Company and the Association shall establish a Scope Review Committee comprised of the Company’s Vice President of Operations, Vice President of Marketing and another Company representative, and three (3) Flight Attendant Representatives designated by the Association’s Aloha Master Executive Council.

- The Scope Review Committee shall meet periodically, but no less than quarterly, to review financial and operating results from any of the Company's Code Sharing Agreements with other air carriers and to ensure that the Company is in compliance with Section 1.B. of this Agreement. The Company shall provide the Scope Review Committee and the Association's economic and legal advisors, under a commercially standard confidentiality agreement, if necessary, reasonable and necessary financial and operating information, from both a historical and projected basis, concerning the Company's code sharing practices with other carriers.
- The Provisions of Section 1.B., above, shall not restrict or preclude AAIG from maintaining its existing ownership interest and/or control of ERA, Inc.; provided, however, that the Company shall not enter into any Code Sharing Agreement with ERA, Inc. or any air carrier in the control of AAIG, under which such carrier conducts any passenger or cargo flight operations within, to or from the Hawaiian Islands.
- The provisions of Section 1.B. above, shall not be construed to restrict or preclude Yucaipa Partners LLC or any subsidiary or entity owned or controlled by Yucaipa Partners LLC, from acquiring a new ownership position (whether directly or indirectly through any entity) in another air carrier; provided, however, that actual revenue passenger and/or cargo flights operated by any such air carrier in the control (directly or indirectly) of Yucaipa Partners LLC, or any affiliate or subsidiary of Yucaipa shall be subject to all provision of Section 1 of the Agreement should such carrier compete against the Company in the Hawaiian Islands or between the Hawaiian Islands and a destination on the mainland currently served by Aloha.
- Wet-Leasing-

Notwithstanding the provisions of Section 1- Scope and Successorship of the AFA Collective Bargaining Agreement, the company may enter into wet-lease flying operations for a period not to exceed three (3) cumulative months, subject to the following conditions:

- a. Such wet-lease operation must utilize aircraft not in the Aloha Airlines fleet and be for cities not currently or historically served by Aloha Airlines.
- b. Such flying is not conducted by pilots of Aloha Airlines.
- c. No destination (city or metropolitan area) may have more than one test period.

- d. No wet-lease flying will be permitted if such wet-lease flying would cause a furlough of Aloha Airlines flight attendants.
- e. This wet-leasing provision shall cease to be effective on April 29, 2009.

**I. Miscellaneous**

- Doc. 13 and 29 deleted subject to incorporating terms into body of CBA.

Except as otherwise modified or amended by this letter of agreement, all other terms of the current AFA Agreement shall remain in full force and effect.

Agreed this 24<sup>th</sup> day of March, 2006.

For AFA-CWA

/s/ Patricia Friend  
Patricia Friend, International President

/s/ Peggy H. Gordon  
Peggy H. Gordon, MEC President

/s/ Karen Nakaoka  
Karen Nakaoka, MEC Vice President

/s/ Grace Lee  
Grace Lee, MEC Secretary Treasurer

/s/ George De Ramos III  
George De Ramos III, Negotiating Committee

For Aloha Airlines, Inc.

/s/ Albert J. Pattison  
Albert J. Pattison, Sr. Vice President  
Human Resources

/s/ Mary Jo O'Connor  
Mary Jo O'Connor, Director of  
Inflight Services

/s/ Greg A. Chilson  
Greg A. Chilson, Manager In-flight

/s/ Mark L. Littleton  
Mark L. Littleton, Sr.