

LETTER OF UNDERSTANDING  
BETWEEN  
ALASKA AIRLINES, INC.  
AND  
THE INTERNATIONAL ASSOCIATION OF MACHINISTS  
AND AEROSPACE WORKERS  
FOR  
Clerical, Office and Passenger Service Employees  
Early Out Program (EOP)

This Letter of Understanding is made and entered into accordance with the provisions of the Railway Labor Act, as amended, by and between ALASKA AIRLINES, INC. (hereinafter referred to as the "Company") and the INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS (hereinafter referred to as the "Union").

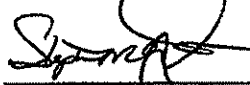
WHEREAS, it is the desire of the Company and the Union to enter into a Letter of Understanding providing a one-time alternative to the severance provisions provided for in the parties current Agreement,

NOW, THEREFORE, it is mutually agreed and understood by and between the parties to this Letter of Understanding that the terms of the Early Out Program (EOP) outlined in the following attachments will constitute the agreement between the parties as it relates to eligible Clerical, Office and Passenger Service employees electing to participate in the program. The features of the program are as follows:

- Employees on a Medical Leave or Worker's Compensation Leave are also eligible for the Early Out Program.
- Cash Severance of \$2,000.00 per year of service for Employees with 10 years of service (YOS) or more up to a maximum of \$40,000.00.
- For a period of six (6) months, Employees will receive Company paid COBRA; COBRA coverage may be continued for an additional 12 (twelve) months thereafter, under the normal COBRA rates and under the normal COBRA eligibility and payment rules.
- Must be enrolled in a Company sponsored Health Care program for 2008
- Travel will be given at the rate of one (1) year of travel for every two (2) years of service (YOS).
- In exchange for the severance payment noted above, Employees who elect to voluntarily take "Early Outs" must agree to resign and sign a release agreement waiving any and all past or future legal claims they may have against the Company and the International Association of Machinists.

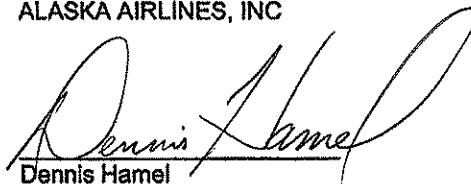
IN WITNESS WHEREOF, the parties hereto have signed this Letter of Understanding this 26<sup>th</sup> day of August 2008.

INTERNATIONAL ASSOCIATION  
OF MACHINISTS & AEROSPACE  
WORKERS



Stephen Gordon  
President/Directing General Chair  
District #143

ALASKA AIRLINES, INC



Dennis Hamel  
Vice President Human Resources