

**AGREEMENT**  
**BY AND BETWEEN**  
**SOUTHWEST AIRLINES CO.**  
**AND**  
**INTERNATIONAL ASSOCIATION OF MACHINISTS**  
**AND AEROSPACE WORKERS, AFL-CIO**  
**November 1, 2002**  
**Through**  
**October 31, 2008**

INDEX

ARTICLE ONE – PURPOSE OF AGREEMENT .....2

ARTICLE TWO – SCOPE OF AGREEMENT .....3

ARTICLE THREE – STATUS OF AGREEMENT .....4

ARTICLE FOUR - DEFINITIONS .....5

ARTICLE FIVE - CLASSIFICATIONS .....6

ARTICLE SIX – HOURS OF SERVICE .....9

ARTICLE SEVEN - OVERTIME ..... 13

ARTICLE EIGHT - SENIORITY .....21

ARTICLE NINE - TRAINING .....24

ARTICLE TEN – PART-TIME AND TEMPORARY EMPLOYEES .....25

ARTICLE ELEVEN – FILLING OF VACANCIES .....28

ARTICLE TWELVE – LEAVES OF ABSENCE.....29

ARTICLE THIRTEEN – SICK AND OCCUPATIONAL INJURY PAY .....31

ARTICLE FOURTEEN - VACATIONS .....34

ARTICLE FIFTEEN – REDUCTION IN FORCE .....37

ARTICLE SIXTEEN – SEVERANCE PAY .....39

ARTICLE SEVENTEEN – SAFETY AND HEALTH .....40

ARTICLE EIGHTEEN – GENERAL AND MISCELLANEOUS .....41

ARTICLE NINETEEN - UNIFORMS .....43

<b>ARTICLE TWENTY – GRIEVANCE PROCEDURE/SYSTEM BOARD .....</b>	<b>44</b>
<b>ARTICLE TWENTY-ONE – MOVING EXPENSES.....</b>	<b>49</b>
<b>ARTICLE TWENTY-TWO – HOLIDAYS/FREE DAY .....</b>	<b>50</b>
<b>ARTICLE TWENTY-THREE – SAVING CLAUSE.....</b>	<b>51</b>
<b>ARTICLE TWENTY-FOUR – GROUP INSURANCE BENEFITS .....</b>	<b>52</b>
<b>ARTICLE TWENTY-FIVE – PROFIT SHARING.....</b>	<b>53</b>
<b>ARTICLE TWENTY-SIX – RELIEF AGENT .....</b>	<b>54</b>
<b>ARTICLE TWENTY-SEVEN – WAGE RULES.....</b>	<b>55</b>
<b>ARTICLE TWENTY-EIGHT – DURATION AND TERMINATION.....</b>	<b>60</b>
<b>ARTICLE TWENTY-NINE – UNION MEMBERSHIP – CHECK-OFF .....</b>	<b>61</b>
<b>LETTER OF UNDERSTANDING NUMBER ONE .....</b>	<b>66</b>
<b>LETTER OF UNDERSTANDING NUMBER TWO.....</b>	<b>67</b>
<b>LETTER OF UNDERSTANDING NUMBER THREE.....</b>	<b>68</b>
<b>LETTER OF UNDERSTANDING NUMBER FOUR.....</b>	<b>69</b>
<b>LETTER OF UNDERSTANDING NUMBER FIVE .....</b>	<b>70</b>
<b>LETTER OF AGREEMENT NUMBER SIX.....</b>	<b>71</b>
<b>LETTER OF AGREEMENT NUMBER SEVEN .....</b>	<b>72</b>
<b>LETTER OF UNDERSTANDING NUMBER EIGHT .....</b>	<b>73</b>
<b>LETTER OF UNDERSTANDING NUMBER NINE .....</b>	<b>74</b>
<b>LETTER OF AGREEMENT NUMBER TEN .....</b>	<b>75</b>

<b>LETTER OF AGREEMENT NUMBER ELEVEN .....</b>	<b>78</b>
<b>LETTER OF AGREEMENT NUMBER TWELVE.....</b>	<b>79</b>
<b>LETTER OF AGREEMENT NUMBER THIRTEEN.....</b>	<b>80</b>
<b>LETTER OF AGREEMENT FOURTEEN .....</b>	<b>81</b>
<b>2002 CUSTOMER SERVICE/RESERVATIONS NON-QUALIFIED STOCK OPTION PLAN</b>	

AGREEMENT  
BY AND BETWEEN  
SOUTHWEST AIRLINES CO.  
AND  
INTERNATIONAL ASSOCIATION OF MACHINISTS  
AND AEROSPACE WORKERS, AFL-CIO

**PREAMBLE**

This Agreement is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between Southwest Airlines (hereinafter referred to as the "Company") and Airline District 142 of the International Association of Machinists and Aerospace Workers, AFL-CIO (hereinafter referred to as the "Union") representing the class and craft of employees recognized by the Railway Labor Act as being Customer Service employees.

## **ARTICLE ONE**

### **PURPOSE OF AGREEMENT**

A. The purpose of this Agreement is, in the mutual interest of the Company and employees, to provide for the operation of the service of the Company under methods which will further, to the fullest extent possible, the well-being of Southwest passengers, the efficiency of operation, and the continuation of employment under conditions of reasonable working conditions. It is recognized to be the duty of the Company, the employees, and the Union to cooperate fully for the attainment of these purposes.

B. No employee covered by this Agreement will be interfered with, restrained, coerced, or discriminated against by the Company, its officers or agents because of membership in or lawful activity on behalf of the Union; nor shall either the Company, its officers or agents or the Union, its officers or agents unlawfully discriminate against any employee because of race, color, creed, national origin, sex, sexual orientation, religion, handicap, age, disability (including the Americans with Disabilities Act) or veteran status.

C. The Company agrees to abide by the Family and Medical Leave Act, as it may be amended from time to time, for all eligible employees in the bargaining unit.

## ARTICLE TWO

### SCOPE OF AGREEMENT

A. The Union is recognized by the Company as the sole and exclusive bargaining agent for the employees of the Company based in the United States, its territories and possessions who comprise the class and craft of Customer Service employees, as certified by the National Mediation Board on June 28, 1982 in Case No. R-5302.

B. All work performed by the Company, as described in the classification and work requirements in Article Five of this Agreement, is recognized as coming within the jurisdiction of the Union and is covered by this Agreement.

C. Any new job classification coming within the scope of the class and craft described above in paragraph A. of this Article is recognized as coming under the jurisdiction of the Union and is covered by this Agreement. Such new job classification and the rates of pay for such new job classification will be negotiated between the Company and the Union. Any disagreement between the Company and the Union as to whether a new job classification comes within the scope of the class and craft shall be subject to arbitration in accordance with Article Twenty.

D. Supervisors are not covered by this Agreement but may continue to perform covered work as in the past. Supervisors will predominately perform Supervisor duties that include providing Leadership and assistance to Agents, particularly during irregular operations and peak travel periods. A Supervisor's schedule may not be altered to prevent payment of overtime to a covered employee, and a Supervisor may not accept an overtime assignment if covered employees are available for voluntary overtime assignments.

E. Employees covered by this Agreement shall be governed by all reasonable Company rules, regulations and orders previously or hereafter issued by proper authority of the Company which are not in conflict with the terms and conditions of this Agreement and which have been made available to the affected employees as soon as practical prior to becoming effective; with a copy of such rules, regulations and orders to District 142 as soon as practicable.

F. The right to manage and direct the working forces, subject to the provisions of this Agreement, is vested in and retained by the Company.

## **ARTICLE THREE**

### **STATUS OF AGREEMENT**

A. It is expressly understood and agreed that when this Agreement is accepted by the parties and signed by their authorized representatives, it will supersede any and all Agreements existing or previously executed between the Company and the Union affecting the employees covered hereunder.

B. It is further understood and agreed that all provisions of this Agreement shall be binding upon the successors or assigns of the Company. In case of consolidation or merger, representatives of the Company and the Union will meet without delay and negotiate for proper provisions for the protection of employee seniority and other property rights.

## **ARTICLE FOUR**

### **DEFINITIONS**

A. Employee as used in this Agreement shall mean the employees in the units described to designate any employee referred to herein, whether male or female.

B. A week shall consist of seven (7) consecutive day periods commencing at 0001 Sunday morning.

C. A day shall be a twenty-four (24) hour period beginning at midnight.

1) A work shift, except as otherwise provided herein, shall consist of eight (8) hours exclusive of a meal period.

D. Month as used herein means the period from the first day to and including the last day of each calendar month of the year.

E. LWOP Time shall mean leave without pay taken by agreement between the Company and the employee due to lack of work. The Company will determine which shifts, if any, will be offered LWOP, and may take into account extenuating circumstances in offering LWOP. However, to the extent practical, seniority by shift will be considered in offering LWOP.

F. It is understood wherever in this Agreement employees or jobs are referred to in either gender, it should be recognized as referring to both male and female employees.

**ARTICLE FIVE**  
**CLASSIFICATIONS**

**A. RESERVATION AGENT**

Such duties shall include, but not be limited to: receive telephone inquiries concerning air travel and furnish information regarding fares, schedules, routings, flights and other facilities; determine and recommend the service which meets the customers' needs, verify availability of space and confirm reservations; record customer information for office records and make appropriate changes upon receipt of ticketing, cancellation and other pertinent information, notify customer of flight delays and cancellations; answer telephone inquiries regarding flight arrivals and delays, ticket purchase and other general information; operate agent sets and perform control activities in connection with customer reservations; basic booking or releasing of space for maximum usage and the maintenance of general records of space utilization and availability, releasing space to other agents, preparing replies to other stations, securing connecting or continuing space for customers or representatives; keeping customers and reservation sales section advised regarding flight status and operational aspects and, in general, performing the duties necessary to support reservations sales; support special services which include handling of prepaid tickets, will call, call backs, tours, group desk, message position, top accounts and mail out ticketing; assist at ticket counter in locations where required; and such other duties as may be assigned relative to the operation of an airline reservation office. A Reservations Agent will maintain a workable knowledge of and keep current of information that is pertinent to the job. It shall be a responsibility of the Reservation Agent to keep his assigned position in a clean, neat and orderly fashion at all times while on duty.

Employees within the Reservation Agent classification may be designated as Service Coordinators. Service Coordinators shall be responsible for performing certain "help desk" duties as assigned by the Company which support Reservation Agents in their duties as well as the operation of the reservation center as a whole. It is specifically understood that Service Coordinators will not perform duties which are exclusively the rights of management. In the selection of Service Coordinators, where employees' qualifications are deemed equal, seniority shall be considered.

A separate bilingual agent bid will be established within the Reservation Agent classification at designated Reservation Center(s) for the purpose of accommodating bilingual Customers. See Side Letters of Agreement Nine and Ten.

**B. CUSTOMER SERVICE AGENT**

The work of a Customer Service Agent includes the functions which have been historically performed by Customer Service Agents at Southwest Airlines' stations and includes, but is not limited to, any or all of the following:

- 1) Provides total customer service to all people desiring to use customer or cargo service by being attentive to their needs and politely handling their inquiries promptly, completing required transactions.
- 2) Operates mechanical and electronic devices to handle ticketing and reservation transactions including restocking ticket stocks at gates, kiosks and ticket counters.
- 3) Charges and collects the proper fares, completes invoices, receipts and other documents needed to record ticketing and air cargo sales.
- 4) Books reservations, makes cancellations and changes to reservations, as required.
- 5) Maintains positive control over cash drawer and funds assigned and prevents overages/shortages by careful attention to duties so that accuracy is maintained.
- 6) Properly completes daily ticket report and cash drawer closeout.
- 7) Completes forms and reports as required by Company rules and procedures.
- 8) Properly maintains and wears the uniform and all its components as required by Company regulations and presents a neat, attractive appearance at all times while on duty.
- 9) Deals with mishandled customers as a result of oversales; delayed or canceled flights; lost, delayed or damaged luggage to resolve such problems quickly and in keeping with Company policy.
- 10) Has a good working knowledge of the currently effective Company tariffs and customer/cargo procedures.
- 11) Professionally handles the ticketing, check-in and boarding of all Southwest Airlines' customers quickly and accurately while maintaining a pleasant manner and providing friendly and efficient service.
- 12) Provides current and accurate fare, schedule, reservations, flight arrival/departure information and answers to all other general inquiries from customers and other visitors to the airport terminal.
- 13) Provides assistance as required to customers at kiosks and other checkin locations.

C. Employees within a classification may be designated as Training Coordinators. A Training Coordinator shall be responsible for assisting with on-the-job and classroom training programs, as assigned by the Company. The Company shall have the right to create all training materials, methods and programs and to select qualified employees to fill the position when necessary. In the selection of Training Coordinators, where employees' qualifications are deemed equal, seniority shall be considered.

D. It is mutually understood and agreed that under normal working conditions, Reservation Agents will perform the reservation service function and Customer Service Agents will perform the customer service function. However, cross utilization will be allowed when sufficient personnel of a specific job title are not available, or during an emergency situation.

E. As new equipment is introduced into the system, employees affected will be given training (classroom and/or on-the-job) concerning such equipment to gain proficiency in their work.

## ARTICLE SIX

### HOURS OF SERVICE

A. Time worked in any tour of duty including holidays and overtime shall be considered as work performed on the day during which the employee's regular shift began.

B. Except as herein provided, eight (8) hours, exclusive of a meal period, shall constitute a day's work and five (5) days of work within a week shall constitute a week's work for the employees covered by this Agreement. Where one (1) hour meal periods are scheduled, they shall be scheduled between the 3rd and 5th hour. Where one-half ( $\frac{1}{2}$ ) hour meal periods are scheduled, they shall be scheduled as near the midpoint of the shift as the work will permit.

C. Eight (8) hours, inclusive of a thirty (30) minute meal period, shall constitute a day's work for those employees whose regular shift begins at 6:00 P.M. up to and including 4:00 A.M. starting time.

D. Employees will be scheduled for at least two (2) consecutive days off in each of their work weeks. Saturday and Sunday will be considered as consecutive days off for this purpose.

E. Work schedules will be bid as often as required but shall be bid at least five (5) times per year. Each bid shall be for a minimum period of twenty-eight (28) days and will, where possible, become effective at 0001 Sunday morning. Each bid shall indicate the starting and tentative ending dates of the work schedule. The ending date may be changed due to an unexpected change in flight activity or because of employee(s) returning from approved leave(s) of absence. A minimum of five (5) calendar days notice will be given on shift bids, and there shall be no rebid on less than seventy-two (72) hours' notice. When shifts are posted for bid, a bid closing date will be so indicated on the bid sheet. Nothing in this Agreement shall prevent the Company from assigning shifts and days off to new hire probationary employees; however, sixty (60) calendar days after the employee returns from initial training, probationary employees shall bid shifts per their seniority. An employee who returns from an approved leave of absence will be allowed to exercise his seniority for shifts and days off if more than thirty (30) days remain until the next scheduled shift bid. If less than thirty (30) days remain until the next scheduled shift bid, the Company will use its best efforts to assign such employee to a shift and days off that such employee's seniority would have permitted him to hold.

An employee will file a permanent shift and day off bid in triplicate. The copies will be distributed to the Company and shop steward, and the employee will retain one copy. Once on file with the Company, the bid will stand as the employee's official bid. If an employee wants to change his bid he may do so at any time, and will do so if shifts are changed. All bids on file one day before the bid closing date will be considered. Any employee who does not have a bid on file will be assigned to a shift and days off after bids are awarded. If more than one employee is to be assigned, the

remaining available shifts and days off will be offered in order of seniority.

F. An employee who is excused from work on a designated holiday will receive a regular day's pay therefor.

G. The Company agrees that if it establishes a work shift with starting hours between 1:00 A.M. and 5:00 A.M. that for those hours falling within 1:00 A.M. and 5:00 A.M. the employee shall be paid time and one-half his regular base rate of pay.

H. The regular shift assignments will be prepared and posted at each location as early as possible but at least five (5) calendar days in advance of becoming effective.

I. All full-time employees shall be granted a fifteen (15) minute rest period during the first half of their shift and a fifteen (15) minute rest period during the second half of their shift without loss of pay. Consistent with the requirements of the service, the Company shall make a reasonable effort to schedule rest periods as near as possible to the midpoint of each half of an employee's shift. However, in no event shall rest periods be scheduled to commence in the first hour of an employee's shift or in the last hour of an employee's shift.

J. An employee absent during his normal work day for the purpose of serving as a juror or as a witness on behalf of the Company shall be entitled to his regular pay for the number of authorized days off. Employees will not be required to work beyond midnight but will receive pay for the balance of their scheduled shift if the employee is required to report for jury duty the next morning. Whenever the employee is released from jury service he shall be allowed eight (8) hours rest before reporting back to work. An employee receiving a summons shall notify his supervisor immediately and shall provide his supervisor with written proof of time spent on jury duty with actual dates and hours of service.

K. Employees will be allowed a five (5) minute work station cleanup period prior to the end of the regular shift.

L. The trading of a work shift or day off between employees within the same classification will be permitted if requested in writing and signed by the employees involved and will be approved and acknowledged in writing by the Company. Eligible employees shall be entitled to an unlimited number of trades, and pickups each month. Effective April 1, 2003, eligible employees may giveaway their full shift a maximum of thirty (30) times per calendar quarter. The Company will not approve more than thirty (30) full shift giveaways per calendar quarter. Additionally, the Company shall confirm that the employees involved are capable of performing the job function traded. Trades must be submitted for approval by at least 18:00 the day prior to the day of the first intended trade. Trades submitted after that time may be approved if time permits. Employees who trade become responsible to work the shift so agreed to as if it were part of their shift assignment. Employees who have agreed to work for other employees under this Article must work the day or shift as agreed and may not trade or exchange this obligation with any other person. No trade can involve more than four (4) persons.

1) The giving away of a work shift may be permitted when agreed to by two (2) employees subject to the approval of the Company. It should be expressly understood that the Company in each case (paragraphs L. and L. 1)) will pay the employee, who performed the work, straight time for the hours actually worked.

2) Employees shall be responsible for collecting days off or performing work due per the Agreement.

3) Shift trades or a giveaway of a work shift will not be restricted within the same work week. All trade agreements and shift giveaways must be in writing and signed by all parties involved to be considered valid. Sixty (60) calendar days after the employee returns from initial training, an employee may give away or trade a shift. Every person who commits himself to work another shift other than his own will be required to show up on time and cover the entire shift. In the event an employee is tardy for a shift trade he will be subject to the provisions of the Attendance Control Program.

4) The employee who covers a shift will be paid at the rate of straight time for such time worked. Example 1: Agent A works for Agent B during the first pay period of the month and Agent B in turn works for Agent A during the same pay period - RESULT - no one's paycheck will be adjusted. Example 2: Agent A works for Agent B during the first pay period of the month and Agent B does not repay the shift trade during the same pay period - RESULT - Agent A will receive eight (8) hours additional straight time pay on the check that he receives on the 20th of the month, and Agent B will receive eight (8) hours less. Agent B can only recover the eight (8) hours straight time pay when he actually works for Agent A at some future date.

5) Employees will be permitted but not required to work more than twelve (12) days in a row. The employee off because of a shift trade (including partial shift trade) or the giving away of a shift will not be eligible during those hours for overtime under Article Seven of this Agreement. Overtime caused by the trading or giving away of a shift or a portion of a shift shall be waived.

6) It is understood that the shift/day trade provisions of this Article may not be used to circumvent seniority as described in Article Eight of this Agreement.

7) Upon mutual agreement between the Company and the Union, provisions of this Article may be changed to provide a four (4) day work week. Any such agreement may be established if agreed to by the Company and the Union, submitted in writing and approved and signed by a Company department head and the General Chairperson assigned by District 142 of the Union. Such agreement shall have a starting and ending date.

8) Partial shift trades in blocks of four (4) hours will be permitted. Partial shift trades of less than four hours will be permitted, in whole hour increments (e.g. 1-hour, 2-hours, 3-hours) provided the entire shift is worked by

no more than two people, and the partial trade does not create additional coverage requirements (i.e. no additional closeout is required).

M. Employees selected as Training Coordinators shall bid regular shifts and days off as a part of the regular bid. However, such employees' shifts and days off may be adjusted by the Company, as needed, for training requirements.

## ARTICLE SEVEN

### OVERTIME

#### 1. GENERAL

A. The Union and Company agree that mandatory overtime assignments are not in the best interests of either party. To maximize voluntary overtime utilization, the Company must make overtime known to the employees and employees must utilize the overtime call book to the fullest. It is also agreed that in the administration of this Article, the Company will make good faith efforts to secure voluntary overtime.

B. For pay purposes the overtime rate of time and one-half shall be computed on an actual minute basis adjusted to the nearest tenth (1/10) of an hour, with a minimum of three-quarters (3/4) hour overtime.

1) If an employee elects to waive the requirement for the minimum three-quarters (3/4) hour overtime he may do so if approved by a supervisor. In such cases an employee will be paid for the actual time worked adjusted to the nearest tenth (1/10) of an hour.

2) Any employee off because of a shift trade (including partial shift trade) or the giving away of a shift is not eligible for overtime during those hours.

C. Full time employees shall be paid an hourly rate of time and one-half for:

1) The first four (4) hours worked either prior to or after an employee's regular scheduled shift.

2) The first eight (8) hours worked on one of the two (2) regularly scheduled days off.

D. Full time employees shall be paid an hourly rate of double time for:

1) All hours in excess of the first eight (8) hours worked on one of the two (2) regularly scheduled days off each work week.

2) For all time worked on the second regularly scheduled day off in a work week, provided that a minimum of one hour overtime was worked on the first day off. In addition, if time worked on the first day off was as a result of a shift trade or pick-up, double time would not apply.

3) For all time worked in excess of twelve (12) hours in any work day, unless the time worked was the result of a shift trade or pickup.

E. Part-time employees will be paid the applicable overtime rate for all hours worked in excess of eight (8) hours in a day or forty (40) hours in a work week unless the time worked was the result of a shift trade or a pickup. Extensions that do not exceed eight (8) hours in a day or forty (40) hours in a work week are not overtime assignments.

F. Whenever possible, employees on a shift will be given a minimum of three (3) hours notice of overtime. It is specifically understood that no notice will be necessary whenever an unforeseen combination of circumstances occurs that requires immediate action. The Union and the Company agree that less than three (3) hours notification is not desirable, and the provisions of this Article must be considered when notifying an Employee of an overtime assignment. It is also agreed that in the administration of this paragraph, the Company will make a good faith effort to secure voluntary overtime. When it becomes necessary for employees to work overtime, they shall not be laid off during their regular work schedule to fill an overtime assignment.

G. Overtime will be worked only by direction of the proper supervisor of the Company except in cases of emergency where prior authority cannot be obtained. Employees shall be given both a start and ending time for their overtime assignments (with the understanding that operational demands may extend, but not shorten, the ending time, except as provided in Article Seven, General, Paragraph I).

H. No employee will be permitted or required to work more than sixteen (16) hours within any work day or more than sixteen (16) consecutive work hours, except in the case of an extreme emergency circumstance. Employees mandatoried to work sixteen (16) hours or more, as set forth above, will be given a rest period of at least ten (10) hours before being required to report to work again. In the event that this rest period extends into his regular work shift, the employee will be paid for such time lost at his regular straight time rate. An employee may elect to waive the ten (10) hour rest requirement and be paid at the double time rate for all hours worked that were considered part of the ten (10) hour rest period.

The provision for ten (10) hours rest does not apply to an employee who works sixteen (16) hours as a result of shift trades. [Example (1): An employee who works a regular shift and a shift trade which causes him to work sixteen (16) hours will not be granted the ten (10) hour rest provision.] [Example (2): An employee who works his regular shift and is mandatoried for overtime and works sixteen (16) hours will be granted the (10) hour rest provision.]

The provision for the ten (10) hours rest does not apply to an employee who works sixteen (16) hours as a result of a voluntary overtime assignment. However, employees mandatoried to work beyond their scheduled voluntary overtime assignment will be granted rest equal to the time of the mandatory extension. When an employee is entitled to rest, as set forth above, the employee will elect one of the following two options:

1. Have his shift starting time adjusted by the same amount of time as the mandatory extension, and be paid at his regular straight time rate for time lost from his regular work shift because of that rest; or

2. Waive the rest requirement and be paid at the double time rate for all time worked that was considered part of the rest period.

[Example (1): An employee who works a regular shift and a voluntary overtime assignment which causes him to work sixteen (16) hours will not be granted the ten (10) hour rest provision.] [Example (2): An employee who works his regular shift and a voluntary overtime assignment and is given a mandatory overtime assignment beyond sixteen (16) hours (e.g. 1 (one) hour) may elect to have his shift starting time adjusted by 1 (one) hour or waive the rest requirement.]

I. Employees recalled to work will be paid a minimum of four (4) hours at the applicable overtime rate. The Company may use "continuous with" overtime as opposed to call-out overtime when the time to be worked is four (4) hours or less without the four (4) hour guarantee. If the Company and the employee agree, the employee may be released prior to four (4) hours, and be paid for actual hours worked.

J. Local overtime procedures may be established if agreed to by the Company and the Union, submitted in writing and approved and signed by a Company department head and the General Chairperson assigned by District 142. The local agreement will have a starting and ending date.

## 2. CUSTOMER SERVICE AGENT OVERTIME

A. For continuous service after regular working hours, employees will not be required to work more than two (2) hours without being allowed a fifteen (15) minute rest period, or be required to work more than four (4) hours without a paid thirty (30) minute meal period. It is further understood that each employee will receive a paid fifteen (15) minute break between each regular shift and overtime assignment. The Company will make a good faith effort to insure that the employee will be given this break during the last hour of his regular shift or during the first hour of his overtime shift. An employee's overtime breaks will be taken as per the examples listed.

<u>HOURS WORKED</u>	<u>BREAK/BREAKS</u>
1.0 - 2.0 IN CONJUNCTION	1-15 MINUTE BREAK BETWEEN SHIFTS
2.1 - 4.0 IN CONJUNCTION	2-15 MINUTE BREAKS (ONE BETWEEN SHIFTS)
*4.1 - 6.0 IN CONJUNCTION	2-15 & 1-30 MINUTE PAID LUNCH
*6.1 - 8.0 IN CONJUNCTION	3-15 & 1-30 MINUTE PAID LUNCH

\* Applicable only where an employee volunteers for more than four (4) hours of "in conjunction overtime." The Company may not mandatory an employee for more than four (4) hours of "in conjunction with" overtime under paragraph B.

B. An overtime assignment of four (4) hours or less continuous with the beginning or ending of a shift, which is authorized by the Company to be filled, will be offered to the senior qualified employee who is regularly working that shift and who is signed up for such overtime. If a sufficient amount of overtime is not voluntarily obtained, the Company will start in reverse order of classification seniority and require the employee to work the overtime. All other overtime assignments will be assigned by the provisions of the overtime call-book. Full-time employees will be offered overtime assignments before overtime is offered to part-time employees. If mandatory overtime is assigned, it will be assigned first to full-time employees, then to part-time employees.

C. If an overtime assignment of more than four (4) hours is available, an overtime call-book shall be utilized for the purpose of applying this Article. When signing the overtime call book employees shall indicate their preference for either an A.M. or P.M. overtime assignment, or both. Employees who indicate in the overtime call book a preference for an A.M. overtime assignment will not be called for voluntary overtime assignments beginning after 12:00 Noon on that date. Employees indicating a preference for P.M. overtime assignments will not be called for voluntary overtime assignments beginning before 12:00 Noon on that date. To be eligible for overtime, an employee must sign the overtime call-book in ink and initial any subsequent changing of preference(s) in ink. All such changes must be witnessed and initialed by a supervisor. An overtime call-book will be used at all stations and offices. Overtime call-books will be posted for the duration of the bid period, with a minimum posting of fourteen (14) calendar days in advance. When an employee signs the overtime call-book, it will constitute his agreement to work on the day for which he signed and normal attendance rules will apply.

The overtime call-book for the following day will be closed at 1200 hours of the preceding day.

1) An overtime assignment, with the exception of an overtime assignment under paragraph B., which is authorized by the Company to be filled, shall be assigned from the overtime call-book to the qualified employees in the following descending order:

a. By scheduling of the senior employee of that classification who is on his first day of rest, or who is on his second day of rest and has worked less than four (4) hours of overtime his first day of rest. If no such employee is available, then;

b. By scheduling of the senior employee of that classification who is on his regular work day and is at work, or has left work. If no such employee is available, then;

c. By scheduling of the senior employee of that classification who is on his second day of rest and who has worked four (4) or more hours of overtime on his first day of rest. If no such employee is available, then;

d. By scheduling of the senior employee of that classification who, on his regularly scheduled day of work, has adjusted his hours because of a shift trade, partial shift trade, or giveaway. See Article Seven, 1. General, Paragraph B.2. If no such employee is available, then;

e. By scheduling of the senior employee of that classification who is on a free day, then;

f. By scheduling of the senior employee of that classification who is a part-time employee, then;

g. By scheduling of the senior employee of that classification who has signed the overtime call-book below the line.

Full time employees will be offered overtime assignments before overtime is offered to part-time employees who have signed above the line. After all other assignments have been made, overtime will be offered by seniority to full-time or part-time employees who have signed the overtime call-book below the line.

2) The Company and the Union agree that mandatory overtime assignments are not in the best interests of either party. To maximize voluntary overtime utilization, the Company must make overtime known to the employees, and the employees must utilize the overtime callbook to the fullest. If a sufficient amount of overtime is not voluntarily obtained or if no one has signed the overtime call-book, the Company shall require employees to work the overtime. It shall be assigned as outlined above in sub-paragraphs 1) a., b., c and d. in reverse order of seniority. If mandatory overtime is assigned, it will be assigned first to fulltime employees who have completed initial and on-the-job training, then to part-time employees who have completed initial and on-the-job training.

3) An employee who has worked an overtime assignment of less than four (4) hours in his overtime day, i.e., day of rest, will continue to be eligible under the rules of subparagraph 1) a. above.

4) An employee who has worked an overtime assignment of four (4) hours or more in his overtime day will not be eligible for further overtime assignments until all other employees in the overtime call-book have been utilized.

D. Mandatory overtime assignments will be stair-stepped, when possible. Extensions will be determined by the time the overtime is needed and the most junior employee shall be extended. When another more junior employee becomes available, the first employee will be released and the more junior employee will be required to complete the assignment. This stair-stepping of mandatory overtime may be done a maximum of four (4) times per overtime assignment.

### 3. RESERVATIONS AGENT OVERTIME

A. For continuous service after regular working hours, employees will not be required to work more than two (2) hours without being allowed a fifteen (15) minute rest period, or be required to work more than four (4) hours without a paid thirty (30) minute meal period. It is further understood that each employee will receive a paid fifteen (15) minute break between each regular shift and overtime assignment. The Company will make a good faith effort to insure that the employee will be given this break during the last hour of his regular shift or during the first hour of his overtime shift. An employee's overtime breaks will be taken as per the examples listed.

<u>HOURS WORKED</u>	<u>BREAK/BREAKS</u>
1.0 - 2.0 IN CONJUNCTION	1-15 MINUTE BREAK BETWEEN SHIFTS
2.1 - 4.0 IN CONJUNCTION	2-15 MINUTE BREAKS (ONE BETWEEN SHIFTS)
*4.1 - 6.0 IN CONJUNCTION	2-15 & 1-30 MINUTE PAID LUNCH
*6.1 - 8.0 IN CONJUNCTION	3-15 & 1-30 MINUTE PAID LUNCH

\* Applicable only where an employee volunteers for more than four (4) hours of "in conjunction overtime." Continuous with (i.e. in conjunction) voluntary overtime assignments will not be assigned in greater than four (4) hour increments until all volunteers from the overtime call-book have been exhausted. The Company may not mandatory an employee for more than four (4) hours of "in conjunction with" overtime under paragraph B.

B. An overtime assignment of four (4) hours or less continuous with the beginning or ending of a shift, which is authorized by the Company to be filled, will be offered to the senior qualified employee who is regularly working that shift and who is signed up for such overtime. In addition, all Employees who have adjusted their hours because of a shift trade or partial shift trade will be eligible for a continuous assignment of four (4) hours or less. These employees will be awarded continuous with assignments after all employees who were regularly scheduled to work in classification seniority order. If a sufficient amount of overtime is not voluntarily obtained, the Company will start in reverse order of classification seniority and require the employee to work the overtime. All other overtime assignments will be assigned by the provisions of the overtime call-book. Full-time employees will be offered overtime assignments before overtime is offered to part-time employees. If mandatory overtime is assigned, it will be assigned first to full-time employees, then to part-time employees.

C. If an overtime assignment of more than four (4) hours is available, an overtime call-book shall be utilized for the purpose of applying this Article. When signing the overtime call book employees shall indicate their preference for either an A.M. or P.M. overtime assignment, or both. Employees who indicate in the overtime call book a preference for an A.M. overtime assignment will not be called for voluntary overtime

assignments beginning after 12:00 Noon on that date. Employees indicating a preference for P.M. overtime assignments will not be called for voluntary overtime assignments beginning before 12:00 Noon on that date. To be eligible for overtime, an employee must sign the overtime call-book in ink and initial any subsequent changing of preference(s) in ink. All such changes must be witnessed and initialed by a supervisor. An overtime call-book will be used at all Reservations Centers. Overtime call-books will be posted for the duration of the bid period, with a minimum posting of fourteen (14) calendar days in advance. When an employee signs the overtime call-book, it will constitute his agreement to work on the day for which he signed and normal attendance rules will apply.

The overtime call-book for the following day will be closed at 1400 hours of the preceding day.

1) An overtime assignment, with the exception of an overtime assignment under paragraph B., which is authorized by the Company to be filled, shall be assigned from the overtime call-book to the qualified employees in the following descending order:

a. By scheduling of the senior employee of that classification who is on his first day of rest, or who is on his second day of rest and has not worked an overtime assignment on his first day of rest. If no such employee is available, then;

b. By scheduling of the senior employee of that classification who is on his regular work day and is at work, or has left work (recall). If no such employee is available, then;

c. By scheduling of the senior employee of that classification who is on his second day of rest and who has worked four (4) or more hours of overtime on his first day of rest. If no such employee is available, then;

d. By scheduling of the senior employee of that classification who, on his regularly scheduled day of work, has adjusted his hours to be off because of a shift giveaway. If no such employee is available, then;

e. By scheduling of the senior employee of that classification who is on a free day, then;

f. By scheduling of the senior employee of that classification who is a part-time employee, then;

g. By scheduling of the senior employee of that classification who is a bilingual employee, then;

h. By scheduling of the senior employee of that classification who has signed the overtime call-book below the line.

Full time employees will be offered overtime assignments before overtime is offered to part-time employees. After all other assignments have been made, overtime will be offered to employees who have signed the overtime call-book below the line.

2) The Company and the Union agree that mandatory overtime assignments are not in the best interests of either party. To maximize voluntary overtime utilization, the Company must make overtime known to the employees, and the employees must utilize the overtime callbook to the fullest. If a sufficient amount of overtime is not voluntarily obtained or if no one has signed the overtime call-book, the Company shall require employees to work the overtime. It shall be assigned as continuous with overtime first (not to exceed four (4) hours) as outlined in subparagraph B and subsequently in reverse order of seniority as outlined above in sub-paragraphs 1) a., b., c., f., and g.

## ARTICLE EIGHT

### SENIORITY

A. Company seniority shall be defined as an employee's continuous length of service with the Company and shall determine length of vacation, if any. Contract seniority shall be defined as an employee's continuous length of service under this agreement and shall determine choice of vacation within a classification.

B. For any other purposes, classification seniority shall be defined as the length of service for which an employee receives credit in any of the classifications listed below and which accrues from the date of entering such classification. The classifications to be recognized for seniority purposes are:

- 1) Reservation Agent
- 2) Customer Service Agent

Classification seniority shall determine:

- 1) Shift assignments including days off
- 2) Reduction in force
- 3) Filling of vacancies within a classification

The date of entering either classification shall be the earlier of the class graduation date or first day of work in the classification.

C. Where the Company maintains a separate cargo facility at an airport, the customer service counter in this cargo facility will be staffed with Operations Agents.

D. Where the Company establishes a full-time requirement for a single classification to handle customer baggage service claims and reports, the Company will utilize Customer Service Agents.

E. 1) Company seniority shall begin from the date placed on the payroll as an employee, and in the event that two (2) or more employees have the same seniority date, the older employee will appear first on the seniority list.

2) Effective upon the signing of this Agreement, employees entering a classification on the same date will appear on the seniority list in the following order:

a) Employees with Company seniority within a classification covered by this Agreement, in the order of length of seniority in such classification;

b) Employees with other Company seniority, in the order of length of Company seniority;

c) Employees with no prior Company seniority.

Nothing contained herein shall alter the existing seniority position of employees in either classification covered by this Agreement upon the date of signing.

F. Seniority lists shall be compiled as of January 1 and July 1 of each year and posted at each location by January 15 and July 15 of each year. The Union will be furnished with a copy of the seniority list. Seniority lists are established for the following classifications:

- 1) Reservation Agent
- 2) Customer Service Agent

G. Employees shall have thirty (30) calendar days after the posting of the seniority list to protest any omission or incorrect positioning affecting their seniority.

H. Any employee whose service is severed shall forfeit his seniority rights.

I. Probation - All new employees will serve a probation period of one hundred eighty (180) calendar days, with a minimum of one hundred (100) days worked. During this period a new employee has an opportunity to demonstrate his qualifications and ability to adapt to Company policies and procedures. The probation period affords the Company an opportunity to evaluate the employee's qualifications and ability to perform tasks assigned. Probationary employees shall bid for shifts under the provisions of Article Six, paragraph E. sixty (60) calendar days after the employee returns from initial training.

Sick leave will be accumulated but may not be taken during the first thirty (30) calendar days of an employee's probationary period. Employees who are on probation are not eligible for furloughs.

J. Employees will lose their seniority status and their names will be removed from the seniority lists under the following conditions:

- 1) He quits or resigns.
- 2) He is discharged for just cause.

- 3) He is absent without reporting the absence for three (3) consecutive days.
- 4) He does not inform the Company in writing or by telegram of his intentions to return to service within seven (7) days of the sending of notice offering to reemploy him.
- 5) He does not return to the service on or before a date specified in the notice from the Company after a layoff which date should not be prior to seven (7) days after sending such notice; provided such notice was sent by registered mail (return receipt requested) or telegram to the employee at the last address filed by him with the Company.
- 6) An employee who is furloughed and who is not recalled to service with the Company within five (5) years from date of furlough.

Nothing contained in this paragraph will prevent the Company and the Union from mutually agreeing to waive the requirements imposed by it.

K. An employee who transfers to another classification under this Agreement, or to a supervisory position, will continue to accrue seniority for ninety (90) calendar days for all purposes. During that ninety (90) calendar day period, the employee will be entitled to return to the previous classification (as long as the employee is in good standing). After said ninety (90) calendar day period, such employee shall retain, but not accrue seniority, as long as they remain in the supervisory position or other position under this Agreement.

L. An employee who transfers to another department within the Company, but outside the scope of this Agreement, shall continue to accrue seniority for ninety (90) calendar days. Such employee shall have no automatic right to return to the previous classification, but if they do return within said ninety (90) calendar day period, they will resume their previous seniority. After ninety (90) calendar days, such employee shall be removed from the seniority list.

Employees while occupying supervisory positions will not be considered as working under the terms of this Agreement for the purpose of accruing seniority. Such employees retain the privilege of exercising their seniority in the event of reduction in force by displacing the most junior employee in their classification on the system.

An employee may be designated as temporary supervisor for up to ten (10) days per month without affecting such employee's seniority. In addition, an employee may be designated as a temporary supervisor for a specific duration, not in excess of ninety (90) days for the purpose of covering an approved leave of absence, without affecting such employee's seniority.

## ARTICLE NINE

### TRAINING

A. 1) Agents required to attend training on their day off will be paid the appropriate overtime rate for time spent in training and travel. Travel to and from training will be computed and paid beginning fifteen (15) minutes prior to the scheduled flight and until the returning flight terminates at the base station. For one (1) training day per year, the Company may require an employee to travel to another location for training without being required to compensate such employee for travel time.

2) Agents required to attend training on their regularly scheduled work day will not suffer any loss in regular pay and will be compensated at the appropriate overtime rate for all hours spent in training and travel in excess of eight (8) hours. It is understood that the Company will be allowed to adjust the agent's shift on a day spent in training, when operational demands require.

3) Agents required to remain overnight while attending training sessions will be compensated for time spent only in travel, and through the close of each day's training session.

B. An employee required by the Company to attend training classes on the employee's day(s) off will be paid for the day(s) at the overtime rate.

C. When employees are away from their base station on Company business, the Company shall defray the employee's reasonable and actual expenses covering meals (not to exceed thirty-five dollars [\$35.00] per day), lodging, tips, laundry and transportation. All expenses must be properly substantiated by receipts.

## ARTICLE TEN

### PART-TIME AND TEMPORARY EMPLOYEES

#### 1. PART-TIME EMPLOYEES

A. Notwithstanding any other Article or language contained herein the Company may, at its option, employ part-time employees at all stations, offices and reservation facilities in all classifications covered by this Agreement.

B. No full-time employee shall be furloughed or displaced with a part-time employee.

C. The number of part-time employees shall not exceed fifteen percent (15%) of the total employees covered by this Agreement. Part-time vacancies will be filled in the following order:

- 1) Full-time employees at the point in same classification
- 2) Full-time employees from the system in same classification
- 3) New hire employees

D. Employees classified as part-time shall be scheduled a minimum of four (4) consecutive hours in a day and not more than five (5) consecutive days in a work week.

E. Employees classified as part-time will not be scheduled to work more than thirty (30) hours in a work week and not more than six (6) hours in a day. Employees shall be paid the applicable overtime rate for any time worked in excess of eight (8) hours in a day or forty (40) hours in a work week.

F. Part-time employees shall participate in the profit sharing and 401(K) plans. Part-time employees will receive individual coverage under any Plan Option contained in the Company's Benefits Plus Plan as if their status were full-time. This will be individual coverage only, with no initial coverage for other family members. After six months of company seniority, the part-time employee may purchase coverage for eligible family members at the actuarial cost to Southwest of providing such coverage. Such cost will be born 100% by the employee.

G. Uniform requirements of part-time Customer Service Agents shall be the same as for full-time Customer Service Agents.

H. Part-time employees shall be the same as full-time employees to the extent that they shall be relieved from duty for the vacation period from a part-time work schedule as opposed to the full-time work schedule.

I. Part-time employees shall bid shifts by classification separate from full-time employees of the same classification.

J. Part-time employees shall bid vacations and days free of the Company by classification seniority along with full-time employees of that classification.

K. Sick leave and vacation time shall be accumulated the same as full-time employees (i.e., one (1) part-time sick leave day accumulated--one (1) part-time day relieved) and shall be reduced by thirty percent (30%) when promoted to full-time status. A full-time employee who becomes a part-time employee will carry his vacation with him; however, he will not be permitted to take more weeks of vacation than would have been allowed as a full-time employee.

L. After completion of the probationary period, a part-time employee may bid for a full-time vacancy in his classification, at any location on the system, providing no full-time employee has a bid on file.

M. When part-time employees bid and are awarded full-time positions, they will be credited with seventy percent (70%) of their classification seniority accrued while working as a part-time employee. For pay purposes, the employee will continue to receive the hourly rate received while a part-time employee and will progress in accordance with the full-time pay scale. When a full-time employee bids and is awarded a part-time position, the full-time employee will carry his seniority into the part-time position for pay purposes, vacation, profit sharing, 401(K), and shift and day off bidding. Any adjustment will occur when the individual returns to a full-time position in accordance with paragraph M of this Article.

N. Part-time employees will be furloughed at a station or facility before any full-time employee at that station in that same classification is affected by such furlough.

O. The Moving Expense Article shall not apply to part-time vacancies.

P. Part-time employees scheduled to a four (4) hour shift will be given a fifteen (15) minute break; additionally, part-time employees extended to an eight (8) hour shift will be entitled to two (2) fifteen (15) minute breaks as well as an unpaid lunch break.

Q. Part-time employees will be awarded overtime as outlined in Article 7.

## 2. TEMPORARY EMPLOYEES

A. The Company may utilize temporary employees for work which is needed because of seasonal demands or unusual situations.

B. No permanent employee shall be furloughed or displaced with a temporary employee.

C. The number of temporary employees at a location shall not exceed ten percent (10%) of the permanent employees covered by this Agreement at that station.

D. The period which a location designates for temporary work may not exceed ninety (90) consecutive days during the period May 1 through August 31 or thirty (30) days during any other period, exclusive of orientation and formal training. A location may utilize temporary employees no more than twice per calendar year.

E. The Company will notify the Union of its intent to hire temporary employees at least two (2) weeks prior to the hiring of those employees and will include in its notification the number of temporary vacancies, the location and the planned duration of the temporary work period.

F. Temporary employees will not accrue seniority, vacation or sick leave. They are not eligible for Company-paid insurance or profit sharing benefits.

## **ARTICLE ELEVEN**

### **FILLING OF VACANCIES**

A. Vacancies in all positions will be filled from the permanent bid file in the office of the appropriate department head. When a vacancy occurs the senior employee in that classification who has a bid on file will be offered the opportunity to transfer. All permanent bids will be in writing. Employees who accept a lateral transfer as the result of their bid and employees who refuse to accept transfer for which they bid will not be eligible for a vacancy for a period of six (6) months unless the vacancy is for a new station/office from the time of their assignment or refusal and will have all bids on file at the time voided.

B. All bids must be on file on the date that the vacancy is approved.

C. All bids on file will be discarded each December 31 and interested bidders may resubmit any bid they desire. Any bids received during December will be considered valid for the following year.

D. If a transfer is under 1,000 miles an employee transferring from one station to another under the terms of this Article will be allowed one (1) day leave, plus an additional one (1) day for each five hundred (500) miles or portion thereof, by the most direct AAA highway mileage between the two cities to report to the new assignment. If the transfer is 1,000 miles or more, the employee is allowed two days plus one additional day for each 500 miles or portion thereof.

E. Bids for all positions at newly established stations will be advertised as soon as practicable in advance to allow interested persons time to submit bids if they desire. Moving expenses shall be handled in accordance with Article Twenty-One, paragraph A. To be eligible to bid a vacancy under this paragraph, an employee must be below the final letter of warning under the Attendance Control Policy.

F. Vacancies within a classification shall be filled by the senior bidder according to classification seniority.

G. Supervisors' vacancies shall be filled from within the classification they will supervise so long as qualified applicants are available.

H. Vacancies not filled in accordance with paragraph A. above will be filled by any employee in another classification within the scope of this Agreement who applies and is accepted. An employee will be interviewed if his past job performance, attendance and qualifications for the vacancy are acceptable. If no acceptable applicants apply the vacancy may be filled by any employee within the Company or by any applicant from outside the Company.

## ARTICLE TWELVE

### LEAVES OF ABSENCE

A. When requirements of service permit any permanent employee hereunder may upon proper application, and with approval of the Company, be granted a leave of absence or extension of leave in writing.

B. Any employee hereunder on leave of absence engaging in gainful employment without prior written permission from the Company and the Union shall be subject to termination.

C. Approved leaves of absence--personal leave of absence, medical leave (including maternity), and military leave.

1) Personal leave of absence -- an employee may, upon proper application and with the approval of the Company and Union, be granted a leave of absence not to exceed ninety (90) calendar days. An employee granted a personal leave of absence shall retain and continue to accrue seniority; but not for pay, sick leave or vacation accrual purposes provided the leave is in excess of thirty (30) days. For leaves of absence in excess of ninety (90) days an employee shall retain but not accrue seniority. Such approval or refusal shall not be subject to the grievance procedure.

2) Medical leave of absence (including maternity)--leave of absence will be granted on account of sickness, injury or pregnancy upon written verification of disability from a qualified medical doctor. The Employee requiring an extension of a medical leave of absence must submit an extension request stating the period of extension requested which must be supported by a doctor's statement specifying the need for an extension. Accrued sick pay may be taken at the option of the employee during a medical leave of absence. The Company will continue health insurance coverage to the employee for up to one hundred twenty (120) days from the employee's last paid day, during which time the employee shall be responsible for paying any premium the employee was paying while in active service. Coverage after one hundred twenty (120) days will be available under COBRA at the full applicable COBRA premium. An employee on medical leave shall continue to accrue seniority for all purposes for one hundred eighty (180) days from the last day paid, for purposes of pay, sick leave and vacation accrual, provided that the employee may not take sick leave or vacation accrued during the period of the leave until after the employee returns to active service. Thereafter the employee shall not accrue seniority for pay, sick leave or vacation accrual purposes. If the employee has not returned to duty by the end of a thirty-six (36) month period, the employee shall be automatically terminated from employment and all seniority rights forfeited, unless prohibited by law. The Company reserves the right to require an examination by a doctor of the Company's choosing, at any time, at the Company's expense.

3) Military leave--Leave of absence will be granted to employees who

enlist in the military service. Such employee shall retain and continue to accrue seniority for pay and all benefit purposes. Duration of the leave and reemployment rights shall be handled in accordance with current Federal law.

D. An employee hereunder returning from an authorized leave of absence, or extension thereof, will be returned to the job held when the leave was granted, unless an employee with more seniority holds the job as a result of exercising displacement rights or unless the job no longer exists. In either case he may exercise his seniority rights as set forth in this Agreement. An employee returning from a leave of absence must give written notice of his return to the Company not less than twenty-four (24) hours prior to his anticipated return.

E. Employees accepting full-time employment with the Union shall be granted a leave of absence for the period so employed by the Union. Employees so affected shall continue to accrue seniority in their last classification prior to the change and will remain eligible for pass privileges in accordance with the Company's policy so long as this Union remains the exclusive bargaining agent for employees covered by this Agreement.

F. An employee elected to public office (state or national) in which the duties of that office require a leave of absence shall be granted such leave of absence for the term of that elective office. Such employee shall retain and continue to accrue seniority, and the designated local representative of the Union shall be notified of all such leaves granted.

## ARTICLE THIRTEEN

### SICK AND OCCUPATIONAL INJURY PAY

#### 1. SICK PAY

A. Full-time employees are protected by a sick pay plan provided by the Company. Normally sick pay is used only in instances of actual illness or nonoccupational injury which prevents the employee from performing his assigned duty. Sick pay is accrued at the rate of one (1) day sick pay for each calendar month worked or majority fraction thereof. Sick pay begins accumulating on the date of employment but cannot be used until the employee has completed thirty (30) days of his probationary period. The employee will accrue sick pay to a maximum of twenty-four hundred (2400) hours.

B. Charges against sick pay credit will be made only for those days on which scheduled to work, including days scheduled as a result of shift trades, pickups and overtime assignments. Sick pay shall be paid at straight time, and the maximum for which an employee will be paid is one shift on any day. Normal attendance rules will apply.

C. Sick pay compensation shall be paid by the Company in an amount equal to the employee's base rate which would normally have been earned during the period for which sick pay allowance is approved, except that sick pay compensation shall not be paid during the employee's first regularly scheduled work day of such absence unless the employee has nine (9) days or more of accumulated sick pay to his credit.

D. Routine appointment for dental care, eye examination, periodical physical examination, etc., are expressly excluded from sick pay coverage and will be treated as an unpaid absence, when authorized.

E. The Company shall not be obligated to grant sick leave or sick pay for any incapacity which has been due to employment of the employee by a firm or person other than the Company.

F. All unused credit and accumulated sick pay is automatically canceled when an employee's service with the Company is terminated. However, upon retirement at age sixty-one and one-half (61 ½) and after a minimum of ten (10) years of service with the Company, sick leave may be traded for continued medical coverage as provided in this Agreement, at the rate of one (1) month's coverage for each one and one-half (1 ½) days of sick leave accrued or until age sixty-five (65), whichever occurs first. An employee who retires at age sixty (60) with a minimum of twelve (12) years of service with the Company may trade accrued sick leave for continued medical coverage to the age of sixty-one and one-half (61 ½) at the rate of one (1) month's coverage for each two (2) days of sick leave accrued, and to age sixty-five (65) as provided above. If such employee dies before age sixty-five (65) his spouse and/or dependent may continue coverage for up to two (2) years, or the date the normal coverage would have ceased, whichever is shorter, provided there are sufficient days remaining in the sick

leave accrual.

G. The Company reserves the right to implement a reasonable attendance control policy.

## 2. OCCUPATIONAL INJURY PAY

A. Leaves of absence will be granted on account of occupational injury upon written verification of disability from a qualified medical doctor.

B. Sick pay ordinarily will not be charged to the employee injured on the job, except as outlined herein.

C. The Company will make up the difference between that which is paid by Workers Compensation and what the employee would have earned if the employee had worked his regular shift. Payments under this Article will commence upon a determination by the Company, its insurer, or an appropriate governmental body or court through a final nonappealable order that the claim for occupation injury is compensable under the applicable Workers Compensation law or alternative program adopted in lieu of Workers Compensation. Until the claim has been deemed compensable under the applicable Workers Compensation law and a definite rate has been established, the employee will be paid his normal pay from accrued sick leave. When the claim has been deemed compensable under the Workers Compensation law, the employee's sick leave accrual shall be replenished by the amount used for purposes of payments described herein.

D. The Company may, at its expense, require the injured employee to submit to physical examination by a doctor of the Company's choosing at any time. Payments by the Company under this policy may be terminated if the employee refuses to submit to a physical examination as outlined above or if the employee is found fit to return to work. Using OJI leave or OJI pay for a purpose other than that intended constitutes abuse and shall subject the employee to termination.

E. In any event payments under this policy shall be terminated at the end of twelve (12) calendar weeks. If the employee is still unfit for work at the end of such twelve (12) calendar weeks, he may use any accumulated sick pay. In cases involving a claim of repetitive stress trauma, the Company will not contest a second claim under this policy on the grounds that the repetitive stress trauma constitutes a single illness or injury. The total number of weeks covered by the salary continuation policy for cases involving repetitive stress trauma shall not exceed twelve (12) weeks within any twenty-four (24) month period, and the total number of claims involving repetitive stress trauma by any employee for which salary continuation will be paid shall not exceed two (2).

F. The Company will continue health insurance coverage to the employee for up to one hundred twenty (120) days from the employee's last paid day, during which time the employee shall be responsible for paying any premium the employee was paying while in active service.

G. An employee on occupational injury leave of absence will continue to accrue company and classification seniority for the term of the leave (up to thirty-six (36) months). Sick leave and vacation will continue to accrue for one hundred eighty (180) days from the last date paid.

H. If the employee has not returned to duty by the end of a thirty-six (36) month period, he shall be automatically terminated from employment and have all seniority rights forfeited.

### 3. Medical Examination

If either an Employee or the Company disputes the results of a medical examination, they may, at their option, have a review of the case in the following manner:

A. Within fifteen (15) calendar days of the date they are presented the disputed results, the party wishing to dispute the results may employ a qualified medical examiner of their own choosing at their own expense, and a second medical examination shall be conducted for the same purpose as the medical examination under dispute.

B. A copy of the findings of the medical examiner chosen by the disputing party shall be furnished to the other party within fifteen (15) calendar days following the examination, and in the event that such findings verify the findings of the first medical examiner, no further medical review of the case shall be afforded.

C. In the event that the findings of the medical examiner chosen by the disputing party shall disagree with the findings of the first medical examiner, the Company will, at the written request of the Employee, ask that the two (2) medical examiners agree upon and appoint a third qualified and disinterested medical examiner, for the purpose of making a further medical examination of the Employee. In the event the Employee fails to submit such a written request, the results of the Company examination shall govern.

D. Such three (3) doctors, one (1) representing the Company, one (1) representing the Employee affected, and one (1) disinterested doctor approved by the Company doctor and Employee's doctor, shall constitute a board of three (3), the majority vote of which shall decide the case. The Company and the Union will jointly request the board to return a decision within thirty (30) calendar days of the examination.

E. The expense of employing the disinterested medical examiner shall be borne equally by the Company and the Employee. Copies of such medical examiner's report shall be furnished to the Company, to the Employee, and to District 142 of the Union.

## ARTICLE FOURTEEN

### VACATIONS

A. All full time employees who have been with the Company for less than one (1) year as of January will be entitled to a vacation in accordance with Column (A) of the following schedule. After one year, employees will accrue partial vacation (based on paragraph B. below) as provided in Columns (B), (C), (D) and (E).

	(A) Less than one year	(B) 1st-5th year	(C) 6th-10th year	(D) 11th-18th year	(E) More than 18 years
1 Month	8 hrs. (1 Day)	8.0 hrs.	12.0 hrs.	16.0 hrs.	20.0 hrs.
2 Months	16 hrs. (2 Days)	16.0 hrs.	24.0 hrs.	32.0 hrs.	40.0 hrs.
3 Months	24 hrs. (3 Days)	24.0 hrs.	36.0 hrs.	48.0 hrs.	60.0 hrs.
4 Months	32 hrs. (4 Days)	32.0 hrs.	48.0 hrs.	64.0 hrs.	80.0 hrs.
5 Months	32 hrs. (4 Days)	32.0 hrs.	48.0 hrs.	64.0 hrs.	80.0 hrs.
6 Months	40 hrs. (5 Days)	40.0 hrs.	60.0 hrs.	80.0 hrs.	100.0 hrs.
7 Months	48 hrs. (6 Days)	48.0 hrs.	72.0 hrs.	96.0 hrs.	120.0 hrs.
8 Months	56 hrs. (7 Days)	56.0 hrs.	84.0 hrs.	112.0 hrs.	140.0 hrs.
9 Months	64 hrs. (8 Days)	64.0 hrs.	96.0 hrs.	128.0 hrs.	160.0 hrs.
10 Months	72 hrs. (9 Days)	72.0 hrs.	108.0 hrs.	144.0 hrs.	180.0 hrs.
11 Months	72 hrs. (9 Days)	72.0 hrs.	108.0 hrs.	144.0 hrs.	180.0 hrs.
12 Months	80 hrs. (10 Days)	80.0 hrs.	120.0 hrs.	160.0 hrs.	200.0 hrs.

B. All employees shall receive two (2) weeks vacation beginning in the year following their first anniversary with the Company. All employees shall receive three (3) weeks vacation beginning in the year following their fifth anniversary with the Company. All employees shall receive four (4) weeks vacation beginning in the year following their tenth anniversary with the Company, and five (5) weeks vacation beginning in the year following their eighteenth anniversary with the Company.

C. Vacations will be adjusted to begin in conjunction with days off and shall take precedence over personal leaves of absence.

D. Vacation periods for the following year will be posted for bid no later than November 15 of each year. The employee's vacation period will be determined by bidding, by classification seniority within his job title, the bid to be completed no later than January 1. The Company shall determine the number of employees in any classification that may be on vacation during any given period, except that at least one (1) employee in each classification at each location shall be permitted to take his vacation at any given time. Employees transferring into a location cannot disrupt the vacation schedule already bid, but may exercise their seniority at that time to bid for whatever periods are available.

E. The Company shall assure that vacation times available for bid during the year at each location are equal to or greater than the total amount of vacation due the employees at that location for the year. Each day of the month (except Thanksgiving and Christmas on which no DAT will be available) will have more than one A.M. and more than one P.M. shift available for day at a time (DAT) vacation at each location where there are more than fifty (50) employees in the classification. If operational needs prohibit this, a location will offer at least one A.M. and at least one P.M. shift of day at a time (DAT) vacation. Where there are fifty (50) or fewer employees in the classification employed at a location, one (1) or more DAT per day will be available unless an employee is on a block vacation period.

F. 1) Vacation will not be cumulative and must be taken within the calendar year for which the vacation was earned. An employee's vacation may be split (no period of less than five (5) work days). An employee who fails to bid in any round or bids too few vacation choices will not be awarded a bid in that round, but may resume bidding by seniority in the next round. The employee, after making a choice of his first period, shall not make a second choice until all first choices in his job title have been awarded.

2) At the time of making a vacation choice, in whichever round it occurs, an employee may elect to take all or a portion of such vacation a day at a time (DAT). A DAT selection must be bid in periods of five (5) work days unless such employee has accrued vacation of less than one (1) week, in which case such employee must take his entire vacation a day at a time if such employee elects the DAT option.

3) The Company and the Union recognize the individual responsibility of employees to bid their vacations in accordance with the provisions of this Article. Employees who fail to bid or who do not bid enough days after all rounds are completed will have their vacation assigned as vacation block(s) by the Company.

4) Each bid of station work schedules provided in Article Six will include days that may be bid by employees as DAT days. If an employee bids a DAT day he will be awarded such day if such employee's seniority will permit. In addition to bidding an employee may request the right to take a DAT day at any time and will be allowed to do so at the discretion of Management, if the requirements of the service will permit. DAT days that have not been taken by the end of the calendar year will be paid to the employee.

5) If the requirements of the service permit, even if an employee does not have a DAT day available, such employee may request permission of management, and management may authorize the employee to take one of such employee's remaining vacation days as a DAT day.

G. Vacation allowance shall be considered as accumulated earnings for employees leaving the service of the Company because of reduction in force, resignation after one (1) year of service or for military service, and employees shall be paid all unused earned and/or accrued vacation due. In the event any employee does not give two (2) weeks notice of termination, he will forfeit compensation for vacation allowance. However, all unused earned and/or accrued vacation will be paid to any employee discharged by the Company (excluding probationary employees).

H. Employees with less than one (1) year of service may take an accrued partial vacation after January 1 in accordance with seniority in their classification; however, in the event the employee leaves the service before completing one (1) year, his final paycheck will be adjusted accordingly.

I. In the event of an employee's death, an amount to cover all earned and/or accrued vacation allowance will be paid to his spouse or, in the event there is no spouse, to his estate.

J. Employees shall have the right to obtain their vacation pay in advance provided the employee makes application to his manager at least two (2) weeks prior to starting his vacation.

K. Once vacation schedules are established they will not be changed except by mutual agreement between the Company and the employee, but in no case shall another employee's choice of vacation be displaced.

L. The Company will not mandatory an employee to work on his bid days off immediately prior to, during or after his vacation or DAT day(s). The employee will not be allowed to volunteer for overtime during his vacation; however, such employee may volunteer for overtime on his days off immediately prior to or after his vacation. The employee may be allowed to work shift trades or pickups on his days off immediately prior to or after his vacation but not during his vacation.

## **ARTICLE FIFTEEN**

### **REDUCTION IN FORCE**

A. Any reduction in force shall be in reverse order of classification seniority, it being understood that the provisions of this Article do not apply to probationary employees. For purposes of this Article positions filled by probationary employees on the system shall be considered vacancies. Employees will be given at least two (2) weeks' notice of any reduction in force except when such notice is prevented by an Act of God, a strike by another Union within the Company, or other circumstances over which the Company has no control.

B. An employee being affected by such reduction may elect to:

1) Fill a vacancy elsewhere on the system in the same classification or, if no such vacancy exists, displace the most junior employee on the system in the same classification.

2) Fill a vacancy in another classification in which he holds seniority and at which the said holder of seniority entitles him, or displace the most junior employee on the system in the same classification.

3) Accept a furlough at his location.

C. An affected permanent employee who is required to move based on the timely exercise of his option under paragraphs B. 1) or B. 2) of this Article will do so at Company expense.

D. The furlough notification given to the affected employee by the Company shall indicate the location of existing vacancies, if any, and the potential locations where the most junior employees are assigned so that the employee affected will be in a position to exercise the options described in paragraph B. above. The affected employee shall file a preferential bid listing in order of his preference for relocation, reduction or furlough as soon as possible, but in any event such filing shall be made within five (5) days of the receipt of the furlough notice. The absence of a timely filed preferential bid shall be the equivalent of electing to be furloughed. The preferential bid shall be filed by certified mail with the appropriate vice president. All reduction in force employees shall have preference over permanent bids for any vacancies in their classification.

E. The Company shall examine all preferential bids filed by affected employees and resolve the relocations in order of seniority and preferences expressed.

F. An employee who has been released due to reduction in force shall file his address, in writing, with the appropriate department of the Company, and shall thereafter promptly advise that department in writing of any change in address by certified mail with return receipt requested.

G. An employee shall not be entitled to preference in reemployment: (1) if he does not comply with the requirement of paragraph F. of this Article, or (2) if he does not give notice of his intention to return to the service of the Company within five (5) days of receipt of such notice, or (3) if he does not return on the date specified, which date shall not be less than fifteen (15) days after notice to return is sent by registered mail or telegram to the last address filed with the Company.

H. Employees furloughed shall be recalled in the order of their seniority at the time of furlough. No vacancy shall be considered to exist at a location until all employees eligible to fill the vacancy on furlough at the location have been recalled and all employees required to relocate from there because of the reduction have been afforded the opportunity of returning. In the case of relocated employees this provision shall apply for a period of three (3) years from the date of the reduction. Employees on furlough who desire to be considered for reemployment at other than the city from which furloughed must file a permanent bid for that location.

I. An employee furloughed due to reduction in force shall continue to accrue seniority.

J. Employees laid off in a reduction in force who were not offered employment and who desire to seek employment elsewhere will, upon application, be furnished space available passes to any point desired on the Company system to the extent permitted by law for a period not to exceed sixty (60) days.

K. All reemployment recall rights shall expire at the end of five (5) years from the effective date of such furlough.

## ARTICLE SIXTEEN

### SEVERANCE PAY

A. An employee covered by this Agreement who has completed one (1) year of compensated service with the Company prior to being laid off, through no fault or action of his own, shall receive severance pay as follows, subject to the limitations and conditions set forth herein:

<u>IF EMPLOYEE HAS COMPLETED</u>	<u>SEVERANCE ALLOWANCE</u>
1 year but less than 5 years of service	2 weeks
5 years but less than 6 years of service	5 weeks
6 years but less than 7 years of service	6 weeks
7 years but less than 8 years of service	7 weeks
8 years but less than 9 years of service	8 weeks
9 years but less than 10 years of service	9 weeks
10 years but less than 11 years of service	10 weeks
11 years but less than 12 years of service	11 weeks
12 years but less than 13 years of service	12 weeks
13 years but less than 14 years of service	13 weeks
14 years but less than 15 years of service	14 weeks
15 years but less than 16 years of service	15 weeks
16 years or more of service	16 weeks

Such employee shall receive no severance pay if any one or more of the following conditions exist:

- 1) He exercises his seniority in order to remain in the employ of the Company.
- 2) He accepts any other employment with the Company or refuses to accept a job in his own or comparable work classification at his location.
- 3) The layoff is caused by an Act of God, a war emergency, revocation of the Company's operating certificate or certificates, or grounding of a substantial number of Company aircraft.
- 4) The layoff is caused by a strike or picketing of the Company's premises or any work stoppage or other action which would interrupt or interfere with any operations of the Company.
- 5) He is dismissed for just cause, resigns, retires or fails to work out two (2) weeks' notice, if requested to do so.
- 6) There is a temporary cessation of work because of cessation of work because of circumstances beyond the Company's control.

## **ARTICLE SEVENTEEN**

### **SAFETY AND HEALTH**

A. The Company shall continue to maintain safe, sanitary and healthful working conditions and agrees to maintain at all times a first aid kit at each location. The Union and employees recognize their duty and responsibility to assist in the maintenance of these standards.

B. No employee will be required to work under unsafe or unsanitary conditions, and in order to eliminate, as far as possible, accidents and illness, a joint committee composed of an equal number of Union representatives and Company representatives will be established at each location when the number of employees is large enough to make such a committee advisable. It shall be the duty of the Company to see that all applicable State and Municipal safety and sanitary regulations are complied with. The committee shall receive and investigate complaints regarding unsafe and unsanitary conditions and make recommendations concerning such complaints.

C. The Company will provide, without cost, rain gear to meet station requirements.

D. The Company will furnish, without cost, all safety equipment for the employee such as ear protectors, headsets, etc., and all employees will use or wear such devices in performing their work.

E. Employees injured or who become seriously ill at work will be given medical attention at the earliest possible moment, without loss of pay. The Company will arrange for transportation to an appropriate medical facility. The employee shall be permitted to return to work upon presenting an unrestricted medical release from the doctor stating the employee can perform his normal duties. Such injured employees who are able to work thereafter will be allowed a reasonable amount of time to receive necessary medical treatment or examination without loss of pay. It is the responsibility of the injured employee, when physically able, to report an injury to his immediate supervisor during the work period in which the injury occurred.

## ARTICLE EIGHTEEN

### GENERAL AND MISCELLANEOUS

A. Reasonable tobacco smoking and refreshments during hours of duty will be permitted in designated areas.

B. Any employee leaving the service of the Company will upon request be furnished with a letter setting forth the Company's record of his job classifications, stating his length of service and rate of pay at the time of leaving the Company.

C. The Company agrees to provide the Union with a bulletin board at each station and reservations office marked "International Association of Machinists" where Union notices of interest to the employees may be posted. No political, inflammatory or derogatory material attacking the Company or its representatives will be permitted thereon.

D. The Company shall cause to be provided and distributed to each employee a copy of this Agreement as well as all letters of agreement or amendments to the Agreement.

E. Airline trip passes will be issued to qualified employees in accordance with Company policy.

F. Any deviation from this Agreement may be made by mutual agreement between the Company and the Union. Such mutual agreement must be in writing and signed by the President-General Chairman District Lodge 142 and the Company designee.

G. During the term of this Agreement it is understood and agreed that the Company will not lock out any employee covered hereby, and the Union will not authorize or take part in any strike or picketing of Company premises.

H. If any employee requests to leave work for personal reasons, he must receive permission from the responsible supervisor.

I. Should an employee sustain an injury or become ill while on the job, he will report immediately, if possible, to his manager or ranking supervisor on duty.

J. Each employee is required to keep the Company advised of his current address and telephone number. Should an employee change his address or telephone number, he must notify the manager immediately. A change of address form is available for this purpose.

K. Employees will be granted four (4) days off with pay for a death in the immediate family for the following: mother, father, brother, sister, spouse, eligible committed partner (as defined and recognized by the Benefits Department) and children (including stepchildren). Employees will be given three (3) days off with pay for the death of mother-in-law, father-in-law, and grandparents, and grandchildren. In the event

of the death of a step-parent, an employee may take two (2) days of vacation. If additional days are required, the employee may elect to use accrued vacation with the agreement of their manager.

L. The Company shall provide additional insurance coverage for those employees involved in a bomb threat investigation. The recommended number of employees shall be three (3) employees searching at any one time, but may be more; however, in no case shall the number be greater than eight (8). The coverage which shall be provided shall be:

	<u>PER EMPLOYEE/MAX PER INCIDENT</u>	
Death	\$400,000	\$1,200,000
Loss of two (2) limbs	400,000	
Total loss of sight	400,000	
Total loss of one (1) limb	200,000	
Total loss of sight - one (1) eye	200,000	
Temporary disablement	Workers Compensation	

No employee will be required to participate in a search of facilities in a bomb scare against his wishes.

M. The use of the term "days" in establishing time limits in this agreement shall mean calendar days unless otherwise stated.

N. Upon successful completion of a Reservations Agent's probationary period, the Company will reimburse the employee for the cost of their headset. This provision applies to employees hired after ("DOR").

## ARTICLE NINETEEN

### UNIFORMS

A. Employees may be required to wear uniforms as prescribed by Company regulations at all times while on duty.

B. Each calendar year a Customer Service Agent will be credited with \$200.00 in their uniform account to replace Company issued pieces. A Customer Service Agent will accrue up to \$500.00 in the Uniform Account if unused. This account is not refundable to the Customer Service Agent upon termination of employment.

C. When an employee is placed into the Customer Service Agent classification, he shall be provided, at no cost, the initial required uniform. Customer Service Agents may utilize their uniform account to purchase all uniform pieces. It is the responsibility of the employee to maintain the required uniform as outlined in the Ground Operations Manual. If any part of the basic uniform or required accessories are changed or added to during the life of the current uniform, such item or items will be paid for by the Company. Any items of the basic uniform or Company issued accessories that must be repaired or replaced during the life of the current uniform by the Company due to manufacturer's defect will be paid for at Company expense.

D. The Company shall continue to determine the seasonal periods when specific uniform components will be worn.

E. In the event the Company changes the uniform, the Company will pay the entire cost of such new uniform items.

F. The Company will furnish, on a loan basis, Company insignia required to be worn by an employee at no cost to the employee. Any employee may wear an IAM Union insignia, not to exceed three-fourths inches (3/4") in diameter, as a part of his uniform.

G. The Company will lend Customer Service Agents two (2) maternity jumpers which must be returned in usable condition, cleaned and pressed upon taking maternity leave.

H. The employee will be responsible to replace, at his cost, any item lost that has been issued or purchased.

I. Accessory items worn with the customer service uniform (i.e., shoes and belts) may be purchased by the employee at a store of his choice and shall conform closely to the color and style established by the Company.

J. Additions to the required Customer Service Agent uniform may be purchased, without a percentage reimbursement, if an employee so desires.

## ARTICLE TWENTY

### GRIEVANCE PROCEDURE/SYSTEM BOARD OF ADJUSTMENT

#### 1. GRIEVANCE PROCEDURE.

A. The representation for the effective handling of grievances between the parties under this Agreement shall be:

1) The Union will be represented by a properly designated steward at each location who will be empowered to settle all local grievances.

2) The Company will be represented by an authorized representative at each location who will be empowered to settle all local grievances not involving changes in Company policy.

3) The Union and the Company will at all times keep the other party advised through written notice of any change in authorized representatives.

4) Accredited representatives of the Union shall be permitted to enter any location on the system where employees under this Agreement are located for the purpose of investigating grievances and for purposes of visitation upon proper notification and approval. Shop stewards or an elected officer of the Union will be allowed time off to investigate grievances, conduct Union business and attend Union meetings upon proper notice and approval. The company will provide stewards space for meetings at all Reservations Centers and Stations with 100 flights or more.

B. For the presentation and adjustment of grievances that may arise, the procedure will be:

1) Step I--Any employee(s) having a complaint or grievance in connection with the terms of this Agreement or working conditions hereunder will present the complaint or grievance verbally, within ten (10) calendar days, to the supervisor responsible for the employee(s) with or without a steward, and the parties will endeavor to arrive at a satisfactory adjustment of the matter. Such time limit will be extended if the employee(s) can demonstrate good reason for failing to timely present the grievance.

If there is not a satisfactory adjustment of the matter following the verbal discussion, the employee shall consult with the steward, and the steward may reduce the complaint or grievance to writing and submit it on a standard grievance form to the manager responsible for the employee(s). Such grievance must be submitted within ten (10) calendar days following the verbal discussion.

The manager responsible for the employee(s) will meet with the steward and employee(s) within ten (10) calendar days of receipt of such grievance. The manager will issue to the steward a decision in writing setting forth the Company's position on the issue(s) raised within ten (10) calendar days following the meeting. The Company shall

mail a copy of the decision to the Union General Chairman.

If, in the opinion of the General Chairman, the decision is not satisfactory, the General Chairman will make a written appeal to the Company's appropriate Vice President or designee within thirty (30) calendar days of said decision.

2) Step II--Any complaint or grievance appealed under Step I shall be reviewed by the appropriate vice president or designee and the Union's General Chairman. The Company designee will coordinate a review with the Union's General Chairman within thirty (30) calendar days of this appeal.

Within thirty (30) calendar days following such meeting, the Company will issue a written decision on each grievance, setting forth its position.

Step II decisions will be mailed to the Union's General Chairman who will determine if appeal to the System Board of Adjustment is to be made. Appeals to the System Board of Adjustment must be made within thirty (30) calendar days after receipt of the Company's Step II decision.

C. No employee who has completed his probationary period will be disciplined to the extent of loss of pay or discharge without first having the benefit of a hearing with the right to have a Union representative present. The employee will be advised in writing of the precise nature of the charge(s) not later than ten (10) calendar days from the time the Company has full knowledge of the incident upon which the charge(s) is based. The hearing will be held within ten (10) calendar days from the date of the written notice of the nature of the charge(s) unless the hearing date is otherwise extended by mutual agreement between the Company and the Union. Copies of the charge(s) will be presented to the employee affected and to the appropriate Union steward. Nothing as contained herein shall prevent the Company from suspending an employee pending a hearing, and such hearing shall be held within seventy-two (72) hours of the suspension. The employee will be advised of the charge(s) against him and shall be entitled to Union representation when suspended. The charge will be reduced to writing and presented to the employee at the hearing.

Except under extraordinary circumstances, an employee will have the right to be present at any disciplinary hearing and have Union representation present. Such Union representation may be a local steward, the President-General Chairman, General Chairman or his designee. The employee will be permitted to hear the evidence against him and, with his representative, to question all witnesses presented and/or statements against him.

A written decision will be made and copies shall be furnished to the employee and the Union within ten (10) calendar days after the close of the hearing.

If the decision of the Company is to impose some form of disciplinary action, the Company will impose that discipline as promptly as reasonably possible; however, in no event will the Company wait longer than thirty (30) calendar days after the decision is furnished to the employee before imposing the discipline. If, in the opinion of the General Chairman, the decision is not satisfactory, then appeal may be made within

thirty (30) calendar days to Step II of the grievance procedure.

Letters of reprimand or warning not involving loss of pay or discharge will be issued no later than ten (10) calendar days from the time the Company has full knowledge of that incident. The Company will provide the Union representative with a copy of the letter, and if the employee is not available at work when the letter is issued, the Company may place the letter in the employee's mailbox, with a copy to the Union representative. This does not change the existing practice whereby the Company will attempt to meet with the employee when the letter is issued, if the employee is available at work. When the employee is not available at work for such a meeting, upon the employee's return to work the Company will, upon request by the employee, meet with the employee to discuss the letter of reprimand or warning.

D. All letters of reprimand or warning will be removed from an employee's file after twelve (12) months from the date the letter is placed in the file (the Company's Attendance Control Program excepted).

E. All hearings will be conducted during the employee's scheduled shift. Grievant and representative shall not suffer loss of pay while attending such hearing.

F. All time limits set forth in this Article shall refer to calendar days – recognized holidays being excluded and may be extended by mutual written agreement between the parties.

G. Nothing in this Agreement shall extend grievance rights concerning discipline or discharge to an employee during his probationary period.

H. The appropriate IAM steward shall receive a copy of each official disciplinary notice issued to employees covered by this Agreement which involves time off without pay or termination of employment.

I. It is understood that any settlement at the Step I level of the grievance procedure is made on a nonprecedent setting basis at the Step I level and is nonreferable at any proceeding of the Grievance/Arbitration Process above the Step I level.

J. In assessing discipline the Company will take into account the gravity of the offense, the employee's overall work record, and seniority.

## 2. SYSTEM BOARD OF ADJUSTMENT

A. In compliance with Section 204, Title II of the Railway Labor Act, as amended, there is hereby established a System Board of Adjustment for the purpose of adjusting and deciding disputes or grievances which may arise under the terms of this Agreement and which are properly submitted to it after exhausting the procedure for settling disputes, as set forth under this Article.

B. The System Board of Adjustment shall consist of one (1) impartial member selected from a panel of Arbitrators. The Company or the Union may appoint a three (3) member System Board, one member of which shall be an impartial arbitrator.

C. A panel of Arbitrators is hereby established for the purpose of providing the sole member of the System Board of Adjustment. The following rules and procedures apply to the panel of Arbitrators:

1) Arbitrators selected for the panel shall serve for the duration of the Agreement; however, any Arbitrator may be removed from the panel by a unilateral decision of either of the parties to this Agreement. Should any member be removed, the party who originally selected the Arbitrator will name a replacement. Once an Arbitrator is removed from the panel, he cannot be returned to the panel for the duration of this Agreement.

2) The panel will consist of six (6) Arbitrators, three (3) to be selected by each party. The alternate striking method will be utilized in selecting an Arbitrator from the panel for the hearing of a grievance. If the Arbitrator selected is not available within ninety (90) calendar days from the selection date, the last struck Arbitrator will be contacted to hear the case. This procedure shall continue until an Arbitrator is available within the aforementioned time constraints.

D. The Board shall meet in an appropriate meeting room in the city where the employee filing the grievance is stationed unless, by mutual agreement, the parties agree to a different location to hear the grievance(s) assigned to it.

E. 1) The Board shall consider any dispute properly submitted to it by either of the parties when such dispute has not been previously settled in accordance with the terms of this Agreement.

2) The functions and jurisdiction of the Board shall be as fixed and limited by this Agreement. It shall have no power to change, add to or delete from its terms. It shall have jurisdiction only to determine issues involving the interpretations or applications of this Agreement, and any matter coming before the Board which is not within its jurisdiction shall be returned to the parties without decision or recommendations. In the event any disciplinary action taken by the Company is made the subject of proceedings, the Board's authority shall, in addition to the limitations set forth herein, be limited to the determination of the question of whether the employee(s) involved had been disciplined for proper cause, except that if the Board finds that the penalty assessed by the Company was arbitrary or unreasonable it may modify that

penalty.

F. The decision of the Board shall be rendered within thirty (30) days after the close of the hearing and shall be final and binding on the Company, the Union and the employee(s) involved. The parties agree to contact each other prior to making the decision of the Board public.

G. The time limits specified in this section of Article Twenty may be extended by written mutual agreement between the parties to this Agreement.

H. The proposals made by each party with respect to changes in this Agreement and discussions had with respect thereto shall not be used or referred to in any way during or in connection with the arbitration of any grievance arising under the provisions of this Agreement.

I. Each of the parties hereto shall assume the compensation, traveling expense and other expenses of the witnesses called or summoned by it, and each of the parties shall assume one-half ( $\frac{1}{2}$ ) of the expenses of the Arbitrator. So far as space is available, witnesses who are employees of the Company shall receive free transportation over the lines of the Company.

## **ARTICLE TWENTY-ONE**

### **MOVING EXPENSES**

A. Employees transferred as a result of the closing of an existing station or reduction in force at a station or reservation facility shall be considered as being transferred at the Company's request.

B. An employee transferred from one station to another station as a result of a voluntary bid or request for a vacancy shall be considered as having transferred at his own request. An employee so transferred from one station to another station at his own request shall bear his own expenses. The Company shall make space available transportation available to the employee and members of his immediate family.

C. Employees transferred at Company request from one station to another station shall be allowed actual moving expenses for household effects including packing charges up to a maximum of 10,000 pounds for self and spouse plus 500 pounds for each dependent unless prior approval for more is obtained from the department head.

D. The Company reserves the right to select the company designated to move the household effects of the employee.

E. An employee shall be allowed reasonable expenses for himself and members of his immediate family when properly substantiated by receipts during the period of enroute travel. The period of enroute travel shall continue after arrival until the day the household effects arrive or until the end of the fifth day, whichever comes first.

F. In addition to the said weight limitation in paragraph C. above, one automobile per family may be driven between the stations, and the employee shall be reimbursed at the rate of twenty-five cents (25¢) per mile by the most direct AAA highway mileage, but no expenses shall be permitted for a second automobile.

G. The employee and spouse will be entitled to round trip space available transportation to locate living accommodations.

H. When an employee has been awarded a transfer to a new station, the employee and spouse shall be furnished, to the extent such passes are available, roundtrip, space available, off-line transportation to locate living accommodations in cities not served by the Company.

## **ARTICLE TWENTY-TWO**

### **HOLIDAYS/FREE DAY**

A. Each employee covered hereunder shall be granted one (1) day with pay free of the Company during each month January through October of each year. The day free of the Company shall be bid in conjunction with each shift bid. Any employee who does not bid, or does not bid enough choices, will be assigned a free day after all bids are awarded. If more than one employee is to be assigned, the remaining available free days will be offered in order of seniority.

B. Each day of the month will have at least one (1) A.M. and P.M. shift available for bid at each location and where there are thirty (30) or less Employees employed at a location, at least one (1) shift per day will be available. An employee must have worked forty (40) hours including WOP time during the month to qualify for a free day. A new hire must have begun his employment prior to the 10th of the month and have worked forty (40) hours during the month to establish eligibility. An employee who has bid a free day and becomes ill before working forty (40) hours in the month shall be paid for the free day provided his accumulated sick pay is sufficient to encompass his scheduled free day. No covered employee shall be required to work overtime on his free day. An employee may volunteer to work on his free day at straight time rate in a trade or pickup and will be subject to normal overtime rules.

C. The following holidays will be observed: Thanksgiving Day (November) and Christmas Day (December). These holidays shall be that day generally recognized as that holiday. All employees, except employees on an unpaid leave of absence, shall receive a holiday bonus in an amount equal to their regular compensation rate including premium and differentials, if applicable, for eight (8) hours. If the Company requires an employee to work on a holiday, he shall be paid time and one-half according to his regular compensation rate for the first eight (8) hours in addition to his regular holiday bonus rate and triple time thereafter.

D. An employee scheduled to work on a holiday but who does not report for work will lose all pay for such holiday unless his absence is due to sickness or is excused.

E. If a Company approved holiday (or day free of the Company) falls within an employee's vacation period, an extra day with pay will be added to the employee's vacation in lieu of holiday bonus. The Company will notify the employee at the time the day free of the Company bid is awarded whether an extra day will be added at the beginning or end of the vacation period. For holidays the employee will be so notified at the time the shift bid is awarded for the period covering the holiday.

F. If any shift bid of more than thirty (30) days is rebid, employees will be allowed to rebid affected free days.

## **ARTICLE TWENTY-THREE**

### **SAVING CLAUSE**

A. Should any part or provision of this Agreement be rendered invalid by existing or subsequently enacted legislation, the balance of the Agreement shall remain in full force and effect.

## **ARTICLE TWENTY-FOUR**

### **GROUP INSURANCE BENEFITS**

A. The Company shall continue the benefits of the existing group insurance plans. Alternative personal option plans may also be made available to employees covered by this Agreement upon the same terms and conditions as such plans are made available to any other group of Company employees. Any future increase in costs borne by the Company for employees not covered by this Agreement shall be borne by the Company for employees covered hereunder.

## ARTICLE TWENTY-FIVE

### PROFIT SHARING

A. The employees covered hereunder shall be included in the Southwest Airlines Profit Sharing Plan which became effective January 1, 1973, as amended.

B. The Company will match any employee's contribution to the 401(K) Plan maintained by the Company, at the rate of \$1.00 for each \$1.00 contributed by the employee, up to a maximum employee contribution of 7.3% of eligible compensation, up to the limits allowed by federal law.

C. Vesting in general for 401(K) Company match--A member shall have a vested and nonforfeitable interest in that vested percentage portion of the balance credited to the member's Matching Contributions Account at any time determined by reference to his completed years of Vesting Service in accordance with the following schedule:

<u>COMPLETED YEARS OF VESTING SERVICE</u>	<u>VESTED PERCENTAGE</u>
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

D. Accelerated vesting--A member shall be fully vested and have a nonforfeitable interest in the balance credited to his Matching Contributions account if:

- a) The employee becomes medically disabled; or
- b) The employee retires at or after age sixty-five (65); or
- c) The employee retires at or after age sixty (60) with a minimum of twelve (12) years' service with the Company, or at or after age sixty-one and one-half (61½) with a minimum of ten (10) years' service with the Company.

## ARTICLE TWENTY-SIX

### RELIEF AGENT

A. Where established by the Company, personnel may be assigned to relief duties for the purpose of covering vacations, free days, training and other absences. These shifts will not have clearly defined work weeks since their work will vary dependent upon the work week of the employee who they are relieving. In order to provide such allowance for days off to such relief personnel, the Company shall allow a minimum of four (4) days off for each two (2) week period in the specified bid period.

B. On days upon which the relief agent is not scheduled to a relief assignment, he shall assume his bid shift and days off. Bid shifts shall not include Saturday or Sunday as scheduled days off.

C. Relief employees may have their bid shift hours temporarily changed with at least twelve (12) hours notice prior to the start of the new shift assignment. However, if a Relief Agent is released from duty after 10:00 P.M. local time, he will not be required to report to a shift other than his base shift without at least a ten (10) hour rest period.

D. Relief shifts will be bid as prescribed in Article Six and shall be identified appropriately.

E. Relief shifts will be bid within classification.

F. Relief Agents will receive a premium of one hundred seventy-five dollars (\$175.00) per month in addition to inconvenience shift premium, which will be added to their base pay during each month they work.

G. Relief Agents will be covered under Article Seven for overtime purposes. Relief Agents, for the purpose of applying the overtime provisions of Article Seven, will be considered on the first day off status on their first scheduled day of rest, second day off status on their second scheduled day of rest, and second day off status on all subsequent days of rest when more than two (2) continuous days off are scheduled.

H. The number of Relief Agents per station or office will be determined by the Company; however, the maximum allowed per the provisions of this Article in any classification will be determined by dividing the total number of agents at the location by ten (10) and rounding the result up to the next whole number. For example:

1 - 10	1 Relief Agent
101 -110	11 Relief Agents

## ARTICLE TWENTY-SEVEN

### WAGE RULES

A. Employees will be paid on the 5th and 20th of each month for the preceding pay period. There shall be two (2) pay periods each month: 1) 1st-15th and 2) 16th-final day of each month.

B. Should the regular payday fall on Saturday or a holiday, employees will be paid on the preceding day. Should the regular payday fall on Sunday, employees will be paid on the following Monday. Normally employees shall be paid during their regular working hours.

C. Where there is a shortage equal to one-half ( $\frac{1}{2}$ ) a day's pay or more in the pay of an employee, the employee will be reimbursed for such shortage within two (2) working days from the General Office.

D. Paychecks will include an itemized statement of all hours, wages, adjustments and deductions for the pay period.

E. Employees leaving the service of the Company will be paid for all the time due at the earliest possible time after separation and in compliance with State law.

F. Automatic changes in pay rates will be computed as follows: changes occurring from the 24th of the month to the 8th of the following month shall be effective beginning on the 1st of the following month. Changes occurring from the 9th to the 23<sup>rd</sup> of any month shall become effective beginning on the 16th of the month.

#### SENIORITY DATE

#### SENIORITY DATE

24		9	
25		10	
26		11	
27		12	
28		13	
29		14	
30		15	
31	Changes effective 1st	16	Changes effective 16th
1	of the month	17	of the month
2		18	
3		19	
4		20	
5		21	
6		22	
7		23	
8			

G. An inconvenience shift premium shall be added to the base pay during each month that an employee is scheduled to work at least four (4) shifts during such month which begin during the following times:

<u>Start Time</u>	<u>Monthly Premium</u>
1201-1700	\$65.00
1701-459	\$75.00

H. A premium of twenty dollars (\$20.00) per month shall be added to the base pay during each month an employee is scheduled to work two (2) or more shifts within his work week whose starting time varies by more than twenty-nine (29) minutes within the work week.

I. Notwithstanding provisions to the contrary, the Company agrees that an employee reclassified to a higher rated position under this Agreement will enter such new higher rated position at the pay bracket to which he is entitled in accordance with his Company seniority. An employee reclassified to a position of equal rates of pay shall enter the new classification with his pay unaffected.

J. Nothing in this Agreement shall prevent the Company from paying employees or groups of employees hereunder a higher rate of compensation than the rate established in this Agreement.

K. Upon completion of the first year of service with the Company, an employee will advance to Step 1 of the progressive pay scale. Thereafter, on the anniversary of such employee's date of hire, the employee will advance to the next Step and so on until he reaches the top of the pay scale.

L. In lieu of receiving a traditional paycheck, an employee may elect "direct deposit" to any financial institution capable of receiving electronic funds transfer. Availability of direct deposit funds to the employee's account may vary slightly (earlier or later) from paycheck distribution dates depending on financial institution/Federal Reserve holidays and the specific financial institution's account posting practices.

## **CUSTOMER SERVICE AGENTS**

M. Customer Service Agents will be paid at the following hourly rates of pay.

	Pay Rate Retroactive to Nov. 1	Pay Rate as of Nov. 1	Pay Rate as of Nov. 1	Pay Rate as of Nov. 1	Pay Rate as of Nov. 1	Pay Rate as of Nov. 1
Step	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
First Yr.	\$8.84	\$9.00	\$9.00	\$9.10	\$9.10	\$9.10
Step 1	9.66	10.00	10.00	10.53	10.53	10.53
Step 2	10.31	10.71	10.71	11.27	11.27	11.27
Step 3	10.97	11.94	11.94	12.57	12.57	12.57
Step 4	11.44	12.70	13.07	14.16	14.16	14.16
Step 5	12.10	13.74	14.14	15.32	15.32	15.32
Step 6	13.09	14.76	15.20	16.47	16.47	16.47
Step 7	13.94	15.49	15.93	17.27	17.27	17.27
Step 8	14.45	16.19	16.66	18.05	18.05	18.05
Step 9	14.87	16.90	17.39	18.85	18.85	18.85
Step 10	15.85	17.61	18.14	19.65	19.65	19.65
Step 11	20.28	21.50	22.14	24.35	24.35	24.35

\*Effective November 1, 2002, the pay scale shall be reduced to 11 Steps, and all Customer Service Agents in Steps 11, 12, 13, and 14 shall be classified as Step 11 employees at the pay rate outlined above.

## RESERVATIONS AGENTS

N. Reservations Agents will be paid at the following hourly rates of pay.

	Pay Rate Retroactive to Nov. 1	Pay Rate as of Nov. 1	Pay Rate as of Nov. 1	Pay Rate as of Nov. 1	Pay Rate as of Nov. 1	Pay Rate as of Nov. 1
Step	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
First Yr.	\$8.58	\$8.65	\$8.65	\$8.75	\$8.75	8.75
Step 1	9.36	9.67	9.67	10.18	10.18	10.18
Step 2	10.04	10.37	10.37	10.92	10.92	10.92
Step 3	10.66	11.61	11.61	12.22	12.22	12.22
Step 4	11.13	12.37	12.74	13.81	13.81	13.81
Step 5	11.78	13.40	13.80	14.97	14.97	14.97
Step 6	12.77	14.43	14.87	16.12	16.12	16.12
Step 7	13.61	15.15	15.60	16.92	16.92	16.92
Step 8	14.12	15.86	16.33	17.70	17.70	17.70
Step 9	14.55	16.57	17.06	18.50	18.50	18.50
Step 10	15.53	17.28	17.80	19.30	19.30	19.30
Step 11	19.99	21.17	21.80	24.00	24.00	24.00

\*Effective November 1, 2002, the pay scale shall be reduced to 11 Steps, and all Reservations Agents in Steps 11, 12, 13 and 14 shall be classified as Step 11 employees at the pay rate outlined above.

O. Commencing January 1, 2002 and continuing through January 1, 2005, any employee who is at the top step of the pay scale as of January 1, will be eligible for a profitability bonus based upon the profitability of Southwest Airlines during the calendar year beginning on such January 1 as follows:

<u>OPERATING PROFIT MARGIN</u>	<u>BONUS PERCENTAGE</u>
Less than 8%	0%
8.00 - 8.99%	1%
9.00 - 9.99%	2%
10% or more	3%

As used herein:

1. The Company's Operating Profit Margin shall be defined as Operating Profits divided by Operating Revenues. All figures shall be audited figures of Southwest Airlines Co., which are publicly reported pursuant to S.E.C. reporting requirements, for the calendar year for which the profitability bonus is earned. The Union shall have the right to verify such numbers to the extent that any such information would be available to shareholders of the Company. Calculations shall be based on the operating results of Southwest Airlines only, excluding the results from any subsidiary, parent, or affiliated company.

2. The profitability bonus will be based upon hours actually worked during the calendar year, excluding sick pay, vacation pay, etc., multiplied by the applicable hourly rate of pay. The profitability bonus will be paid with the April 5 paycheck in the following year. (For example, an employee at the top step of the pay scale as of January 1, 2003, will be eligible for a profitability bonus, based on Southwest Airlines' profitability in 2003, which bonus shall be payable in April 2004. The profitability bonus for 2005, payable in April 2006, shall be the last profitability bonus payable under this contract.)

P. Effective upon ratification of this Agreement, the Company will adopt the 2002 Customer Service/Reservations Non-Qualified Stock Option Plan, as set forth in Exhibit A of this Agreement.

## **ARTICLE TWENTY-EIGHT**

### **DURATION AND TERMINATION**

This Agreement shall become effective upon the Date of Ratification ("DOR"), except that the pay rates provided in Article 27 and Letter of Understanding No. 8 shall be retroactively effective as of November 1, 2002, and, subject to the following paragraph, this Agreement shall remain effective through October 31, 2008, and thereafter shall be subject to change as provided in Section 6 of the Railway Labor Act, as amended.

Notwithstanding the foregoing, however, the Union may give notice of its desire to make this contract amendable as of October 31, 2006, if the average daily closing price of Southwest Airlines Co. common stock during the second quarter of 2006 is not at least \$3.00 above the grant price of the initial stock options granted on the DOR in accordance with Exhibit A. Such notice must be delivered to the Company no later than October 1, 2006, in which case all stock option grants vesting after October 31, 2006 shall be canceled, and this Agreement shall be subject to change as provided in Section 6 of the Railway Labor Act, as amended, as of October 31, 2006.

## **ARTICLE TWENTY-NINE**

### **UNION MEMBERSHIP-CHECK-OFF/DUES/MAINTENANCE**

1. A. Each employee now or hereafter employed in any classification covered by this Agreement shall, as a condition of continued employment, within sixty (60) days following the beginning of such employment or the effective date of this Agreement, whichever is later, become a member of and thereafter maintain membership in good standing (as herein defined) in the Union so long as this Article remains in effect; provided that such condition shall not apply with respect to any employee to whom such membership is not available upon the same terms and conditions as are generally applicable to any other member of his classification or with respect to any employee to whom membership is denied or terminated for any reason other than the failure of the employee to tender the initiation and reinstatement fees, assessments and monthly dues uniformly required of other employees in his classification as at condition of acquiring or retaining membership.

For the purpose of this Agreement "membership in good standing" in the Union shall consist of the payment by the employee of initiation fees (except in case of authorized and permissible transfers from other lodges of the Union) uniformly required of other employees of like status, plus the payment of dues (as hereinafter described) for each calendar month, plus the payment of such assessment(s), within prescribed time limits, as may be levied in accordance with the procedures set forth in the Union's "Constitution of the Grand Lodge, District and Local Lodges, Counsels and Conferences."

B. If an employee who is required to become a member of the Union, as provided in this Article, does not become a member of the Union within the time limits specified in this Article for employees in his classification covered by this Agreement, the Union shall notify the appropriate Company vice president, with a copy to the employee, that such employee has failed to become a member of the Union as required by this Article and is, therefore, to be discharged. The Company shall then promptly notify the employee involved that he is to be discharged from the service of the Company and shall promptly take proper steps to discharge said employee.

C. When an employee holding seniority under the Agreement leaves and then returns to the coverage of the Agreement from a position in which he was not covered, he must assume his obligation to the Union within seven (7) calendar days after return. Failure to comply will cause the employee to be discharged. If an employee covered by this Agreement becomes delinquent by more than two (2) calendar months in the payment of monthly dues, including assessments, the Union shall notify the employee in writing, certified mail, return receipt requested, with a copy to the appropriate Company vice president that said employee is delinquent in the payment of monthly membership dues as specified herein and, accordingly, will be subject to discharge as an employee of the Company. Such letter shall also notify the employee that he must remit the required payment within seven (7) days from receipt of such notice or be subject to discharge by the Company.

If such employee still remains delinquent in the payment of dues after receipt of said notice, the Union shall notify, in writing, the appropriate Company vice president, with a copy to the employee, that the employee has failed to remit payment of dues within the grace period allowed herein and is, therefore, to be discharged. The Company shall then promptly notify the employee involved that he is to be discharged from the service of the Company, and shall promptly take the proper steps to so discharge the employee.

D. The Company will, within three (3) working days after the receipt of notice from the Union, discharge any employee who is not in good standing in the Union as required in the preceding paragraph.

E. All rights of any employee under this Agreement hereinabove noted, and such supplements or amendments as may apply thereto, are contingent upon his acquisition and maintenance of membership in good standing in the Union regardless of whether he is actively working, promoted or transferred to a classification of work not covered by this Agreement, on leave of absence, laid off or discharged.

F. An employee discharged by the Company under the provisions of this Article shall be deemed to have been discharged for cause within the meaning of the terms of this Agreement.

G. An employee terminated at the request of the Union as per this Article and under this Agreement shall be deemed to have been discharged for cause, and the Company shall not be liable for any wages or pay claims of any type from such employee. In the event of a court judgment to the effect that the discharge was improper, the Union hereby agrees to hold the Company harmless and will reimburse the Company for any cost whatsoever involved.

H. In any event it is agreed that the Company will not be required to terminate any employee, in compliance with this Article, prior to thirty (30) days from the Union's notification to the Company to do so, in order that the Company be able to hire a suitable replacement for the employee in question.

## 2. DUES CHECK OFF

A. During the life of this Agreement the Company will deduct from the pay of each member of the Union and remit to the Union monthly membership dues uniformly levied in accordance with the Constitution and Bylaws of the Union, provided such member of the Union voluntarily executes the agreed form, which is hereunder included in this Agreement to be known as the "Check-Off Form," which shall be prepared and furnished by the Union. The Company will not be required to deduct monthly membership dues from the pay of employees covered by this Agreement unless 1) the Company has received a Check-Off Form, and 2) the dues for the employee conforms to the applicable dues for employees of his classification at his point on the system.

**INTERNATIONAL ASSOCIATION OF MACHINISTS  
AND AEROSPACE WORKERS**

**AND**

**SOUTHWEST AIRLINES CO.**

**AUTHORIZATION FOR CHECK-OFF OF  
INITIATION FEE AND OF UNION DUES**

I hereby authorize the Company to deduct from my first full pay period the amount equivalent to fifty percent (50%) of the initiation fee as established and levied in accordance with the Constitution and Bylaws of the Union and to pay such amount directly to the designated officer of said Union.

Additionally, I authorize the Company to deduct from the second full pay period the amount equivalent to fifty percent (50%) of the initiation fee as established and levied in accordance with the Constitution and Bylaws of the Union and to pay such amount directly to the designated officer of said Union.

I further authorize the Company to deduct the amount equivalent to the monthly dues as established and levied in accordance with the Constitution and Bylaws of the Union and to pay such amount directly to the designated officer of said Union. Said dues shall be deducted from the third full pay period and every month thereafter.

Contributions or gifts to the Local Lodge and/or District Lodge 142 of the International Association of Machinists and Aerospace Workers are not tax deductible as charitable contributions for Federal income tax purposes. However, they may be tax deductible under other provisions of the Internal Revenue Code.

_____ Employee Clock Number	_____ Classification	
_____ Initiation Fee	_____ Monthly Dues	
_____ Employee Signature	_____ Date	
_____ Employee Name (Please Print)	_____ Station/Location	
_____ Home Address		
_____ City	_____ State	_____ Zip Code

For: INTERNATIONAL ASSOCIATION  
OF MACHINISTS & AEROSPACE  
WORKERS AIR TRANSPORT  
DISTRICT 142

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William O'Driscoll  
President and Directing General Chairman

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Thomas Higginbotham

---

Ann Liu

---

Julie Zuchowski

---

Otha McSwain

---

Dora Cervantes

---

Debbie Aven

For: SOUTHWEST AIRLINES CO.

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James F. Parker  
Vice Chairman and  
Chief Executive Officer

NEGOTIATING COMMITTEE:

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Jim Wimberly

---

John Denison

---

Ellen Torbert

---

Dave Ridley

---

Tammy Shaffer

---

Mike Ryan

---

Curt Carey

---

Shelly Ball

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Keila Selders

## **LETTER OF UNDERSTANDING NUMBER ONE**

Unless otherwise specifically provided, the implementation date of all provisions of this Agreement will be two days after the date of ratification.

Retroactive pay will be paid from November 1, 2002 no later than the first paycheck following thirty-two (32) days from the date of ratification.

The date of ratification ("DOR") was January 29, 2003.

## **LETTER OF UNDERSTANDING NUMBER TWO**

The Company agrees that all positions and work performed by the employees covered by this Agreement and in effect on the date of signing of this Agreement belong to the employees covered hereby, and that whenever the work is performed on the Company's system, it will be performed by Southwest Airlines employees covered by this Agreement. However, the parties agree that the Company may contract out work at any new station or location where facilities and equipment cannot be obtained.

At such time as the Company is able to obtain its own facilities and equipment, the Company will use Southwest employees covered by this Agreement. The Company shall not contract out work when such contracting out results in a reduction in force for any employee covered by this Agreement. One classification must be established at a new station under this Agreement.

### **LETTER OF UNDERSTANDING NUMBER THREE**

The Company shall continue the vision care insurance program which is presently available, the cost of which shall be borne by the employees.

## **LETTER OF UNDERSTANDING NUMBER FOUR**

Part-time Employees on the payroll as of the November 10, 1994 will continue to be covered by applicable Company-sponsored medical and dental plans after the completion of six (6) months of continuous service, as if they were full-time employees, as long as such person remains continuously employed as a part-time employee. If any such person at any time ceases to be a part-time employee covered by this Agreement, the right to such coverage shall terminate, and any future coverage shall be governed by applicable provisions of the then current agreement between the Company and the Union.

**LETTER OF UNDERSTANDING NUMBER FIVE**

This will confirm the understanding reached during negotiations leading up to the Agreement between the Company and the Union, regarding the applications of Article Fourteen, paragraph C. An employee's vacation will be adjusted to correspond with his regularly scheduled days off at the time of his vacation as per the examples listed.

Vacation Week Bid  
(9<sup>th</sup>-13<sup>th</sup>)

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

If regular days off are:

- SM Vacation starts on Tuesday the 10th
- MT Vacation starts on Wednesday the 11th
- TW Vacation starts on Thursday the 12th
- WT Vacation starts on Friday the 6th
- TF Vacation starts on Saturday the 7th
- FS Vacation starts on Sunday the 8th
- SS Vacation starts on Monday the 9th

## **LETTER OF AGREEMENT NUMBER SIX**

During the course of negotiations, the parties discussed the Reservations Agent job description as it relates to Source of Support (SOS) and Customer Relations Rapid Rewards. It is understood and agreed that it is not the intention of the Company to transfer any of the functions which have historically been performed for external Customers by Reservations Agents to Source of Support or Customer Relations Rapid Rewards.

It is further understood and agreed that the Company has always recognized that the best customer service is provided at the point of initial contact. Therefore, it is the Company's intent to provide Reservations Agents and Customer Service Agents with the necessary training and tools to provide quality customer service to our external customers.

## LETTER OF AGREEMENT NUMBER SEVEN

### HOLIDAY SCHEDULING

The two (2) Holidays observed by Ground Operations and Reservations Employees are Thanksgiving and Christmas. In accordance with the Southwest Airlines/IAM Contract, all Employees will receive a holiday bonus on these two (2) holidays in the amount equal to their regular compensation (full-time or part-time). Full time employees who work on the holiday will be paid time and one half for the first eight (8.0) hours plus 8 hours holiday pay. Part time employees who work on the holiday will be paid time and one-half for up to the first eight hours plus holiday pay.

Because of decreased call volume/flight activity on the holidays, we will reduce the work schedule to only the number of Employees required. In order to do this, a one-day bid will be awarded for each of the Thanksgiving and Christmas holidays. Probation Employees will be included in the holiday bid. If call volume/flight activity permits, the Company will release Employees from their holiday shift by seniority by shift, including probationary Employees.

The bid will be administered as follows:

1. The November/December bid will be put out during its normal time frame.
2. Bid the days off you want for the months of November/December, remembering Thanksgiving and Christmas fall during this bid period.
3. If the holiday falls on an Employees scheduled days off or vacation, they will not participate in the holiday bid, however, if a sufficient number of Employees per shift do not indicate a preference to work, the Company will cover any remaining shifts in reverse order of seniority of those regularly scheduled to work on that day.
4. A separate bid will be put out for Thanksgiving Day the first week in November. The bid will be awarded during the second week in November. A separate bid will be put out for Christmas Day the first week of December. The bid will be awarded during the second week of December.
5. There will be no trade restrictions after the Thanksgiving and Christmas day assignments are awarded.
6. If an Employee fails to submit a holiday bid and/or fails to submit enough holiday bid slot choices, a shift may be assigned.

**NOTE:** If full day LWOP is offered on days before or after the holiday, it will be awarded by seniority by shift.

## LETTER OF UNDERSTANDING NUMBER EIGHT

### California and Baltimore Pay Rates

A. On the date on which the Union advises the Company in writing that this Agreement has been ratified (“DOR”), the following hourly rates of pay shall be applicable to employees employed at stations in the state of California and in Baltimore (retroactive to November 1, 2002) for so long as such employee remains employed at a station in California or Baltimore:

Customer Service Agent

*Effective November 1 of the years noted below*

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
1 <sup>st</sup> Year	\$ 9.66			
Step 1	10.31	10.71		
Step 2	10.97	11.94	11.94	
Step 3	11.27	12.53	12.90	13.99

B. Upon completion of the employee’s fourth year of service with the Company, the employee shall progress to Step 4 and thereafter as set forth in Article Twenty-Seven, paragraph M.

In the event the employee transfers to a non-California and a non-Baltimore location, the provisions set forth herein will not apply, and the applicable hourly rate of pay will be determined based on the provisions of Article Twenty-Seven, paragraph M.

C. Employees who are hired after (the “DOR”) shall be paid in accordance with Article Twenty-Seven, paragraph M.

## **LETTER OF UNDERSTANDING NUMBER NINE**

### **Implementation of Bilingual Agent Bid**

This will confirm the understanding reached during negotiations leading up to the Agreement between the Company and the Union regarding the implementation of the bilingual agent bid as outlined in Letter of Agreement Number Ten:

- 1) The bilingual agent bid will be implemented as soon as practical following ratification of this agreement.
- 2) The Company and the Union will mutually agree upon the criteria for determining whether Agents are language qualified.
- 3) Within one bid period following implementation, Agents who bid into the bilingual agent bid will have the option to return to general sales.
- 4) Awarded vacation bid for the 2003 calendar year will remain in effect. For the 2004 calendar year, vacations will be bid and awarded as outlined in Letter of Agreement Number Ten.
- 5) Upon ratification of this agreement, designees from both parties will meet as necessary to discuss and attempt to resolve any issues concerning the bilingual agent bid. Agendas will be exchanged between the parties prior to the meeting in order to facilitate the discussions.

## LETTER OF AGREEMENT NUMBER TEN

### Bilingual Agent Bid

During the course of negotiations the parties recognized the importance of bilingual service to the growth of Southwest Airlines and its employees. As such, the parties have agreed to establish a bilingual agent bid within the Reservations Agent classification at designated Reservations Center(s) for the purpose of providing quality customer service to our bilingual speaking customers.

This will confirm the understanding reached during negotiations leading up to the agreement between the Company and the Union:

- 1) There will be established within the Reservation Agent classification, a bilingual agent bid at designated Reservations Center(s).
- 2) The Company will be responsible for determining the designated Reservations Center(s), the hours of operation and the staffing needs necessary to accommodate our bilingual speaking customer needs.
- 3) To be eligible for the bilingual agent bid, Reservations Agents shall be language qualified. Language qualified Agents are defined as those employees who have met the criteria for bilingual proficiency. Bilingual Agents are defined as those language qualified agents who are in the bilingual agent bid.
- 4) Except as set forth herein, the provisions of the basic collective bargaining agreement between the parties and all other applicable Company/Department guidelines will apply.
- 5) Bilingual Agents will be expected to perform the full range of duties regularly assigned to Agents in the Reservation Agent classification.
- 6) Agents in the bilingual agent bid will be responsible for handling bilingual call volume as the priority assignment.
- 7) Bilingual Agents will bid their work schedules, vacations, DFOC's and holiday bids separately from the general reservations area at the respective Center(s).
- 8) Overtime assignments will be awarded and paid at the designated Reservations Center(s) as outlined in Article Seven of this Agreement, however, overtime needs will be filled first within the bilingual agent bid at the Reservation Center(s) and second to any language-qualified Agent outside of the bid at the Reservation Center(s).

- 9) Bilingual Agents may sign up for overtime in the general reservations area if overtime is not available within the bilingual agent bid. Bilingual Agents will be last in the order of assignment for general sales overtime as outlined in Article Seven of this Agreement.
- 10) All trading options outlined in Article Six of this Agreement will be applicable only within the bilingual agent bid. In addition, bilingual Agents will be eligible to pick-up shifts in general sales, less the bilingual premium.
- 11) When a full-time or part-time vacancy occurs within the bilingual agent bid it will be filled in the following order:
  - a.) Bilingual Agents in the bilingual agent bid within that Center desiring to change status.
  - b.) Language qualified Agents in the same status (i.e. full-time or part-time) within that Center.
  - c.) Language qualified Agents desiring to change status within that Center.
  - d.) Language qualified Agents in the same status (i.e. full-time or part-time) from the Reservations Department.
  - e.) Language qualified Agents desiring to change status from the Reservations Department.
  - f.) Language-qualified Customer Service Agents, per Article Eleven Paragraph H of this Agreement.
  - g.) New hire employees.
- 12) Agents moving to and/or from the bilingual agent bid cannot disrupt the vacation schedule already bid, but may exercise their seniority at that time to bid for whatever periods are available.
- 13) In the event of a reduction of force, seniority shall be used in accordance with Article Fifteen of this Agreement.
- 14) Agents within the bilingual agent bid will be paid at a rate of \$1.00 per hour over and above the applicable rate of pay for Reservations Agents as outlined in Article Twenty-Seven of this Agreement.
- 15) LWOP will be awarded within the bilingual agent bid as outlined in Article Four of this Agreement; however, if general reservations is not adequately staffed to handle the daily call volume, Agents within the bilingual agent bid will assist with those calls before LWOP is awarded.

- 16) Designees from both parties will meet as necessary to discuss and attempt to resolve any issues concerning the bilingual agent bid. Agendas will be exchanged between the parties prior to the meetings in order to facilitate the discussions.

## **LETTER OF AGREEMENT NUMBER ELEVEN**

Where Skycap service is provided at airports by Southwest Airlines Employees, Customer Service Agents will be responsible for curbside Customer checkin.

The Company will implement this side letter within 90 days of date of ratification.

During the term of this Agreement, the Company and the Union will develop an implementation plan for those airports where Skycap service is provided by independent contractors. Both parties recognize the existing contractual obligations the Company must honor and will work towards having Customer Service Agents provide curbside checkin at these airports.

## **LETTER OF AGREEMENT NUMBER TWELVE**

A Customer Service Agent required to take an early or late lunch (i.e. before the third hour and after the fifth hour) will be paid an additional one-half hour at the straight time rate. A Customer Service Agent required to forego their lunch period will be paid an additional one-half hour at the rate of time and one-half. Where one-hour lunch periods are scheduled, the Customer Service Agent will be paid at the applicable straight time or time and one-half rate.

## **LETTER OF AGREEMENT NUMBER THIRTEEN**

A supplemental cancer insurance program shall be available for employees to purchase at their own expense through payroll deductions.

This cancer insurance plan is strictly voluntary and furnished through an underwriter and administrator selected by the Union. The Company shall provide reasonable accommodations for work site enrollment during a designated enrollment period.

## **LETTER OF AGREEMENT FOURTEEN**

### **Age 55 Retiree Health Care Coverage**

As of 1/1/06, the Company will allow a covered Employee retiring at or after Age 55, with at least 15 years of credited service in a classification covered by this Agreement and at least 1,200 credited hours of sick leave available, to:

- 1) Utilize any provision of the current contract for which they are eligible; or
- 2) Elect to be covered by Medical Plan C and Basic Dental for the entire duration of retirement coverage to Age 65, in which case the covered Employee may trade unused credited sick leave for continued medical coverage at the rate of one month's coverage for each 20 hours of accrued sick pay. If the covered Employee elects this option, but does not have enough credited sick leave to cover the entire period of retirement to Age 65, the covered Employee may purchase continued health care coverage by payment of the age-banded actuarial cost of coverage for Medical Plan C and Basic Dental. The Employee may choose to take, or not to take, Basic Dental.

# SOUTHWEST AIRLINES CO.

## 2002 CUSTOMER SERVICE/RESERVATIONS NON-QUALIFIED STOCK OPTION PLAN

SOUTHWEST AIRLINES CO., a Texas corporation (the "Company"), hereby formulates and adopts the following 2002 Customer Service/Reservations Non-Qualified Stock Option Plan.

1. **Purpose.** This Plan is adopted in support of the Collective Bargaining Agreement between the Company and the International Association of Machinists and Aerospace Workers, AFL-CIO, representing the class and craft of employees recognized by the Railway Labor Act as being Customer Service employees of the Company ("IAM"). The Company anticipates an extension of the current Agreement in a revised agreement (the "Agreement") pursuant to negotiations currently underway.

2. **Administration.** This Plan shall be administered by an Administrative Committee (the "Committee") consisting of not more than five (5) persons designated from time to time by the Chief Executive Officer of the Company. Members of the Committee may be removed or replaced at any time by the Chief Executive Officer of the Company. The Administrative Committee shall select one of its members as Chairman and shall adopt such rules and regulations as it shall deem appropriate concerning the holding of its meetings, the transaction of its business and the administration of this Plan. A majority of the whole Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee; any decision or determination reduced to writing and signed by a majority of the members of the Administrative Committee shall be fully as effective as if made by a majority vote at a meeting duly called and held.

### **3. Grant of Options; Persons Eligible.**

(a) **Persons Eligible.** The Stock Option Committee of the Board of Directors of the Company, or such other committee as may be appointed by the Board, shall have the authority and responsibility, within the limitations of this Plan, to grant options from time to time to persons employed as Customer Service Agents or Reservation Sales Agents by the Company pursuant to the Agreement, or at the option of the Company, as Supervisory Employees in the Ground Operations or Reservations Depts., and as set forth in the schedule to be attached as Exhibit A and made a part hereof. Only persons who are employed as Customer Service Agents or Reservation Sales Agents of the Company, or at the option of the Company, as Supervisory

Employees in the Ground Operations or Reservations Depts. on the date of the grant may be granted options under this Plan; under no circumstances shall officers of the Company be eligible to receive options hereunder.

(b) Grant Price. Options shall be granted at an exercise price equal to the fair market value of the Common Stock of the Company on the date of the grant of the option with initial grants on the date of ratification of the Agreement.

(c) Southwest Airlines Employees Joining the IAM. Southwest Airlines Employees who enter the work force subject to the Agreement without a break in company service and who are participants in another stock option plan (an "existing plan") will retain any vested and unexercised options granted with such existing plan. The Employee must choose to either retain unvested stock option grants established in accordance with such existing plan (if permitted by such other plan), or will receive grants in accordance with this Plan, whichever is chosen by the Employee involved, but the Employee shall not hold grants under both plans simultaneously (other than vested and unexercised options in such existing plan). The Employee must make the election prior to the scheduled grant date for options under this Plan. If the Employee does not make a timely election, options previously granted will remain in effect, and no grant will be made under this Plan. Exercise of options will be done in accordance with the Plan under which they were awarded. At such time as the Employee no longer holds any vested or unvested options under the other existing plan, the Employee will receive an initial grant under this Plan on the next scheduled grant date. Employees who enter the IAM work force prior to the initial grant date of options under this Plan must make the election within 60 days of the date of ratification of the Agreement.

(d) Transferring to Another Work Group. If an Optionee transfers to another work group (other than a supervisory, management, or union position related to the functions covered by this Agreement), any unvested portion of any option granted in accordance with this Plan, shall automatically and without notice terminate and become null and void as of the first day such Optionee is on the payroll for such position. Any vested and unexercised portion of any such option shall remain exercisable under this Plan.

4. Definitions. An Employee receiving any option under this Plan is referred to herein as an "Optionee." Any reference herein to the employment of an Optionee with the Company shall include only employment with the Company. The fair market value of the Common Stock on any day shall be the mean between the highest and lowest quoted selling prices of the Common Stock on such day as reported by the primary national stock exchange on which such stock is listed. If no sale shall have been made on that day, or if the Common Stock is not listed on a national exchange at that time, fair market value will be determined by the Committee. If the date of grant is not a business day, the grant price will be calculated using the immediately preceding business day.

5. **Stock Subject to Options.** Subject to the provisions of paragraph 12, the number of shares of the Company's Common Stock subject at any one time to options, plus the number of such shares then outstanding pursuant to exercises of options, granted under this Plan, shall not exceed 22,000,000 shares. If, and to the extent the options granted under this Plan terminate or expire without having been exercised, new options may be granted with respect to the shares covered by such terminated or expired options; provided that the granting and terms of such new options shall in all respects comply with the provisions of this Plan.

Shares sold or distributed upon the exercise of any option granted under this Plan may be shares of the Company's authorized and unissued Common Stock, shares of the Company's issued Common Stock held in the Company's treasury, or both.

There shall be reserved at all times for sale or distribution under this Plan a number of shares of Common Stock (either authorized and unissued shares or shares held in the Company's treasury, or both) equal to the maximum number of shares which may be purchased or distributed upon the exercise of options granted under this Plan.

Exercise of an Option in any manner shall result in a decrease in the number of shares of Common Stock which may thereafter be available, both for purposes of this Plan and for sale to any one individual, by the number of shares as to which the Option is exercised.

6. **Expiration and Termination of the Plan.** This Plan will expire on the earlier of (a) April 30, 2009 except as to any options then outstanding under this Plan, which shall remain in effect until they have been exercised or expired or (b) such earlier date as may be agreed upon in the Agreement.

No modification, extension, renewal or other change in any option granted under this Plan shall be made after the grant of such option unless the same is consistent with the provisions of this Plan.

7. **Exercisability and Duration of Options.**

(a) **Exercisability.** Options granted under this Plan shall become exercisable pursuant to the vesting schedule and requirements set forth in Exhibit A to be attached hereto.

(b) Duration. The unexercised portion of any option granted under this Plan shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(1) November 1, 2012;

(2) The expiration of three months from the date of termination of the Optionee's employment with the Company (unless such termination was as a result of the circumstances set forth in subparagraph (3) below); provided that if the Optionee shall die during such 3-month period the provisions of subparagraph (3) below shall apply;

(3) The expiration of 12 months from the Optionee's death, if the Optionee's death occurs either during his employment with the Company or during the three-month period following the date of termination of such employment; or

(4) Such other date as may be set forth in Exhibit A to be set forth hereto.

In the case of subparagraphs (2) and (3) above, the Optionee shall have the right to exercise any Option prior to such expiration to the extent it was exercisable at the date of such termination of employment and shall not have been exercised.

## 8. Exercise of Options.

(a) Procedure. The option granted herein shall be exercised by the Optionee (or by the person who acquires such options by will or the laws of descent and distribution or otherwise by reason of the death of the Optionee) as to all or part of the shares covered by the option by giving notice of the exercise thereof (the "Notice") to the Company. From time to time the Committee may establish procedures relating to effecting such exercises. No fractional shares shall be issued as a result of exercising an Option.

(b) Payment. In the Notice, the Optionee shall elect whether he or she is to pay for his or her shares in cash or in Common Stock of the Company, or both. If payment is to be made in cash, the Optionee shall deliver to the Company funds in the amount of the exercise price on or before the exercise date. If payment is to be made in Common Stock, (a) it shall be valued at its fair market value on the date of such notice, as determined pursuant to Paragraph 4 hereof; (b) such Common Stock must have been owned by the Optionee for at least six months prior to the exercise date; and (c) the Notice shall be accompanied by documentation as proof of ownership for the number of shares of Common Stock to be used as payment.

(c) Irrevocable Election. The giving of such notice to the Company shall constitute an irrevocable election to purchase the number of shares specified in the notice on the date specified in the notice.

(d) Withholding Taxes. To the extent that the exercise of any Option granted pursuant to this Plan or the disposition of shares of Common Stock acquired by exercise of an Option results in compensation income to the Optionee for federal or state income tax purposes, the Optionee shall deliver to the Company at the time of such exercise or disposition such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if the Optionee fails to do so, the Company is authorized to (a) withhold delivery of certificates upon exercise and (b) withhold from remuneration then or thereafter payable to Optionee any tax required to be withheld by reason of such resulting compensation income.

(e) Delivery of Shares. The Company shall cause shares to be delivered to the Optionee (or the person exercising the Optionee's options in the event of death) as soon as practicable after the exercise date.

9. Nontransferability of Options. No option granted under this Plan or any right evidenced thereby shall be transferable by the Optionee other than by will or the laws of descent and distribution. During the lifetime of an Optionee, only the Optionee (or his or her guardian or legal representative) may exercise his or her options.

In the event of the Optionee's death during his or her employment with the Company, or during the three-month period following the date of termination of such employment, the Optionee's options shall thereafter be exercisable by his or her executor or administrator, or by the person who acquires such options by will or the laws of descent and distribution or otherwise by reason of the death of the Optionee.

10. Rights of Optionee. Neither the Optionee nor his or her executors, administrators, or legal representatives shall have any of the rights of a Shareholder of the Company with respect to the shares subject to an option granted under this Plan until certificates for such shares shall have been issued upon the exercise of such option.

11. Right to Terminate Employment. Nothing in this Plan or in any option granted under this Plan shall confer upon any Optionee the right to continue in the employment of the Company or affect the right of the Company or any of its subsidiaries to terminate the Optionee's employment at any time; subject, however, to the provisions of the Agreement.

12. **Adjustment Upon Changes in Capitalization, Etc.**

(a) The existence of the Plan and the options granted hereunder shall not affect in any way the right or power of the Board of Directors or the Shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) The shares with respect to which options may be granted are shares of Common Stock as presently constituted, but if, and whenever, prior to the expiration of an option theretofore granted, the Company shall effect a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend on Common Stock without receipt of consideration by the Company, the number of shares of Common Stock with respect to which such option may thereafter be exercised (i) in the event of an increase in the number of outstanding shares shall be proportionately increased, and the purchase price per share shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding shares shall be proportionately reduced, and the purchase price per share shall be proportionately increased; likewise, the number of shares to be granted pursuant to the schedule to be set forth in Exhibit A shall be appropriately adjusted. In the event of any such change in the outstanding Common Stock, the aggregate number of shares available under the Plan shall be appropriately adjusted by the Board of Directors of the Company, whose determination shall be conclusive.

(c) If the Company recapitalizes or otherwise changes its capital structure, thereafter upon any exercise of an option theretofore granted the Optionee shall be entitled to purchase under such option, in lieu of the number of shares of Common Stock as to which such option shall then be exercisable, the number and class of shares of stock and securities to which the Optionee would have been entitled pursuant to the terms of the recapitalization if, immediately prior to such recapitalization, the Optionee had been the holder of record of the number of shares of Common Stock as to which such option is then exercisable. If the Company shall not be the surviving entity in any merger or consolidation (or survives only as a subsidiary of an entity other than a previously wholly-owned subsidiary of the Company) or if the Company is to be dissolved or liquidated, then unless a surviving corporation assumes or substitutes new options for Options then outstanding hereunder (i) the time at which such Options may be exercised shall be accelerated and such Options shall become exercisable in full on or before a date fixed by the Company prior to the effective date of such merger or consolidation or such dissolution or liquidation, and (ii) upon such effective date Options shall expire.

(d) Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to options theretofore granted or to be granted or the purchase price per share.

13. **Purchase for Investment and Legality.** The Optionee, by acceptance of any option granted under this Plan, shall represent and warrant to the Company that the purchase or receipt of shares of Common Stock upon the exercise thereof shall be for investment and not with a view to distribution, provided that such representation and warranty shall be inoperative if, in the opinion of counsel to the Company, a proposed sale or distribution of such shares is pursuant to an applicable effective registration statement under the Securities Act of 1933 or is, without such representation and warranty, exempt from registration under such Act. The Company shall file a Registration Statement on Form S-8 pursuant to the Securities Act of 1933, as amended, covering the shares to be offered pursuant to the Plan and will use its best efforts to maintain such registration at all times necessary to permit holders of options to exercise them.

The obligation of the Company to issue shares upon the exercise of an option shall also be subject as conditions precedent to compliance with applicable provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, state securities laws, rules and regulations under any of the foregoing and applicable requirements of any securities exchange upon which the Company's securities shall be listed.

The Company may endorse an appropriate legend referring to the foregoing restrictions upon the certificate or certificates representing any shares issued or transferred to the Optionee upon the exercise of any option granted under this Plan.

14. **Effective Date of Plan; Amendments.** This Plan shall become effective upon its adoption by the Board of Directors of the Company; provided, however, if a tentative agreement for the Agreement has not been reached between the Company and the IAM on or before December 30, 2002, at the option of the Company, this Plan shall be null and void and provided, further, if the Agreement is not ratified by IAM on or before January 31, 2003, this Plan shall be null and void in any event. Prior to a Tentative Agreement described in the preceding sentence, this Plan may be amended by the Board of Directors of the Company.

## Exhibit A

### Initial Stock Option Grants and Vesting

On the date of ratification of Collective Bargaining Agreement (the “Agreement”) between the Company and the International Association of Machinists and Aerospace Workers, AFL-CIO, representing the class and craft of Employees recognized by the Railway Labor Act as being Customer Service Employees of the Company (“IAM”), options will be granted to persons employed as Customer Service Agents and Reservation Sales Agents by the Company according to the following schedule, and vesting as shown below.

Seniority 11/1/02	Shares Vesting DOR	Shares Vesting 11/1/03	Shares Vesting 11/1/04	Shares Vesting 11/1/05	Shares Vesting 11/1/06	Shares Vesting 11/1/07	Total
1 <sup>st</sup> Year*	175	200	225	175	350	400	1,525
Step 1	200	225	250	200	400	450	1,725
Step 2	225	250	275	225	450	500	1,925
Step 3	250	275	300	250	500	550	2,125
Step 4	275	300	325	275	550	600	2,325
Step 5	300	325	350	300	600	650	2,525
Step 6	325	350	375	325	650	700	2,725
Step 7	350	375	400	350	700	700	2,875
Step 8	375	400	450	375	700	700	3,000
Step 9	400	450	500	400	700	700	3,150
Step 10	450	500	500	450	700	700	3,300
Step 11-14	450	500	500	500	700+	700+	3,400+

\* Granted upon completion of probation.

+ Add 10 shares for every year of service completed above 11 years as of the vesting date.

Example: An Employee who has completed 20 years of service as of 11/1/06 would receive a total grant of 3,590 shares, with 790 shares vesting 11/1/06 and 800 shares vesting on 11/1/07.

## **Subsequent Grants**

Options will be granted to persons employed by the Company after November 1, 2002 who are covered by the Agreement. Grants will be made upon completion of probation, at the then applicable Fair Market Value. Options will vest annually as follows:

Hire Date	Vesting 11/1/03	Vesting 11/1/04	Vesting 11/1/05	Vesting 11/1/06	Vesting 11/1/07	Total
11/1/02 – 10/31/03	175	200	175	300	350	1,200
11/1/03 – 10/31/04		175	175	250	300	900
11/1/04 – 10/31/05			175	200	250	625
11/1/05 – 10/31/06**				200	200	400
11/1/06 – 10/31/07**					200***	200
11/1/07 – 10/31/08**					175***	175

\*\* Grants scheduled to be made on and after 11/1/06 will not be granted if IAM makes the contract amendable as of 11/1/06.

\*\*\*Grants made after 11/1/07 will vest immediately upon the grant.

## **Vesting Requirements**

Options will vest on the applicable vesting date under the following circumstances, and no other:

For shares vesting on the Date of Ratification, the Optionee must be an Employee of the Company and on the IAM seniority list and either (a) on active status on the Date of Ratification or (b) on paid status for at least 1000 hours during the 12 months immediately preceding the Date of Ratification or, alternatively (c) the shares will vest upon the Employee's completion of 1,000 hours on paid status during the 12 month period immediately following the Date of Ratification.

For shares vesting after the Date of Ratification, the Optionee must be an Employee of the Company and on the IAM seniority list as of the applicable vesting date, and have been on paid status for at least 1000 hours during the 12 months immediately preceding the vesting date, and the options shall vest on the applicable vesting date. Options for Employees of the Company who are on the IAM seniority list as of the applicable vesting date, but who were not on paid status for at least 1,000 hours during the 12 months immediately preceding the vesting date, will vest upon the Employee's completion of 1,000 hours on paid status during the 12 month period immediately following the vesting date. If such Optionee is not on paid status for 1,000 hours during such 12 month period, the options will be canceled.

### **Early Termination of the Agreement**

Notwithstanding any other term of this Plan, in the event the IAM exercises its option to make the Agreement amendable as of October 31, 2006, no options shall vest on or after October 31, 2006, in which case options vesting on November 1, 2006 and thereafter would be canceled.