

LETTER OF AGREEMENT
Between
CONTINENTAL AIRLINES, INC.
and
THE AIR LINE PILOTS
in the service of
CONTINENTAL AIRLINES, INC.,
as represented by
THE AIR LINE PILOTS ASSOCIATION, INTERNATIONAL
Regarding
Furlough Mitigation

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between Continental Airlines, Inc. (“the Company” or “Continental”) and the airline pilots in the service of Continental Airlines, Inc. as represented by the Air Line Pilots Association, International (“the Association” or “ALPA”) (hereinafter referred to jointly as “the parties”).

WHEREAS, economic conditions and the sudden and dramatic increase in the price of jet fuel have forced implementation of significant reductions to Continental’s aircraft fleet and flight schedules starting at the end of the peak summer travel season, and

WHEREAS, the parties desire to work cooperatively to solve such difficult problems by arriving at joint solutions that are in the best interests of all of the parties, and

WHEREAS, the parties mutually desire to mitigate as many furloughs as possible, and

WHEREAS, the parties believe that the following programs will have the desired effect of mitigating some, if not all furloughs,

NOW, THEREFORE, Continental and the Association hereby mutually agree as follows:

Enhanced Retirement Window (“ERW”)

- A. Pilots and flight instructors (“Pilots”) covered by the CBA who are actively employed by Continental as of June 23, 2008, and who are eligible for early or normal retirement, or who will become eligible for early or normal retirement by November 30, 2008, under the terms of the Continental Pilots Retirement Plan (CPRP), shall be eligible to bid for participation in the ERW Plan and if their bid is awarded to receive supplemental severance payments and benefits as set forth below.
- B. Pilots who are on Family/Medical Leave or Military Leave will also be eligible to participate in the ERW. However, the Company will review bids for participation from Pilots who are on other leaves of absence on a case-by-case basis.
- C. Pilots who have notified the Company of their intent to retire, but who have not yet reached their retirement date will be eligible to bid for the ERW provided they meet the requirements of the ERW program.

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- D. Eligible Pilots wishing to participate in the ERW must submit their bids no later than August 08, 2008. Elections to participate shall become irrevocable after August 15, 2008.
- E. Eligible Pilots wishing to participate shall indicate in their bid the minimum supplemental severance payment that they will accept to participate in the ERW in exchange for a waiver and release. The amount of the supplemental severance payments will be determined by the total number of participants granted ERW awards, as follows:

<u>Level</u>	<u>Number of Awards</u>	<u>Supplemental Severance Amount</u>
	0 - 75	None
One	76 - 100	\$50,000.00
Two	101 - 150	\$60,000.00
Three	151 - 200	\$75,000.00
Four	201 - 250	\$90,000.00
Five	251 - 300	\$100,000.00

- F. Supplemental severance payments due to participants will be payable in equal installments over twenty-four (24) months, beginning on the first regular Continental pilot payday which occurs thirty (30) days following the date of severance, and shall be subject to applicable taxes, withholdings, repayments, obligations, offsets, charges or other customary deductions. Supplemental Severance Payments will not be eligible for deferral to the Continental Pilots 401(k) Plan or for Company Contributions pursuant to the Continental Pilots Defined Contribution Plan.
- G. All participants whose bids are awarded will receive payment at the level designated by the total bids awarded. For example, a bid for level four will not be awarded unless at least 200 other bidders have submitted bids at levels one through four, while a bid at level two will not be awarded unless at least 100 other bidders have bid at levels one or two. Additional illustrative examples follow:

Example 1:

Bids are received as follows:

<i>Level 1</i>	<i>76 pilots</i>
<i>Level 2</i>	<i>15 pilots</i>
<i>Level 3</i>	<i>0 pilots</i>
<i>Level 4</i>	<i>0 pilots</i>
<i>Level 5</i>	<i>10 pilots</i>

Only the 76 pilots who bid for Level 1 will be awarded inclusion in the ERW and they will each receive \$50,000. The 76 Pilots who elected Level One will receive supplemental severance payments at Level One (\$50,000) because the Level One threshold (76) has been met. The 15 Pilots who elected Level Two will not participate in the ERW because less than 101 Pilots elected to participate at Levels One and Two

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combined. Similarly, the Pilots who elected Level Five will not participate in the ERW because the threshold for that level (251) was not met.

Example 2:

Bids are received as follows:

<i>Level 1</i>	<i>50 pilots</i>
<i>Level 2</i>	<i>70 pilots</i>
<i>Level 3 and above</i>	<i>no pilots</i>

All 120 pilots will be awarded inclusion in the ERW and all will receive \$60,000 (even the 50 who only bid for Level 1). If, in this example, 31 additional Pilots elected to participate at Level One, Two or Three then all 151 Pilots would receive supplemental severance payments at Level Three (\$75,000) because the Level Three threshold (151) would have been reached.

Example 3:

Bids are received as follows:

<i>Level 1</i>	<i>45 pilots</i>
<i>Level 2</i>	<i>35 pilots</i>
<i>Level 3</i>	<i>75 pilots</i>
<i>Level 4</i>	<i>25 pilots</i>
<i>Level 5</i>	<i>no pilots</i>

This one is more complex. We start at the highest level and work backwards.

Level 5 is obviously not included. The total number of bids for Level 4 and below is 180 pilots, but since Level 4 requires 201 pilots, no one will receive Level 4 payments and those pilots who bid for Level 4 will not be included.

Level 3 and below total bidders is 155 pilots. Since Level 3 has a minimum of 151 pilots then this is the Level of payment (\$75,000) that all pilots who bid for Level 3 **and below** will receive. The 25 Pilots who elected Level Four will not participate in the ERW because the Level Four threshold (201) has not been met.

Example 4:

Bids are received as follows:

<i>Level 1</i>	<i>250 pilots</i>
<i>Level 5</i>	<i>1 pilot</i>

All 251 pilots would receive the Level 5 payments (\$100,000) even though only 1 of the 251 bid it due to the amount of total bidders. However if one less pilot had bid, then all 250 pilots would receive Level 4 payments (\$90,000).

Example 5:

Bids are received as follows:

<i>Level 1</i>	<i>1 pilot</i>
<i>Level 5</i>	<i>250 pilots</i>

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All 251 pilots would receive the Level 5 benefits; however, if any one pilot had not bid then the other 250 pilots would not receive anything because the minimum of 251 bidders for Level 5 had not been reached and neither had the minimum number of 76 bidders for Level 1.

- H. No later than August 16, 2008 the Company will determine which level of participation has been achieved, and will promptly notify all participants whether their bid has been awarded.
- I. The Company shall not be obligated to award more than three hundred (300) ERW awards. Should participation be limited, awards that are granted will be granted to the most senior eligible applicants. Further, due to operational constraints, the Company shall not be obligated to award ERWs to more than twelve (12) 777 Captains and fifty-five (55) 756 Captains unless they are willing to accept a retirement date beyond November 30, 2008.
- J. Regardless of the actual effective date of the bid, October, November, and December, 2008 will be regarded as the three (3) bid periods prior to the effective date of the bid for purposes of the application of Section 24.Part 3.E.6 of the CBA so long as the assignment of training does not result in the involuntary cancellation of previously bid and awarded vacation.
- K. Pilots not awarded participation in the ERW will remain eligible to participate in the "Summer 2008 Early Out Program," subject to all the terms and conditions of that Program.
- L. Except as provided for in paragraph I above, the retirement date for each participant shall be no earlier than August 30, 2008 and no later than November 30, 2008. Continental will determine the date of retirement for each participant in the ERW Plan, and shall provide no less than thirty (30) days notice of such date to the participant. Requests for specific retirement dates will be considered based upon seniority and staffing requirements. Pilots participating in the ERW Plan must resign permanently from the Company and will not be eligible for rehire. Pilots participating in the ERW Plan will not receive any other furlough, COLA or severance benefits.
- M. Participants in the ERW will not be required to give any other notice of intent to retire, including pursuant to Section 27, Part 6.A.1.b, of the CBA.
- N. Any Pilot who retires, resigns or is terminated for cause prior to the ERW date established by Continental will cease participation in, and forego any entitlement to payments or benefits under, the ERW.
- O. Notwithstanding Section 27, Part 6.A.1.b of the CBA, referencing the mandatory retirement age at the time the CBA was executed, it is hereby agreed that the language was intended to provide, and shall be understood to mean, that a pilot who retires six months or more before reaching mandatory retirement age must provide the Company with six (6) months advance notice of retirement to be eligible for retiree health benefits; provided, however, that the Company will waive all or a portion of the advance notice period, if operationally feasible, in order of seniority by Base, Equipment and Status. If

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the pilot has provided the required advance notice of retirement and later withdraws such notice, the pilot will be ineligible for retiree medical benefits if he retires six months or more before reaching mandatory retirement age.

Company Offered Leaves of Absence in Mitigation of Furloughs

- A. Beginning on June 26, 2008, Continental will post an offer of Company Offered Leaves of Absence (COLA). Applications for COLA will be accepted through August 8, 2008, and will be awarded no later than August 16, 2008. The start date for each COLA shall be no earlier than August 30, 2008. Continental will determine the start date for each COLA participant, and shall provide no less than thirty (30) days notice of such date to the participant. Requests for start dates other than the date determined by the Company will be considered based upon seniority and staffing requirements. Pilots subject to furlough are not COLA eligible.
- B. In the event of an operational conflict between the ERW and COLAs, the ERW shall prevail.
- C. The duration of the COLA shall be for a minimum of eighteen (18) months. However, pilots who are awarded a COLA will have a guaranteed right to extensions of either their COLA or, if COLA extensions become unavailable, a PLA until April 30, 2012 in accordance with the extension provisions below.
- D. COLAs up to the projected number of pilots to be furloughed will be granted in system seniority order to pilots who apply and are not projected to be a double bid pilot due to leave of absence. Pilots who are projected to be a double bid pilot due to leave of absence may be considered for a COLA on a case-by-case basis.
- E. Once awarded, requests for COLA may not be withdrawn.
- F. Pilots on COLAs or PLAs pursuant to this Agreement are free to accept outside employment during the term of their COLA and/or PLA.
- G. Extensions
 - 1. Pilots awarded COLAs must indicate their desire for extension by notifying the Company prior to each System Bid in such manner as the Company directs. COLA extensions shall extend to the effective date of the bid and shall be granted to pilots whose COLA extension prevents the furlough or allows the recall of another pilot, on a one-for-one basis, measured concurrently with the award of each System Bid.
 - 2. Pilots on COLA whose return at the expiration of the COLA would not prevent the furlough or allow the recall of another pilot, on a one-for-one basis, shall have the right to request, and will be granted, Personal Leaves of Absence (PLAs) effective at the end of their COLAs. PLAs will not be extended beyond April 30, 2012 except at the Company's sole discretion.
- H. All benefits (Seniority, Longevity, Benefits, Return to Work) will be provided for as listed in the CBA - Section 13, Part 3, COLA, for COLA's and COLA extensions and Section 13, Part 1, Personal Leave for Personal Leave extensions, unless specifically modified in this LOA.

Scheduling Modifications

- A. At such time as the most recent system bid contains no furlough awards, the Scheduling modifications herein shall no longer apply.
- B. The Line Production Average (“LPA”), as defined in paragraph F.2.a of the PBS Implementation LOA may not, during any future rolling twelve (12) months, exceed an average of eighty-two hours and thirty minutes (82:30) (excluding VRF credit and LTVRF pilots).
- C. Each month the LPA will be set in each BES at no more than eighty-six hours (86:00) and no less than seventy-six hours (76:00).
- D. The Line Construction Range (“LCR”) shall be plus or minus five hours (5:00) from the LPA established within each BES, except the LCR for an LPA above eighty-five hours (85:00) shall be set at eighty hours (80:00) to ninety hours (90:00), and the LCR for an LPA below seventy-seven hours (77:00) shall be set at seventy-two hours (72:00) to eighty-two hours (82:00).
- E. VRF offerings will be for either seven (7) days or eleven (11) days. (VRF awards are treated as if they are unpaid vacations.)
- F. The fifty-five (55) hour minimum in Section 25, Part 10.A.6 will not apply. A pilot scheduled for less than forty hours (40:00) of credited time (e.g., flight time, training, deadhead, vacation, and/or reserve guarantee) in a bid period shall receive fifty percent (50%) of sick leave and vacation accrual for that bid month. The vacation accrual is illustrated in the following table:

Normal Annual Accrual:	14	21	28	35	42	44
Months @ less than 40 Hours	ADJUSTED ANNUAL VACATION ACCRUAL					
1	13	20	27	34	40	42
2	13	19	26	32	39	40
3	12	18	25	31	37	39
4	12	18	23	29	35	37
5	11	17	22	28	33	35
6	11	16	21	26	32	33
7	10	15	20	25	30	31
8	9	14	19	23	28	29
9	9	13	18	22	26	28
10	8	12	16	20	25	26
11	8	11	15	19	23	24
12	7	11	14	18	21	22

- G. Long-Term Voluntary Reduced Flying (“LTVRF”)
 - 1. Prior to the award of the first System Bid immediately following the execution of this LOA (the “Reduction Bid”), pilots will be offered an opportunity to elect an LTVRF. Such election may be made conditional on the pilot’s specific BES awarded on the Reduction Bid.

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2. The Company need only award LTVRFs in multiples of four (4) within any specific BES.
3. For each multiple of four (4) LTVRFs awarded in a BES, one additional position shall be included in that BES in the award of the Reduction Bid.
4. Once awarded, requests for LTVRF may not be withdrawn.
5. Beginning as early as the October, 2008 Bid Period and continuing for eighteen (18) Bid Periods:
 - a. An LTVRF pilot shall have a PBC set at a value equal to seventy-five percent (75%), rounded up to the next whole hour, of the Line Construction Cap for his BES.
 - b. An LTVRF Reserve pilot shall be awarded fourteen (14) Reserve Days in each Bid Period, with ten (10) Immovable Days Off. If an LTVRF Reserve pilot is unavailable for any portion of a Bid Period, the number of Reserve Days awarded shall be seventy-five percent (75%), rounded up to the next whole day, of the number of Reserve Days required per Section 25.PBS, Part 7.I, and the number of Immovable Days Off shall be one hundred twenty-five percent (125%), rounded down to the next whole day, of the number of Immovable Days Off required per Section 25.PBS, Part 7.I.
 - c. An LTVRF Lineholder shall have an MPG set at seventy-five percent (75%) of the amount provided for in Section 4, Part 1, except that in no case may his MPG be more than ten (10) hours less than his PBC.
 - d. An LTVRF Reserve shall have an MPG set in accordance with Section 4, Part 1.B.1 or 2, as applicable.
6. Notwithstanding paragraph A above or the provisions of Section 24, Part 5.D or Section 24, Part 5.J, each pilot awarded an LTVRF shall be subject to a Freeze in BES which shall expire with the posting of the first System Bid or Adjustment Bid occurring after December 1, 2009.
7. A pilot's participation in LTVRF, including his Freeze, will cease should the pilot be involuntarily displaced from the BES in which he is frozen.
8. At such time as the most recent System Bid contains no furlough awards, the pilot may, at his option, cease his participation in the LTVRF program by providing Notice to Manpower Planning no later than the fifth of the month prior to the Bid Period in which he wishes to cease participation.
9. Another pilot who is currently staffed in and awarded the same BES on the most recent System Bid may assume the LTVRF award of an LTVRF pilot. The remaining pendency of the LTVRF, including the Freeze and all terms and conditions, shall apply to the pilot assuming the LTVRF status.
10. A pilot awarded LTVRF shall not be eligible for the award of VRF as outlined in paragraph E above.

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11. The Company may, at its option, remove the PBC after Lines are awarded for any individual pilot in any particular Bid Period.

IN WITNESS WHEREOF, the parties have signed this Agreement, this 24th day of June, 2008.

For Continental Airlines, Inc.

For the Air Line Pilots Association, Int'l.

Captain Fred Abbott
Vice President, Flight Operations

Captain John Prater
President

Michael Bonds
Senior V-P, H.R. and Labor Relations

Captain Jay Pierce
CAL MEC Chairman

Dan Casey
Staff Vice President, Labor Relations

First Officer Brian Snyder
Negotiating Committee Chairman

Captain Jackson Martin
Sr. Manager, Pilot Contract Administration

Captain Mark Farrow
Negotiating Committee Member

Captain Tom Stivala
Manager, Pilot Labor Relations

First Officer James Kingman
Negotiating Committee Member