

FINAL COMPANY PROPOSAL RE-SUBMITTED with changes TO UNITE HERE IU ON

3/26/06

FOR SETTLEMENT DISCUSSION PURPOSES ONLY; INADMISSIBLE IN ANY PROCEEDING; SUBJECT TO EXISTING CONFIDENTIALITY AGREEMENTS AND UNDERSTANDING AS TO NONDISCLOSURE AMONG THE PARTIES HERETO

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This term sheet sets forth the proposed modifications by Sky Chefs, Inc. ("The Company"), to Exhibits A, B, and C of the Master National Agreement, Fringe Benefits Supplements, Local Wage Supplements, and/or other Memoranda or Letters Of Agreement between the Company and UNITE HERE ("The Union"). The proposed modifications would be effective on the proposed dates, subject to the outcome of a ratification process to be conducted by the Union for all UNITE HERE represented employees of Sky Chefs, Inc.

	<u>Provision</u>	<u>Proposal Summary Description</u>
SUBSIDY BENEFITS		
1.	Child & Dependent Care Subsidy	Effective May 1, 2006 , eliminate Child & Dependent Care Subsidy which provides reimbursement for qualified expenses – not to exceed \$60 per dependant per week.
RETIREE BENEFITS		
2.	Retiree Medical and Life (Future Participants)	Discontinue offering Retiree Medical and Life Coverage to eligible employees who retire after May 31, 2006 .
PENSION PLAN / 401(k)		
3a.	Pension Plan	Freeze future Pension benefit accruals within 45 days after vote announcement, for eligible employees hired prior to 6/30/95 . (employees keep what they have, no further value accrued)
3b.	401(k) (The 1% Company contribution)	Effective by December 31, 2006, elimination of MNA Section 19(e), the Company contribution equal to 1% of each employee's gross wages into the 401(k) Plan for employees hired 6/30/95 and thereafter. (the Plan would be amended so that eligible employees would still receive the 1% into their 401(k) account during <u>2006</u> – but it would cease as of calendar year 2007)

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HEALTH CARE PRICE TAG CREDITS		
4a.	<p>Healthy Lifestyle Price Tag reductions. <u>Tobacco-Free Household (TFH) credit</u> <u>Health Risk Appraisal (HRA) credit</u></p>	<p>Effective April 28, 2006, elimination of \$1.25/week TFH credit for living in a tobacco free household.</p> <p>Effective April 28, 2006, elimination of \$1.25/week HRA credit for completing a Health Risk Appraisal.</p>
4b.	<p>Health care Price Tag Credits- Pre 4/14/1989 employees.</p>	<p>Effective no later than June 1, 2006, elimination of weekly price tag reduction credits. (Weekly Benefit allowance) (EE = \$4.17), (EE+ Ch = \$6.97) (EE+ Sp = \$7.74), and (Family = \$10.93)</p>
HEALTH CARE BENEFITS		
5a.	<p>Health Care Plan Design- <u>HMOs</u></p>	<p>No later than June 1, 2006, replace current HMO plans in MIA, SFO, LAX, PSP, ONT, OAK, SJC, SMF, SNA, and FLL with the proposed CDH Plan.</p> <p>Add as an available option to the CDH Health Care Plan- an 80/20 Kaiser Healthcare Plan for Northern and Southern California CSCs (SFO, OAK, LAX, SNA, ONT, PSP, SJC, SMF) for the 2006 and 2007 Plan years. (see chart) (same price tags as CDH)</p>
5b.	<p>Health Care Plan</p>	<p>No later than June 1, 2006, all eligible employees will have a modified CDH Plan to select for health coverage (see attached CDH overview chart).</p>

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HEALTH CARE BENEFITS - Cont.																		
5c.	Health Care Plan Weekly Price Tags	<p>Rescind the 10% weekly price tag reduction scheduled for the Employee, Employee + Spouse, and Employee + Child health coverage categories, and the 20% weekly price tag reduction scheduled for the Family health coverage category effective on 1/1/06.</p> <p>Per the new CDH Plan design – adjust future cost sharing at 60% Company and 40% Employees, for Plan years 2007 & 2008, & 50/50 split for 2009 going forward.</p> <p>For employees on active payroll <u>before 4/17/2006</u> weekly price tags will be:</p> <table style="margin-left: 40px;"> <tr><td>Employee Only</td><td style="text-align: right;">\$19.00</td></tr> <tr><td>Employee + Child</td><td style="text-align: right;">\$35.00</td></tr> <tr><td>Employee + Spouse</td><td style="text-align: right;">\$41.00</td></tr> <tr><td>Family</td><td style="text-align: right;">\$54.00</td></tr> </table> <p>For employees <u>hired on 4/17/2006 & thereafter</u>, weekly price tags will be:</p> <table style="margin-left: 40px;"> <tr><td>Employee Only</td><td style="text-align: right;">\$27.48</td></tr> <tr><td>Employee + Child</td><td style="text-align: right;">\$52.77</td></tr> <tr><td>Employee + Spouse</td><td style="text-align: right;">\$61.82</td></tr> <tr><td>Family</td><td style="text-align: right;">\$83.68</td></tr> </table>	Employee Only	\$19.00	Employee + Child	\$35.00	Employee + Spouse	\$41.00	Family	\$54.00	Employee Only	\$27.48	Employee + Child	\$52.77	Employee + Spouse	\$61.82	Family	\$83.68
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PAID HOLIDAYS, VACATION, & PERSONAL DAYS																		
6a.	Paid Holidays	<p>Effective May 1, 2006, employees will retain 4 paid holidays: New Year’s Day, Independence Day, Thanksgiving Day, and Christmas Day.</p> <p>Employees who work on a holiday will continue to be paid holiday pay of 8 or 10 hours and their worked hours. (The Company will not reduce to 1.5x on a worked Holiday.)</p>																

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PAID HOLIDAYS, VACATION, & PERSONAL DAYS - Cont.														
6b.	<p>Paid Vacation</p> <p>Slight adjustment in schedule & employees will no longer have to accumulate worked hours to be eligible for vacation time</p>	<p>Effective January 1, 2007, adjust paid vacation time as follows:</p> <table border="0"> <thead> <tr> <th><u>Company Seniority</u></th> <th><u>Vacation Hours</u></th> </tr> </thead> <tbody> <tr> <td>6 months up to 1 yr.</td> <td>24 hours(max)*</td> </tr> <tr> <td>1 year up to 5</td> <td>40 hours</td> </tr> <tr> <td>5 years up to 15</td> <td>80 hours</td> </tr> <tr> <td>15 years up to 25</td> <td>120 hours</td> </tr> <tr> <td>25 years or more</td> <td>160 hours</td> </tr> </tbody> </table> <p>*For employees who return from an LOA, there will be a requirement that they have worked at least 1000 hours during the prior calendar year to be eligible to have paid vacation hours loaded in.</p> <p>Effective January 1, 2006, paid vacation hours for use in the next calendar year will no longer be loaded based on hours worked and Company Seniority. Employees will not have to accumulate worked hours to be eligible for vacation time. Instead, beginning January 1, 2007, and each year thereafter, the Company will credit each employee's vacation account according to the employee's Company seniority as of January 1 based on the schedule above.</p> <p><u>Former Caterair employees transitioned to Sky Chefs on 9/30/95, or 5/31/96, plus former LSG USA employees transitioned to Sky Chefs on 4/1/95, or 9/1/95 would be equalized with other transitioned employees by applying their former company original hire date towards the new vacation schedule as of 1/1/07 forward.</u></p>	<u>Company Seniority</u>	<u>Vacation Hours</u>	6 months up to 1 yr.	24 hours(max)*	1 year up to 5	40 hours	5 years up to 15	80 hours	15 years up to 25	120 hours	25 years or more	160 hours
<u>Company Seniority</u>	<u>Vacation Hours</u>													
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15 years up to 25	120 hours													
25 years or more	160 hours													
6c.	<p>Paid Personal Days</p>	<p>Effective January 1, 2007, elimination of Paid Personal Days.</p>												

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FRINGE BENEFITS SUPPLEMENTS - CSC SPECIFIC		
7a.	Fringe Benefits Supplements for BOS, BWI, DTW, JFK 420, JFK 425, JFK 1371, LGA 1505, SFO 790, SLC 1307 Note: DTW Currently receives 2 unpaid personal days.	Effective May 1, 2006 , removal of all additional Holidays and other items granted in the individual CSC Fringe Benefits Supplements, except for Paid Personal Days which would be removed as of January 1, 2007.
7b.	Fringe Benefit Supplement for <u>LAX 370</u>	Effective April 28, 2006 , remove the one-half hour paid lunch provision. Change receipt of daily overtime after 7.5 hours worked to after 8.0 hours worked.
WORK RULES		
8a.	Daily Overtime	Effective May 5, 2006 , elimination of Daily Overtime, unless mandated by State Law (as of 1/1/06 CA & AK).
8b.	6th & 7th Consecutive Day paid Overtime	Effective May 5, 2006 , elimination of 6 th & 7 th Consecutive Day paid Overtime, including 5 th consecutive day overtime for 10-hour employees.

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WORK RULES- Cont.		
8c.	Part-time Work Schedules & Eligibility For Benefits	<p>Effective April 24, 2006, the Company would limit usage of part-time employees to no more than 25% of the total system-wide hours worked, inclusive of a new worked hours limitation for benefits eligibility at greater than 32 weekly hours per Benefits Plan Design. Part-time employees would be eligible for paid sick time in accordance with the schedule for new hires going forward.</p> <p>The Company must meet and confer with the International Union prior to implementing any part-time shifts (beyond what is in existence currently) in the CSCs. If the Company and International Union cannot agree upon the implementation, the Union has a right to grieve and submit to System-Board-of Adjustment, any implementation plan that the Union believes violates seniority.</p> <p>For the purpose of obtaining operational efficiencies using part-time employees, the Company will use its reasonable best efforts to minimize the impact to full time employees.</p> <p>* Determination of the part-time employee designation will be computed using a 6-week rolling calendar so that employees do not have to worry if their schedule was to occasionally drop to 32 hours or less per week</p>

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WAGE RATES		
9a.	Scheduled Wage Rate Increases (October 1, 2005 forward)	The scheduled cents-per-hour increases for CSCs beginning October 1, 2005 forward would be rescinded. This proposal would include any cents-per-hour increases yet to be awarded in forthcoming System Board of Adjustment Awards by the neutral referee covering DFW, HNL, and SNA. The Union would withdraw those cases and any other pending filed SBA cases on Local Wage Supplements.
9b.	Local Wage Supplements (LWS)	Modify all LWSs to become amendable on a newly agreed upon future amendable date, to coincide with a corresponding amendable date of the Fringe Exhibits.
9c.	<p>Reduce Wage Rates in 2006 by 4.9% for all CSCs.</p> <p>No reduction of wage rates at the following CSCs:</p> <p><u>Dallas</u> (DFI, DFW) <u>Ontario</u> (ONT) <u>Denver</u> (DEN 230 & 235) <u>Santa Ana</u> (SNA) <u>New Orleans</u> (MSY) <u>Orlando</u> (MCO & MCOA) Keeping the Job Class and wage rate specific “safety nets” = avg. overall impact of <u>4.67%</u></p>	Effective April 28, 2006 , wage rates reduced; however, no rates will be reduced below \$7.50/hr for those that are at or above \$7.50/hr. For employees classified as AFEH I (211), Dispatcher (216), Coordinator (219), Customer Service Representative (236), or coded in other job classifications, but are performing high-lift truck Driver functions, no rates will be reduced below \$10.00/hr for those that are at or above \$10.00/hr.

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WAGE STRUCTURE (LOCAL WAGE SUPPLEMENTS)		
10a.	New Wage Ladders for each CSC. (See packet of charts)	<p>Effective April 17, 2006, all CSCs would maintain a standard 36 month New Hire wage ladder with cents-per-hour increments of \$0.20 at 2, 6, 18, 24, and 36 months of Company seniority, if the employee has not already reached the wage rate appropriate on the ladder based on their Company seniority.</p> <p>This standard 36 month wage ladder would replace the multiple ladders found in the CSCs.</p> <p>Pay rates would be different for each job classification and based on each CSC's hiring market for the needed skills set.</p> <p>Locations could still upwardly adjust the wage ladders as necessary to reflect market hiring conditions.</p> <p>Each CSC's wage ladder shall include a cents-per-hour reduction as applicable to the market conditions.</p> <p>No employee would receive a wage rate reduction as a result of implementing the new wage ladders.</p>

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AMENDABLE DATE & Sr. EMPLOYEE BUYOUT PLAN		
11a.	Proposed Amendable Date	April 1, 2010
	NMB Support	<p>The Company and International Union agree to begin MNA re-opener discussions October 1, 2009, 6 months before the MNA Amendable date of 4/1/2010.</p> <p>The Company and International Union agree to jointly request NMB Mediation after 3 months of active discussions (no later than January 1, 2009)</p> <p>If after 5 months of active discussions conducted with the support of an assigned NMB Mediator, a Tentative Agreement has not been reached by the Parties for newly Amended MNA Exhibits, The Company and International Union will jointly agree to seek release from the NMB Mediation process no later than May 30, 2010.</p>
	\$2,000,000 Lump Sum Bonus	<p>Effective April 1, 2010, if the Company and the Union do not reach an agreement on a new Union Contract by April 1, 2010, the Company agrees to pay out \$2,000,000 (Two Million Dollars) to employees in a manner to be determined by the Union.</p>
11b.	Senior Employee Buyout Plan	<p>Company to have an on-going option at its discretion to offer a Senior Employee Buyout Plan to employees by Seniority and Job Classification, individualized by CSC.</p> <p>The affect on employees of any proposed Buyout Plan would be reviewed with the Union prior to its offering.</p>

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NEW HIRES ONLY (EMPLOYEES HIRED April 17, 2006 & THEREAFTER)		
12a.	Health care Price Tags	Employees hired April 17, 2006 and thereafter that become eligible to enroll in the Company's health care medical plan will be offered weekly price tags that will match current Gate Gourmet price tags by coverage category (see 5c) and be adjusted each Plan year based on the cost sharing formula in proposal 5c.
12b.	Paid Sick Leave	For employees hired April 17, 2006 and thereafter, a maximum of 2 days of paid sick leave will be accrued per calendar year.
12c.	Paid Holidays	Employees hired April 17, 2006 and thereafter will become eligible for holiday pay after reaching 1 year of Company Seniority.

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	SIGNING BONUS
	For the Signing Bonus listed herein, the following shall apply: If there are any operational disruptions including but not limited to sick outs, protests, or other Article X violations that occur between the time of the Union's announcement of the vote outcome, and the time of the payout of the Signing Bonus (if accepted), employees in that CSC that participate in or who influence the operational disruption will not receive their Bonus payment.
	<p><u>Signing Bonus Criteria</u> The Company is borrowing money to pay a Signing Bonus to employees to help with the economic impact of the proposed changes if they are accepted. This is a <u>one time</u> cash investment as an incentive to vote yes. The Signing Bonus will no longer be available if the vote is not successful.</p> <p><u>Eligibility & Taxes</u></p> <ul style="list-style-type: none">• On active payroll as of: <u>April 11, 2006</u>• On active payroll as of the payout date (within 30 days of the vote outcome announcement & signing of the MOA)• If LOA employees are allowed to vote – then the Signing Bonus payment would be made to them upon their return to work if within calendar year 2006.• Bonus amounts reflect gross pay and will be taxed at the lowest possible rate allowed by law
	<p><u>Signing Bonus</u></p> <ul style="list-style-type: none">• <u>11% of Base Pay</u> <p>The Company will provide a Signing Bonus to each eligible employee in the amount of (11%) of the employee's base pay wage rate as calculated on April 11, 2006, before any implementation of the proposed wage rate reductions</p> <p><u>Signing Bonus Improvement:</u> If the Company's proposal is passed by a majority of employees voting yes, the following <u>additional gross bonus amounts</u> will be <u>added</u> to each employee's 11% Signing Bonus:</p> <ul style="list-style-type: none">• All employees in CSCs with <u>50% or more YES votes</u> receive <u>\$500.00</u>• All employees in CSCs with <u>less than 50% YES votes</u> receive <u>\$250.00</u>

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CONTRACT IMPROVEMENTS	
Employee Performance Incentive Plan (EPIP)	<p>Performance Incentive Plan for meeting customer and safety quality standards set for each CSC</p> <ul style="list-style-type: none">• Implementation as of 7/1/06• First potential payout in 1st Qtr 2007• Value = \$350 gross pay every 2 quarters up to \$700/yr. maximum gross payout.• Incentive targets to be based on simple performance criteria developed by the CSC management and inclusive of Local Union input• Eligibility = 6 months or more Co. seniority and on active payroll as of the payout dates
MNA Article 7 - Progressive Discipline Non-use of previous write-ups issued before 4/21/06	<p>Effective April 21, 2006 forward – the Company proposes to not use or consider in determining future progressive discipline, any “previous” progressive discipline write up that an employee has been issued before 4/21/06 - a fresh start for all employees</p>

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This term sheet is intended only to describe the basic modifications to Company-Union Agreements that are necessary for the Company to lower its labor costs, and is not intended to constitute final Contract language. The Parties agree that they will draft final Contract language within 90 days of the execution of this term sheet, if the Company receives notice from the Union that the ratification process was successful. The Parties further agree they will eliminate or modify any provisions in current Company-Union Agreements that are inconsistent with this term sheet.

Executed this _____ Day of _____, 2006

By: _____
Sherri Chiesa
Executive Vice-President & MNA Designee
UNITE HERE

By: _____
Mark Edwards
Vice President, Industrial Relations
Sky Chefs, Inc.

Date

Date

Witnesses:

UNITE HERE

Sky Chefs, Inc.

Date

Date