

Merger Update

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Merger Committee*

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Your Merger Committee has been busy since our last article to you, attending MEC meetings, LEC meetings, strategizing with merger counsel and advisors, finalizing the language in the Section 1(C)3 settlement agreement, and presenting information about the proposed settlement agreement to the MEC. We have also met with the UAL Operational Transition Team (this is the fence negotiating team for the United ALPA group) to begin fence negotiations, prepared for the Section (F) System Board hearing that began on May 2, 2001, and flown the line.

As the months have passed since the merger with UAL was announced on May 24, 2000, we have spent a considerable amount of time enforcing the merger-related protections embodied in our Collective Bargaining Agreement (CBA). In our previous letters and *US AIRWAVES* articles, we have detailed the merger-related protections specified in various sections of our CBA, and reported on each specific grievance and subsequent settlements. These have included, most significantly, the recognition by UAL Corp. and US Airways Group, through an amendment to the merger agreement, of our rights under Sections 1(C)1 and 1(C)2 of the CBA to have UAL agree as a condition of the merger itself that it will assume and be bound by our CBA, and will provide the US Airways pilots with a seniority integration governed by ALPA Merger Policy. As the Department of Justice (DOJ) decision appears to be forthcoming in the third quarter, we felt it would be beneficial to cover the current timeline, process, and terms associated with the pending merger.

As announced by UAL and US Airways in March, the April 2, 2001, deadline for DOJ approval was amended and replaced with a “21-day notice” stipulation. Under this arrangement, UAL and US Airways have agreed to give 21 days advance notice to DOJ prior to the closing of the acquisition. DOJ will then have ample time to seek injunctive relief in the courts should it conclude that the transaction is anti-competitive.

As you know, in addition to the DOJ review, the U.S. Department of Transportation and various State Attorneys General must also either approve or acquiesce in the transaction. The European Union approved the merger in January.

As for the proposed transaction date, UAL disclosed during its first quarter financial results conference call that it is unlikely that the deal will close in the second quarter. Also noteworthy is the fact that the UAL/US Airways merger agreement identifies August 1, 2001, as the date on which either party can terminate the deal. If UAL were to terminate the merger agreement, however, it would be required to pay \$50 million to US Airways within two business days.

The current timeline may allow us to negotiate a fence agreement prior to the closing of the acquisition. We initiated fence negotiations with the UAL Operational Transition Team on March 27, 2001, and discussed issues of common concern. You will recall that a fence agreement is primarily crafted to set out the rights and responsibilities of the parties, including interim protections for the two pilot groups, and to



allocate the flying of the two airlines fairly during the period between the transaction date and the operational integration date. We will be securing guarantees of our existing flying and an equitable amount of any "new" flying that is announced after the transaction date. The next round of negotiations has yet to be scheduled.

As you know, your Merger Committee has only met with the UAL Merger Committee on an informal basis to date. We anticipate formal discussions to begin at some point in the not-too-distant future and will keep you apprised of developments surrounding a Policy Initiation Date under ALPA Merger Policy, and the subsequent seniority integration negotiations.

Concurrent with the seniority integration negotiations, it is possible that representatives of the two MECs will initiate negotiations with management regarding a merged CBA. Such negotiations might also await the integration of pilot seniority lists. To negotiate the combined CBA, the MEC has elected Captains Doug Mowery and Gerry McGuckin to serve on the Joint Negotiating Committee, along with two UAL pilots to be named by the UAL MEC.

As the timeline compresses, we will be dealing from now through the operational integration with these three separate sets of negotiations—that is, negotiations on a fence agreement, a merged seniority list, and a consolidated CBA. Prior to operationally integrating, UAL must have in hand both a merged seniority list and a combined CBA. As discussed in prior communications, the interval from the transaction date to operational integration could be two or three years, depending on many variables. Our current CBA becomes amendable on January 2, 2003. If we conclude that the operational integration is likely to be postponed beyond that date, the US Airways MEC may need to begin negotiations with UAL to revise or extend our existing CBA.

We will keep you informed as events develop. You can assist us by attending your local council meetings and expressing your merger-related concerns to us as we brief each council throughout the process.

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