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Re: US Airline Pilots v. Roger Velez, et al.
U.S. District Court for the Western District of North Carolina
Charlotte Division – 3:14-cv-577-RJC-DCK
(Consolidated Cases)

Gentlemen:

All party representatives and counsel have signed off on the February 5, 2016 Memorandum of Settlement and I'm enclosing it to each of you. ~~Please let me know if I can do anything more to facilitate the process of having this settlement approved by Judge Conrad.~~

Sincerely yours,


Gary S. Hemric

GSH/pg
Enclosure
#2717378

MEMORANDUM OF SETTLEMENT

1. After execution of this Memorandum of Settlement (hereinafter "MOS") counsel will work jointly to present a notice of settlement in principle to the District Court in Arizona and to the District Court in North Carolina. The notice sent to Judge Silver in Arizona will advise her that the parties have settled on the amount of fees and expenses to be paid in the *Addington I, II and III litigation* and that the Court can hold in abeyance any decision on plaintiff's motion for the recovery of fees and expenses, pending approval by the North Carolina District Court of the terms of the global settlement, including the term calling for payment by USAPA of the sum described hereinbelow as plaintiff's fees and expenses in the *Addington* litigation. Concurrently, counsel will submit a notice of settlement in principle to the District Court in the Western District of North Carolina. That notice will advise Judge Conrad that the parties have settled all matters in principle and will ask Judge Conrad to hold in abeyance all pending motions, including all motions to dismiss and motions for contempt, further advising the Court that the parties request a day and time for Judge Conrad to conduct a fairness hearing or process for the approval of the settlement in all respects by the Court.
2. Counsel shall be responsible to identify and stipulate to a class of all East pilots and a class of all West pilots, which individuals shall thereafter receive written notice of the details of the settlement in principle described herein and shall also receive written notice of the calendaring of the fairness hearing to be held by Judge Conrad. This process shall be designed to develop the broadest possible listing of those individuals serving as pilots of U.S. Airways represented for purposes of collective bargaining as of September 15, 2014.
3. Pending the fairness procedure to be held by Judge Conrad, USAPA (by and through its officers, directors, agents, employees and attorneys) shall be authorized to pay any and all costs and expenses incurred by USAPA in the ordinary course of its business, however, not to include the reimbursement of attorney's fees or expenses incurred by any defendant in the LMRDA/Bollmeier litigation nor any pro-rata distribution of any sum to USAPA members. USAPA will provide a listing to all counsel of those costs and expenses incurred from the date of execution of the MOS until a date ten days prior to the fairness hearing to be conducted by Judge Conrad. In no case can the expenses in the ordinary course of business infringe upon USAPA's ability to tender, in full, the \$5.5 million due as prescribed in ¶5. Subsequent to the fairness hearing and assuming Judge Conrad approves the settlement in principle as described herein, USAPA shall be free to utilize all funds remaining in its treasury after the payment described in ¶5

hereinbelow in a manner in which USAPA sees fit and in connection with and to achieve a winding down of its affairs and ultimate dissolution of USAPA, to be completed in a timely manner.

4. Subsequent to approval by Judge Conrad of the settlement in principle set forth in the MOS and subsequent to the payment described in ¶5 hereinbelow, members of the West pilot class of individuals will no longer be considered members of USAPA. In addition and contingent upon those two events occurring, the West pilot class of individuals will be deemed to disclaim any interest in the USAPA treasury funds and shall be deemed to waive any right of distribution to such funds.
5. Upon approval by the Court of this settlement at or after the fairness hearing, USAPA shall wire payment of \$5.5 million to ASU Alumni Law Group trust account, representing full and final consideration in settlement of *USAPA v. Velez* (including counterclaims and third-party claims) *Bollmeier v. Hummel, et al. (LMRDA action I)* and *Bollmeier v. Frear, et al. (LMRDA action II)* and the claim for fees and expenses in *Addington I, II and III*.
6. Once payment by USAPA of the sum of \$5.5 million has been collected as good funds into the ASUALG trust account, the *Addington* plaintiffs shall provide notice to the Arizona District Court of said payment and will dismiss their action with prejudice. Assuming Judge Conrad approves the settlement in principle set out in the MOS at the fairness hearing to be conducted by the Court, all parties in the North Carolina litigation shall dismiss all claims, counterclaims and third-party claims with prejudice, except that the terms of the preliminary injunction relating to certain activities of USAPA described hereinbelow shall become permanent by consent of the parties and shall be included in the Order entered by Judge Conrad.
7. The parties contemplate including in any Order entered by Judge Conrad incidental to the fairness hearing language which shall reflect the mutual release of all parties to the litigation in both Arizona and North Carolina of all claims in the broadest possible terms, such as to effect a full and final resolution of all claims arising between the parties, with the exception of any prospective performance or obligation set forth in the Order.
8. The parties in the North Carolina litigation shall consent to and ask Judge Conrad to make permanent the portion of the preliminary injunction preventing USAPA and any officers, agents, servants, employees and attorneys, and anyone in active concert or participation therewith from causing, permitting or directing USAPA

to spend any USAPA funds for any seniority-related activity, including but not limited to any litigation directly related to any merger or seniority-related matter or seniority list for a period of three years from the date the permanent injunction is issued in Judge Conrad's Order. Notwithstanding the foregoing, and following Judge Conrad's approval of the settlement in principle, USAPA will be permitted to: (i) reimburse attorneys' fees and expenses incurred by any defendant in the *Bollmeier/LMRDA* cases; (ii) take action against AIG with respect to its prior denial of insurance coverage; or (iii) pay any previously incurred expenses, including for USAPA's counsel in the North Carolina and Arizona litigation.

9. Other than as expressly set forth herein, the parties to the Arizona and North Carolina litigations shall bear their own costs and expenses, including the implementation and performance of the terms of this MOS.

Effective as of this 5th day of February, 2016.