

Change of Control

The possible merger between US Airways and American (AMR) has focused attention on the “Scope” provisions of the current collective bargaining agreements and, in particular, on the “Change of Control” provision in Section 1(D)2 of the 1998-2003 US Airways Collective Bargaining Agreement. In general, if there is a “change of control” that satisfies the requirements of Section 1(J)1 and there is no agreement between USAPA and the Company to the contrary, the Change of Control (“CoC”) provision requires a dramatic and immediate increase in hourly rates for the pilots working under the old US Airways CBA. For example, if there is a change of control as the result of a merger or other transaction with AMR and there is no other agreement with the Company, the hourly rates would immediately increase to the “Book Rates.” Other provisions that give USAPA the option to extend the duration of the Agreement past its amendable date “with across-the-board wage increases of four and one half percent (4.5%) . . . on each annual anniversary of the amendable date thereafter” could significantly increase the Book Rates.

The “Book Rates” are the rates that were in effect as of June 30, 2002, and are listed below. For example, the Book Rate for a 12-year captain on a Group 2 aircraft (Day Rate) is \$216.92.

The purpose of the CoC provisions is to act as a “poison pill” to protect our pilots in the event of a major transaction such as a merger with AMR and to force the Company to deal with USAPA concerning the effects of such a transaction.

The details are as follows.

Current wages and working conditions are set by the provisions of the 1998-2003 US Airways CBA and of the 2003-2006 America West CBA as modified by a series of side letters and other memoranda, including, for former US Airways pilots, Restructuring I (2002), Restructuring II (2002) and the Transformation Plan (2004). The CBAs and the various letters and memoranda are available in the [contract library](#) [link].

“Scope” refers to provisions in airline contracts that define the boundaries of what the agreement covers and generally define the work covered by the agreement, limit the Company’s ability to assign flying to pilots not covered by the agreement and govern what happens in the event of a major transaction, including acquisitions, mergers or the sale of any significant portion of the operation. Both the 1998-2003 US Airways CBA and the 2003-2006 America West CBA have Scope provisions. The Scope provisions of the US Airways CBA are set forth in Section 1 of that CBA and are generally more restrictive than the scope provisions of the America West Agreement.

The Change of Control provision appears in Section 1(D)2 of the 1998-2003 US Airways Agreement, and, in general, provides that, if there is a “change of control” with respect to the ownership or management of the Company, “hourly rates of pay will be the greater of the existing rates of pay or the Book Rates.” Section 1(d)2 also gives the

Association “in its sole discretion” the right “to extend the Agreement . . . with across-the-board wages increases of four and one half percent (4.5%) on . . . each annual anniversary of the amendable date thereafter.”

The “Book Rates” and the relevant provisions of the 1998-2003 US Airways Agreement and the 2002 Restructuring Agreement (Restructuring I) are set forth below.

A merger or other transaction between the current US Airways and AMR that would result in control by an entity called “New American” would trigger the CoC provisions.

USAPA Legal

BOOK RATES

A330

YOS	CAPTAIN			FIRST OFFICER	
	DAY	NIGHT		DAY	NIGHT
2	\$299.24	\$302.44		\$149.62	\$151.22
3	\$301.78	\$305.00		\$162.96	\$164.70
4	\$304.32	\$307.57		\$192.02	\$194.08
5	\$306.94	\$310.23		\$196.75	\$198.86
6	\$309.39	\$312.70		\$201.73	\$203.88
7	\$311.79	\$315.13		\$207.34	\$209.56
8	\$314.42	\$317.78		\$212.23	\$214.50
9	\$316.73	\$320.12		\$214.43	\$216.72
10	\$320.23	\$323.65		\$218.08	\$220.41
11	\$323.73	\$327.19		\$220.78	\$223.14
12	\$327.19	\$330.69	\$328.94	\$223.47	\$225.86

GROUP 1

YOS	CAPTAIN			FIRST OFFICER	
	DAY	NIGHT		DAY	NIGHT
2	\$228.79	\$233.55		\$114.40	\$116.77
3	\$230.73	\$235.49		\$124.60	\$127.16
4	\$232.68	\$237.43		\$146.82	\$149.82
5	\$234.69	\$239.44		\$150.43	\$153.48
6	\$236.56	\$241.31		\$154.24	\$157.34
7	\$238.39	\$243.15		\$158.53	\$161.69
8	\$240.40	\$245.16		\$162.27	\$165.48
9	\$242.17	\$246.92		\$163.95	\$167.17

10	\$244.84	\$249.60		\$166.74	\$169.97
11	\$247.52	\$252.27		\$168.81	\$172.05
12	\$250.17	\$254.92	\$252.54	\$170.86	\$174.11

GROUP 2

YOS	CAPTAIN			FIRST OFFICER	
	DAY	NIGHT		DAY	NIGHT
2	\$196.41	\$201.16		\$98.20	\$100.58
3	\$198.20	\$202.95		\$107.03	\$109.59
4	\$200.11	\$204.87		\$126.27	\$129.27
5	\$202.03	\$206.78		\$129.50	\$132.55
6	\$203.88	\$208.63		\$132.93	\$136.03
7	\$205.72	\$210.47		\$136.81	\$139.97
8	\$207.57	\$212.32		\$140.11	\$143.32
9	\$209.17	\$213.92		\$141.61	\$144.83
10	\$211.82	\$216.57		\$144.25	\$147.49
11	\$214.32	\$219.07		\$146.16	\$149.41
12	\$216.92	\$221.68	\$219.30	\$148.16	\$151.41

A320

YOS	CAPTAIN			FIRST OFFICER	
	DAY	NIGHT		DAY	NIGHT
2	\$203.28	\$208.20		\$101.64	\$104.10
3	\$205.14	\$210.06		\$110.77	\$113.43
4	\$207.12	\$212.04		\$130.69	\$133.80
5	\$209.10	\$214.02		\$134.03	\$137.19
6	\$211.01	\$215.93		\$137.58	\$140.79
7	\$212.92	\$217.84		\$141.59	\$144.86
8	\$214.83	\$219.75		\$145.01	\$148.33
9	\$216.49	\$221.41		\$146.57	\$149.90
10	\$219.23	\$224.15		\$149.30	\$152.65
11	\$221.82	\$226.74		\$151.28	\$154.64
12	\$224.52	\$229.44	\$226.98	\$153.35	\$156.71

A321

YOS	CAPTAIN			FIRST OFFICER	
	DAY	NIGHT		DAY	NIGHT
2	\$210.16	\$215.24		\$105.08	\$107.62
3	\$212.07	\$217.16		\$114.52	\$117.27
4	\$214.12	\$219.21		\$135.11	\$138.32
5	\$216.17	\$221.26		\$138.57	\$141.83
6	\$218.15	\$223.23		\$142.23	\$145.55
7	\$220.12	\$225.21		\$146.38	\$149.76

8	\$222.10	\$227.18		\$149.92	\$153.35
9	\$223.81	\$228.90		\$151.52	\$154.96
10	\$226.65	\$231.73		\$154.35	\$157.81
11	\$229.32	\$234.41		\$156.40	\$159.86
12	\$232.11	\$237.20	\$234.65	\$158.53	\$162.00

GROUP 3

YOS	CAPTAIN			FIRST OFFICER	
	DAY	NIGHT		DAY	NIGHT
2	\$188.75	\$193.50		\$94.37	\$96.75
3	\$190.47	\$195.23		\$102.86	\$105.42
4	\$192.33	\$197.09		\$121.36	\$124.36
5	\$194.18	\$198.93		\$124.47	\$127.52
6	\$195.95	\$200.70		\$127.76	\$130.86
7	\$197.74	\$202.49		\$131.50	\$134.66
8	\$199.53	\$204.28		\$134.68	\$137.89
9	\$201.08	\$205.83		\$136.13	\$139.35
10	\$203.66	\$208.41		\$138.69	\$141.93
11	\$206.05	\$210.80		\$140.52	\$143.77
12	\$208.57	\$213.33	\$210.95	\$142.46	\$145.70

GROUP 4

YOS	CAPTAIN			FIRST OFFICER	
	DAY	NIGHT		DAY	NIGHT
2	\$125.50	\$130.25		\$62.75	\$65.13
3	\$126.67	\$131.42		\$68.40	\$70.97
4	\$127.90	\$132.65		\$80.71	\$83.70
5	\$129.14	\$133.89		\$82.78	\$85.82
6	\$130.32	\$135.07		\$84.97	\$88.07
7	\$131.51	\$136.27		\$87.46	\$90.62
8	\$132.72	\$137.47		\$89.59	\$92.80
9	\$133.75	\$138.51		\$90.55	\$93.77
10	\$135.48	\$140.23		\$92.26	\$95.50
11	\$137.08	\$141.83		\$93.49	\$96.73
12	\$138.76	\$143.52	\$141.14	\$94.78	\$98.02

1998-2003 US AIRWAYS COLLECTIVE BARGAINING AGREEMENT**Section 1(D)2**

In the event that, through a single transaction or in multi-step related transactions (i) securities which constitute and/or are then-currently

exchangeable into, exercisable for, or convertible into 50 percent or more of Denominator Common Stock (as defined below), and/or (ii) 50 percent or more of the value of the assets, of the Company or US Airways Group, and/or (iii) Control of the Company or US Airways Group as defined in Section 1(J) below, are acquired or held by a single purchaser (or a group of purchasers acting in concert) (any such transaction(s) referred to as a "Change in Control"), the Association shall, in addition to all other rights, thereupon have the right in its sole discretion, upon written notice to the Company within 60 days of written notice of such transaction, to extend the duration of the Agreement for one, two or three years at the Association's option, past the amendable date of the Agreement with across-the-board wage increases of four and one half percent (4.5%) on January 2, 2003 and each annual anniversary of the amendable date thereafter (i.e., on January 2, 2004, January 2, 2005, January 2, 2006). For purposes of this Section, Denominator Common Stock is the common stock of US Airways Group then outstanding and the common stock issuable on exchange, exercise, and/or conversion of securities of the Company or US Airways Group which are then currently exchangeable into, exercisable for, or convertible into such common stock.

Section 1(J) Definitions

The following definitions apply to certain terms used in this Section 1.

1. Control. *Entity A shall be deemed to "control" Entity B if Entity A, whether directly or indirectly:*

a. owns voting securities that constitute or may at any time be exercised, exchanged or converted for or into fifty percent (50%) or more of Entity B's Denominator Common Stock as defined in Section 1(D) above, or

b. maintains the power, right, privilege or authority -- by contract or otherwise -- to direct, manage or direct the management of a substantial or greater portion of Entity B's operations; or

c. maintains the power, right or authority to appoint or prevent the appointment of a majority of Entity B's Board of Directors, or governing body having substantially the powers and duties of a board of directors, or similar governing body.

This definition of "control" shall apply whether through direct relationship or indirectly through intermediate entities. Entity A and Entity B shall be deemed to be under "common control" with each other if any third entity controls both Entity A and Entity B whether directly or indirectly through the control of other entities that control Entity A and Entity B.

2002 RESTRUCTURING AGREEMENT

Among other things, the 2002 Restructuring Agreement (Restructuring I) provides that "The hourly pay rates in effect on June 30, 2002, will be known as the Book Rates." The Restructuring Agreement also provides:

Upon a change in control as defined in Section 1(D)2. of the Agreement, hourly rates of pay will be the greater of the existing rates of pay or the Book Rates. In addition to such hourly rates of pay, the Association will have the same right specified in Section 1(D)2 of the Agreement to extend the duration of the ALPA Restructuring Agreement for one, two or three years at the Association's option, past the amendable date of the ALPA Restructuring Agreement, with across-the-board wage increases of four and one half percent (4.5%) on the amendable date and on each annual anniversary of the amendable date thereafter.