

"Questions and Answers on the Proposed UAL – CAL Merger"

UAL-CAL Proposed Merger – IBT Update No. 1

As you know, on May 3, 2010, UAL Corporation (UAL) and Continental Airlines (CAL) announced their agreement to merge "as equals." As is the case with all airline mergers, the UAL-CAL merger and all of its details are complex, will require many layers of United States and foreign government approval, and will take quite some time before it actually is completed. That said, however, UAL and CAL have stated that they expect these approvals to be concluded and the transaction to be closed by the end of 2010. Additionally, while UAL and CAL work towards completing the transaction, they have committed in their merger agreement to honor their existing collective bargaining agreements. The UAL-CAL proposed merger raises a number of labor-related questions that affect you as Teamster-represented employees at both carriers. Mergers also tend to create a large number of rumors, some of which have some basis in fact and reality, and others which don't.

In order to provide you with hard facts relating to the merger and in an effort to minimize the disruption caused by ill-founded rumors, we will periodically post "Q&A" Updates. This is the first such Update, and addresses some of the important, basic issues and questions relating to the proposed UAL-CAL merger.

1. What Corporate Steps Are Needed to Complete the Merger?

On May 2, 2010, the Boards of Directors of both UAL and CAL voted unanimously to merge their respective companies. Their CEOs, Glen Tilton for UAL and Jeffrey Smisek for CAL, then signed an Agreement and Plan of Merger (Merger Agreement). The Merger Agreement details the various obligations that UAL and CAL must abide by in order to complete the merger. The merger essentially consists of two corporate phases. As explained below, the first phase consists of the actual steps needed to complete the merger itself; the second phase consists of the steps needed to create a single integrated, unified airline.

A. Phase One – Corporate Merger – The Legal Stuff

As set forth in the Agreement and Plan of Merger, UAL Corporation (the holding company parent of United Airlines), created a wholly-owned subsidiary named JT Merger Sub, Inc. (Merger Sub). The Merger Sub was created specifically to accommodate the merger.

In order to complete the merger, several conditions first have to be satisfied. The conditions needed to complete the merger include: (1) adoption of the Merger Agreement by Continental's shareholders; (2) approval by UAL Corporation's shareholders of the actual stock transaction to complete the merger; (3) approval by UAL Corporation's shareholders to change the name and certificate of incorporation of the company to "United Continental Holdings, Inc.;" and (4) approval from the Department of Justice that the merger will not violate antitrust laws.

When all of the corporate and financial conditions to complete the merger are satisfied, the Merger Sub will be merged into Continental. That is when the stock transaction takes place. In this regard, Continental's shareholders will receive UAL Corporation Stock at a ratio of 1.05 shares of UAL Corporation stock for every Continental share of stock that they hold. (The Continental stock will cease to exist once the stock transaction is completed).

Immediately upon the completion of the actual stock merger between Continental and Merger Sub takes place, the Merger Sub will cease to exist and Continental will be the surviving corporate entity of the merger.

Also immediately upon the completion of the actual stock merger between Continental and Merger Sub, UAL Corporation will change its name to "United Continental Holdings, Inc." United Continental Holdings, Inc. will be governed by a 16-person board of directors. Glen Tilton will be the non-executive Chairman of the Board of Directors, and will hold that position for the two year period immediately following the merger. Jeff Smisek will be the CEO. The corporate headquarters will be Chicago.

United Continental Holdings, Inc. will, upon the completion of the actual stock merger, become for a time the parent holding company of two separately FAA-certificated airline carrier subsidiaries, namely, United Airlines and Continental Airlines. Both United Airlines and Continental Airlines will maintain separate existences as "sister corporations" under the same corporate parent (United Continental Holdings, Inc.), and will operate as separate airlines.

B. Phase Two – Operational Integration – The Details and Practical Stuff

After the above-described merger takes place, United Continental Holdings Inc. and its two airline subsidiaries (United Airlines and Continental Airlines) will enter into a second transactional phase. This second phase will consist of the corporate and airline operational integration of United Airline and Continental Airlines into one unified airline.

The corporate and operational integration of United Airlines and Continental Airlines will require several time-consuming steps. These steps include, for example: (1) the selection of a management team; (2) obtaining United States (federal, state and municipal) and international regulatory approvals concerning route structures; (3) developing and obtaining United States and international regulatory approvals concerning maintenance operations, including requiring training; and (4) selecting/developing locations and properties for the conduct of back-office and front-line operations.

At or near the very end of the corporate and operational integration phase, United Continental Holdings will fold Continental Airlines into United Airlines, such that there will be one, unified FAA-certificated carrier. At that point, both phases of the corporate merger will be completed. As discussed below, however, yet another phase in the overall corporate transaction will arise. Specifically, we are referring to the Labor Phase, which includes representation-related issues. The Labor Phase will directly affect you and your fellow employees, and we will discuss it in a separate section, below.

2. How Long Will it Take to Fully Complete Both Phases of the UAL-CAL Merger?

As you can see from the discussion above, airline mergers require the completion of many legal, regulatory and operational steps. It takes a long time to complete mergers the size and complexity of the UAL-CAL merger. Moreover, as in any complex transaction, its successful completion is not guaranteed until it is actually done. As Yogi Berra said: "It ain't over till it's over." Whether the merger ultimately is completed, however, is not our concern here. Our concern here is to provide as much factual detail and information as possible to you about the merger, the effect that it will have on you and your fellow employees now, during the merger transactional phases discussed above and later, assuming that the merger is indeed completed.

UAL and CAL's leadership have publicly stated their opinion that they can complete Phase One of the merger by the end of this year, i.e., by December 31, 2010. We do not know whether that is a realistic timeframe, but will proceed as though it is. Given the complexity of the merger, we do not believe that Phase One realistically can be completed much earlier than December 31, 2010, however.

UAL and CAL's leadership have also publicly stated their opinion that Phase Two of the transaction (the corporate and airline operational integration phase) will be completed sometime during the second half of calendar year 2012. In other words, the UAL and CAL leadership is estimating that it will take 12-18 months from the completion of Phase One to complete Phase Two. UAL and CAL's leadership also have stated their opinion that the Labor Phase of the transaction can also be completed within this timeframe. Given the size and complexity of the transaction, we believe that it likely will indeed take 12-18 months from the completion of Phase One in order to complete all of the Phase Two steps. In light of the differing labor-relations cultures that have existed at United Airlines and Continental Airlines for the 15 years or so, however, and in light of the number of labor organizations involved, it is difficult to estimate at this point whether the Labor Phase can also be completed within this timeframe.

3. If The Merger Is Fully Completed, How Will the Union Workforces Be Affected?

When airlines merge and integrate their operations, the carriers' workforces are always affected one way or another. With respect to the UAL-CAL merger, where most of the frontline employees at both carriers are represented by labor unions and covered by collective bargaining agreements, it usually takes a while for the full impact on the workgroups to take effect. Three important and closely related issues arise in cases like the UAL-CAL merger:

- (1) Do the various classes or crafts of each of the two carriers constitute a single, unified bargaining unit for collective bargaining purposes?;
- (2) If the National Mediation Board (NMB) determines that such a single, unified bargaining unit within a class or craft of employees does indeed exist, then how does that class or craft of employees select its collective bargaining representative?; and
- (3) To the extent the employees in the class or craft were, pre-merger, covered by separate collective bargaining agreements, how do you accommodate the contractual seniority interests of the affected employees and amalgamate the collective bargaining agreements so that the unified class or craft is covered by one seniority list and one contract?

What follows here is a brief discussion of these "Labor Phase" issues

A. NMB Single Carrier Proceedings

When two or more airlines combine and merge their operations, they usually consolidate and combine their respective work groups. When the carriers' work groups are represented by unions, the consolidation and combination of those work groups into one, unified craft or class often triggers a union representation election that is resolved by the NMB. The specific issue that NMB must resolve is whether the crafts or classes of the two carriers constitute a "single transportation system for [union] representation purposes." Resolution of this issue is also referred to as the "single carrier" proceeding.

B. NMB Single Carrier Proceedings -- Process

Single Carrier proceedings are triggered by applications filed with the NMB by a labor union. Employers cannot trigger single carrier investigations. Once the NMB receives a single carrier application, it assigns an agency representative to investigate whether carriers involved do in fact constitute a single transportation system, i.e., "single carrier," for representation purposes. When conducting the investigation, the NMB representative will look to see whether certain factors are present or not. In this regard, the NMB will investigate such factors as:

- ▶ Whether a combined schedule is published;
- ▶ How the carrier(s) advertise(s) its/their services;
- ▶ Whether reservation systems are combined;
- ▶ Whether tickets are issued on one carrier's stock;
- ▶ If signs, logos, and other publicly visible indicia have been changed to indicate only one carrier's existence;
- ▶ Whether personnel with public contact were held out as employees of one carrier;
- ▶ Whether the process of repainting planes and other equipment, to eliminate indications of separate existence, has been progressed.

The NMB will also investigate whether the carriers have combined their operations from a managerial and labor relations perspective. Here, the Board investigates factors including the following:

- ▶ Whether labor relations and personnel functions are handled by one carrier;
- ▶ Whether there is common management, and whether there are common corporate officers and interlocking Boards of Directors;
- ▶ Whether there is a combined workforce; and
- ▶ Whether separate identities are maintained for corporate and other purposes.

After investigation the factors described above, the NMB will determine whether or not a single transportation system exists.

The NMB determines that a single transportation system exists only when there is substantial (but not necessarily total) integration of operations, financial control, and labor and personnel functions. The NMB has also noted that a substantial degree of overlapping ownership, senior management and Boards of Directors is critical to finding a single transportation system.

If the NMB decides that a single transportation system exists, the NMB will then proceed to address the union representation of the affected class or craft of employees in the combined bargaining unit. At the representation stage of the proceeding, the NMB will provide the affected unions an opportunity to demonstrate a sufficient "showing of interest" to trigger the agency' election and certification procedures.

(a) Showing of Interest Percentages

If different unions represented the affected carriers' craft or class of employees before the NMB determines that the carriers constitute a single transportation system for representation purposes, then those unions are considered "incumbent unions." In such situations, the incumbent organizations on the affected carrier(s) are required to submit evidence indicating a "showing of interest" from at least 35% of the employees in the craft or class. Such evidence can include a seniority list, dues check-off list, a current collective bargaining agreement or a NMB certification, or other indicia of current representation.

If the union that filed the single carrier application does not represent any of the employees covered by the application, then it must submit authorization cards from at least 35% of the employees in the craft or class.

If a union represents all of the employees in a craft or class on the newly created single transportation system, another union can intervene in the NMB proceeding and seek to displace the incumbent union. In such cases, the intervening union has to submit authorization cards from a majority (more than 50%) of the employees in the craft or class within 14 days from the date the NMB determines that a single transportation system exists.

(b) Election & Certification

If the NMB determines that one union represents all of the employees in the consolidated craft or class and no other union provided a sufficient "showing of interest" to trigger an election, then the incumbent union will be certified as the bargaining representative of the entire craft and class.

If the NMB determines that two or more unions have provided a sufficient "showing of interest" to trigger an election, then the agency will conduct an election to determine which union, if any, is the certified bargaining representative of the craft or class of employees.

Under current NMB rules, in order for the agency to certify a bargaining representative, a majority of the employees included in the craft or class must affirmatively vote in the election. If a majority of the employees in the craft and class affirmatively vote in the election, the successful union must then secure a majority of the votes cast in order to be certified as the bargaining representative.

If a majority of the employees in the craft or class do not affirmatively vote in the election, then the NMB will issue a "dismissal," such that no union will be certified as the bargaining representative of the craft or class of employees. In that case, the employees will be unrepresented, "at-will" employees.

(c) Effect on Pre-Existing Union Certifications Pending Single Carrier Elections

While the NMB single carrier proceeding is ongoing, all then-existing union certifications remain in effect. They remain in effect until the single carrier proceeding is completed and the NMB issues a new certification or dismissal.

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When will the Single Carrier Process Be Triggered?

By all accounts, at some point after UAL and CAL complete their merger and consolidate their airline operations (including their labor operations), the NMB will be tasked with determining whether a single transportation system (i.e., single carrier) for representation purposes exists. Although it is hard to pinpoint when process will be triggered, it likely will not start until sometime in calendar year 2011 -- perhaps as early as the first quarter of that year.

4. **What Effect Will the UAL-CAL Merger Have On Me In The Near-Term?**

In the near-term, that is, while UAL and CAL work to complete both phases of their merger, and until the NMB determines that the two carriers constitute a single transportation system (single-carrier) for representation purposes, you will not be greatly affected at all: whether it be with UAL or CAL, your employment with your carrier as well as your existing contractual protections will continue to apply, without regard to the contract, rules, and policies of the other carrier.

5. **What Happens To My (UAL/CAL) Collective Bargaining Agreement Now?**

If you currently are covered by the IBT contract with UAL that contract -- and that contract alone -- will remain in place and you will continue to be covered and protected by it. Likewise, if you currently are covered by the IBT contract with CAL that contract -- and that contract alone -- will remain in place and you will continue to be covered and protected by it. Your contract remains in place, and the IBT continues to negotiate with both UAL and CAL, on separate tracks, until agreements are reached. Moreover, while the two contracts remain separate, there will not be any interchange of any of their terms, and there will not be any inter-company bidding. This is consistent with UAL's and CAL's commitment, as contained in the merger agreement, that they will abide by the existing collective bargaining agreements throughout the merger process.

As noted above, though, at some point in the future (perhaps 12-18 months from now), we anticipate that UAL and CAL will fully complete their merger and the NMB's single carrier process will be triggered. Depending on the circumstances as they develop during the merger transaction, the single carrier process will be triggered at some point after the merger itself is complete -- and no later than after the merged carrier's business/operational functions are combined. Moreover, once that NMB single carrier process is completed, we will formally start the process of integrating the seniority lists covering the employees in a consolidated craft or class. Then, we will work on amalgamating the

UAL and CAL mechanics' contracts into one contract covering the entire, consolidated craft or class of employees. Again, however, the seniority integration and contract amalgamation processes likely will not start for quite some time – probably not until sometime in 2011.

6. How Will the UAL-CAL Merger Affect the Current Contract Negotiations/Mediation Covering the Mechanics and Related?

The IBT and CAL currently are engaged in NMB-supervised mediation for a new contract covering the mechanics and related. The mediation process will continue, and the next session is scheduled to take place in Washington, DC during the week of May 24, 2010. The IBT and CAL both have agreed to continue the mediation process for the immediate future and the IBT does not plan to stop until the parties reach a tentative agreement on a new contract. In fact, the IBT, CAL and the NMB are scheduling several more week-long mediation sessions for the months of June, July and August.

The IBT and UAL are engaged in direct contract negotiations and neither side has invoked NMB-supervised mediation. The IBT and UAL anticipate getting back to the bargaining table in late May or early June. The IBT and UAL both have agreed to move forward with their negotiations and will not stop until they reach a tentative agreement on a new contract.

In short, therefore, the announced UAL-CAL merger will not stop the current mediation/negotiation processes involving the IBT and the two carriers.

7. How Likely Is It That We Can Secure a New Contract with UAL/CAL Before the Merger is Completed?

We are committed to securing ratified contracts at both carriers before the merger is completed. To be sure, once the merger is completed, we likely will have to engage in yet another round of contract negotiations in order to amalgamate the contracts, but believe that the members' interests are best served by securing new contracts now and using those contracts as the starting points/templates during the amalgamation process. That said, however, we may have the opportunity to address some of the amalgamation-related issues during the current negotiations. Both UAL and CAL have said that they will continue to negotiate with the IBT while the merger transaction is pending and, like the IBT, anticipate that those discussions could produce agreements that anticipate the completed merger transaction. In this way, the IBT, UAL and CAL could deal with certain amalgamation-related issues up front, in advance of the completed merger and, therefore, without having to wait for a whole new, formal round of amalgamation negotiations.

8. What Will Happen To Continental's Pension Plan?

The CARP defined benefit pension plan is governed and regulated by ERISA laws, and CAL cannot use the merger as a justification to dissolve or terminate it. Moreover, CAL apparently has no present plans to freeze or terminate the plan. CAL, however, is not obliged to extend the plan to UAL employees, but as our members know, we remain committed to seeking a defined benefit pension plan for our UAL mechanics and related.

9. What Will Happen to UAL's 401(K) Plan?

The proposed merger between UAL and CAL will not have any effect on UAL's 401(k) Plan.

10. What Will Happen to UAL's and CAL's Non-Pension-Related Benefit Plans?

The proposed merger between UAL and CAL will not have any effect on UAL's and CAL's non-pension-related benefit plans.

11. Will the UAL and CAL Seniority Lists Eventually Be Integrated?

As discussed above, at some point after UAL and CAL complete their merger and consolidate their airline operations (including their workforces), we expect that the NMB will determine that the combined/merged carriers constitute a single transportation (single carrier) system for representation purposes. When that happens, we will indeed have to integrate the seniority lists of both carriers. The process in all likelihood will not formally start until some time in 2011. In anticipation of the need to formally commence a seniority integration of the mechanics and related, the IBT will, in the meantime, engage in an informal process which will include carefully examining the lists in an effort to avoid as many "glitches" or potential "stumbling blocks" as possible when the formal process starts. During this informal, pre-integration process, for example, we will identify and analyze the similarities and differences between the UAL and CAL seniority-driven contractual protections so that we can fairly and equitably accommodate all affected employees from both lists.

12. How Would The Seniority Lists Be Integrated?

The IBT is committed to a fair and equitable process for the integration of the seniority lists. With respect to the mechanics and related, this likely means integrating the lists of employees by date of hire – recognizing company and craft or class seniority. We also anticipate providing additional protections, such as "fences," to make sure displacements do not result. The IBT will also do everything in its power to ensure that no active employee on either list is furloughed as a result of the UAL-CAL merger. Consistent with this commitment, the seniority integration method will also ensure that furloughed employees are not permitted to displace active employees.

13. What Would Happen To Employees Who Have Seniority At Both Carriers?

That would need to be reviewed on a case-by-case basis, however, employees who voluntarily resigned from one of the carriers or were discharged generally do not retain seniority with that carrier.

14. When the Seniority Lists Are Merged, What Happens To Stations That Have Staffing From Both Carriers? Who will get laid off?

One of the IBT's main goals throughout the entire UAL-CAL merger process and the seniority integration process is to prevent layoffs as a result of the merger. History has shown, however, airline mergers often lead to capacity reductions and therefore headcount reductions. UAL and CAL management have assured all of the work groups that any headcount reductions that take place will happen through normal attrition, voluntary "early-out" retirements and regular retirements. After that, any necessary furloughs – and we will hard work to make sure there are none or as few as possible – will take place in seniority order. The IBT also fully anticipates and expects to craft "fencing protections" to avoid or at least significantly mitigate the impact of employees whose seniority is diluted as a result of the seniority integration process. The IBT also fully anticipates and expects to craft furlough protections that prohibit pre-seniority integration furloughed employees from bumping active employees.

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