MEMORANDUM OF UNDERSTANDING  
  
  
 This memorandum of understanding, dated May 23 , 2000 (this  
"Agreement"), by and among the parties signatory hereto (each a "party" and  
collectively, the "parties"), confirms the mutual understanding of the  
parties with respect to the proposed acquisition by an entity to be formed  
by Xxxxxx X. Xxxxxxx ("Xxxxxxx") of certain assets (the "Assets") of US  
Airways Group, Inc. ("US Airways"), as more specifically identified on the  
term sheet attached hereto as Attachment I (the "Term Sheet"). The parties  
agree that the Term Sheet, in addition to identifying the Assets, sets  
forth the principal terms and provisions to be included in the definitive  
documentation (the "Transaction Documents") with respect to the acquisition  
of the Assets by Xxxxxxx.  
  
 1. Definitive Documentation. The parties hereby agree to use  
their good faith reasonable best efforts to prepare promptly and, as the  
case may be, consistent with the goal of achieving antitrust clearance for  
the transactions contemplated by the Merger Agreement, dated as of May 23 ,  
2000 (the "Merger Agreement"), among US Airways, UAL Corporation ("UAL")  
and Yellow Jacket Acquisition Corp., execute and deliver, adopt or provide  
expanded agreements and documents reflecting the terms and provisions set  
forth in the applicable portion of the Term Sheet and containing other  
customary and appropriate provisions for agreements and documents of the  
type contemplated by the applicable portion of the Term Sheet (the  
"Transaction Documents").  
  
 2. Satisfaction of Merger Agreement Covenant. The parties  
agree that the consummation of the transaction contemplated by the Term  
Sheet shall be deemed to satisfy UAL's obligation, pursuant to the first  
sentence of Section 5.03(a) of the Merger Agreement, to divest the Assets,  
and provide the assets, facilities and services set forth on Exhibit A to  
the Merger Agreement, but shall not be deemed to satisfy any other  
obligation of UAL under Section 5.03(a) of the Merger Agreement.  
  
 3. No Solicitation. The parties agree that, from the date  
hereof until such time as this Agreement is terminated in accordance with  
its terms, none of the parties, nor any of their respective directors,  
officers, employees, advisors, affiliates or representatives shall (i)  
solicit, initiate, encourage, or take any action knowingly to facilitate,  
any inquiry, proposal or offer from any person relating to, or that is  
reasonably likely to lead to, the making of a proposal by such person to  
acquire the Assets or any portion thereof (a "Competing Proposal") or (ii)  
participate in any negotiations or substantive discussions regarding, or  
furnish to any person any information with respect to, or otherwise  
cooperate in any way with, a Competing Proposal; provided, however, that  
this Section 3 shall not apply to UAL or any of its directors, officers,  
employees, advisors, affiliates or representatives if a Takeover Proposal  
(as defined in the Merger Agreement) has been made by anyone other than UAL  
and UAL or any of its directors, officers, employees, advisors, affiliates  
or representatives takes any of the actions otherwise prohibited by this  
Section 3 with the goal of formulating a plan that, in UAL's good faith  
judgment, is more likely than this Agreement to result in antitrust  
clearance for the Merger (as defined in the Merger Agreement).  
  
 4. Conditions. The obligations of Xxxxxxx to consummate the  
transactions contemplated by this Agreement and the Term Sheet is subject,  
among other things, to Xxxxxxx having obtained, prior to the closing of the  
transactions contemplated by the Merger Agreement, sufficient financing to  
acquire the Assets on terms and conditions acceptable in form and substance  
to Xxxxxxx. As a condition to the execution of definitive agreements  
relating to the sale and purchase of the Assets and the provision of the  
related facilities and services, Xxxxxxx will be required to deliver  
binding commitment letters relating to such financing to UAL in form and  
substance reasonably acceptable to UAL (it being acknowledged and agreed  
that such commitment letters may be subject to conditions typical of  
transaction of the type contemplated hereby but shall not be subject to a  
syndication condition or a due diligence condition).  
  
 5. Binding Agreement. The parties intend to be legally bound  
by the terms of this Agreement and the terms set forth on the Term Sheet  
notwithstanding that the expanded agreements and documents reflecting the  
terms and provisions set forth on the Term Sheet have not been completed  
and executed.  
  
 6. Termination. This Agreement shall automatically  
terminate, and the obligations of the parities hereto shall immediately  
cease, upon the occurrence of any of the following events: (i) termination  
of the Merger Agreement; (ii) delivery of written notice of termination by  
any party to the other parties hereto, which notice may not be delivered  
before ninety (90) days from the date first set forth above; or (iii)  
delivery of written notice of termination signed by any two parties to the  
other party.  
  
 7. Expenses. If, prior to the consummation of the  
transactions contemplated by this Agreement and the Term Sheet, this  
Agreement (or the Transaction Documents) is terminated for any reason other  
than solely as a result of a breach by Xxxxxxx, then US Airways shall, upon  
request of Xxxxxxx, reimburse Xxxxxxx for up to $2 million of his  
out-of-pocket expenses incurred in connection with this Agreement, the  
Transaction Documents and the transactions contemplated hereby and thereby,  
including, without limitation, reasonable fees and expenses of accountants,  
attorneys and financial advisors, and costs and expenses associated with  
financing of the transactions contemplated hereby and thereby and  
regulatory compliance.  
  
 8. Miscellaneous. (a) This Agreement may be executed by  
facsimile in several counterparts, each of which, when executed by a party  
hereto, shall be deemed to be an original and such counterparts shall  
together constitute one and the same instrument.  
  
 (b) This Agreement shall be governed by, and  
construed in accordance with, the laws of the State of Delaware, regardless  
of the laws that might otherwise govern under applicable principles of  
conflicts of laws thereof.  
  
  
 IN WITNESS WHEREOF, the parties have executed this Agreement  
as of the date first above written.  
  
  
  
 /s/ Xxxxxx X. Xxxxxxx  
 --------------------------------  
 Xxxxxx X. Xxxxxxx  
  
  
 UAL CORPORATION  
  
  
 By: /s/ Xxxxxxxx X. Xxxxx  
 ------------------------------  
 Name: Xxxxxxxx X. Xxxxx  
 Title: Senior Vice President,  
 Finance  
  
  
 US AIRWAYS GROUP, INC.  
  
  
 By: /s/ Xxxxxxxx X. Xxxxx  
 -----------------------------  
 Name: Xxxxxxxx X. Xxxxx  
 Title: Executive Vice President -  
 Corporate Affairs and  
 General Counsel  
  
  
  
  
 ATTACHMENT I  
  
  
 DC AIR  
  
1. PSA Will Be The Vehicle To Create DC Air.  
  
2. Aircraft:  
  
 o 8 Dornier 328's, leases transferred from PSA subsidiary,  
 tail numbers specified by US Airways subject to consent of  
 United, which consent shall not be unreasonably withheld  
  
 o 19 Regional Jets, operated by Mesa and/or Chautauqua,  
 existing contracts assigned to DC Air (includes one spare)  
  
 o 10 Wet-leased B737-200 Advanced (JT8D-15 powered)  
 aircraft, for a transition period  
  
3. Employees (subject to necessary labor approvals):  
  
 o Necessary management structure to appropriately manage DC  
 Air's operations  
  
 o The number and type of employees required to operate the 8  
 Dornier 328s will stay with PSA when it transfers to DC Air  
  
 o In transaction, no other US Airways or PSA employees will  
 become employees of DC Air  
  
 o United will provide interim employees for up to six months  
 to staff "open" positions while DC Air hires and trains, if  
 needed, at United's cost  
  
4. Transition Wet-Lease for B737-200s:  
  
 o 10 aircraft to be wet-leased for initial period of two years  
  
 o If necessary, extension beyond two years until DC Air  
 obtains other aircraft on the market or through a dry-lease  
 arrangement with United; not to exceed four years total  
  
 o Wet-lease rates:  
  
 - Per-aircraft monthly lease rate equal to the weighted  
 average (based on the number aircraft leased) of  
 rates currently in place between US Airways and  
 Vanguard and IMP for B737-200 aircraft, assuming  
 full maintenance life (if aircraft with less than  
 full maintenance life provided, maintenance reserves  
 to be adjusted accordingly)  
 - Pilot rates (i.e., cost per block hour), as follows:  
 (i) Year 1 at current MetroJet block hour rates; (ii)  
 Years 2 and beyond at US Airways block hour rates  
 unless United rates have become applicable to US  
 Airways pilots, and in that case at United block hour  
 rates  
 - US Airways flight attendant rates (i.e., cost per  
 block hour) as follows: (i) Year 1 at current US  
 Airways block hour rates; (ii) Years 2 and beyond at  
 US Airways block hour rates unless United rates have  
 become applicable to US Airways flight attendants,  
 and in that case at United block hour rates  
 - Line maintenance rates (i.e., cost per visit taking  
 into account other station activity) at United's cost  
 of providing service  
 - Maintenance reserves for airframe and engines at the  
 weighted average (based on the number of aircraft  
 leased) of rates currently in place between US  
 Airways and Vanguard and IMP for B737-200 aircraft,  
 and accounting for remaining maintenance life  
  
 o DC Air can discontinue wet lease on any given aircraft with  
 4-month notice  
  
5. Dry Lease for B737-200s:  
  
 o Post wet-lease, at DC Air's option, DC Air and United will  
 negotiate in good faith a dry-lease arrangement for up to 10  
 B737-200 Advanced aircraft  
  
6. Slots:  
  
 o 119 air carrier (jet) slots and 103 commuter slots at DCA.  
 If US Airways and/or its subsidiaries own more than 103  
 commuter slots at DCA, then the number of commuter slots  
 shall be increased by the amount of such excess, and the  
 number of jet slots reduced by the amount of such excess, up  
 to 13 slots  
  
 o Exact slot times will be determined by United, US Airways  
 and DC Air, so as to reasonably accommodate United's and DC  
 Air's scheduled services. The parties recognize that both  
 United and DC Air will need to make adjustments to ensure  
 that both parties may offer viable schedules  
  
7. Airport Facilities  
  
 o DC Air will assume the following leases:  
  
 - Seven gates at DCA, contiguous or reasonably  
 contiguous, that work for the operation of DC Air  
 (necessary, sufficient and reasonably suited)  
 - Gates at other airports served by both United/US  
 Airways and DC Air, same conditions  
 - Ticket counter, ramp, aircraft parking, back office  
 space, etc., same conditions.  
 - Ground handling equipment, spare parts, and other  
 related assets, same conditions  
  
 o United and DC Air will discuss optimal line maintenance  
 facility needs for DC Air, and negotiate a solution that is  
 necessary, sufficient and reasonably suited to DC Air' 5  
 requirements, with the provision that DC Air may request,  
 and if reasonably requested (from the perspective of DC Air'  
 s business needs) United will provide, US Airways' line  
 hangar at DCA. DC Air will assume the lease of any line  
 maintenance facilities provided.  
  
8. Services  
  
 o If requested by DC Air, United will provide the following  
 services at "Market Rate" (If a spread exists in market  
 rates, United will provide services at the low end of rates  
 provided for comparable goods and services; and DC Air will  
 have standard industry "out clauses")  
  
 - Fuel, including in-aircraft servicing, for a period  
 of five years  
 - Station handling, for a period of five years  
 - Customary occasional use gate agreements, if gate is  
 available when requested, for a period of seven years  
 - Maintenance and training related to dry-leased B737-200  
 aircraft, for a period of five years  
 - Access to club facilities, for a period of five years  
 - Interline ticketing and baggage agreement (standard  
 industry terms), for a period of five years  
  
9. Consulting Services  
  
 o Consulting support as DC Air builds operational experience  
 and management team, for up to two years, at United' s cost  
  
10. Partnering: DC Air will enter into good faith negotiations toward  
 partnering (i.e., frequent flyer/code share relationship, etc.)  
 with other carriers if reasonably requested by United  
  
11. Assignment: Buyer will not assign rights or obligations to another  
 entity  
  
12. Change of control: If Buyer ceases to hold majority equity /  
 control (other than through public offering) or disposes of all or  
 substantially all of the assets, United will have no further  
 obligations  
  
13. "No Flip": If Buyer sells majority equity interest / control (other  
 than through public offering) or disposes of all or substantially  
 all of the assets, within three years of startup, if price is above  
 purchase price then DC Air will pay United the amount of the excess  
  
14. Price: $141.2 Million  
  
15. Liabilities: Buyer will assume in the definitive documentation all  
 liabilities primarily related to the DC Air business  
  
16. Indemnification: United's obligation to indemnify Buyer in the  
 definitive documentation shall be limited to (x) in the case of  
 losses relating to any breach of a representation or warranty, 40%  
 of the purchase price paid to United by Buyer, and (y) in the case  
 of all losses, the purchase price paid by Buyer