EXHIBIT 99.1  
  
 MEMORANDUM OF UNDERSTANDING  
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 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  
  
  
  
  
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 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.  
  
  
  
  
  
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 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. 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.  
  
 (a) 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.  
  
  
  
  
  
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 IN WITNESS WHEREOF, the parties have executed this Agreement as of  
the date first above written.  
  
  
 /s/ Xxxxxx X. Xxxxxxx  
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 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  
  
  
  
  
  
  
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 ATTACHMENT I  
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 May 22, 2000  
  
 DC Air  
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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 B73 7-200 Advanced (JT8D- 1 5 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:  
  
  
  
  
  
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 - 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 1 03 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 1 3 slots  
  
  
  
  
  
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 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  
  
  
  
  
  
  
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 - 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