

Captain John S. Gustafson
FedEx ALPA MEC
Negotiations Committee Chairman
1770 Kirby Pky., Ste. 300
Memphis, TN 38138

Dear Captain Gustafson:

The purpose of this letter is to confirm the details of the lump sum that is part of the tentative agreement and is, of course, subject to ratification.

Eligibility

Pilots who were employed by the Company as pilots on January 28, 2011, are eligible to receive the agreed upon lump sum payment.¹ The use of the term, "pilots" in this letter is as defined in the CBA.

Amount of Lump Sum

Eligible pilots will receive a lump sum payment equal to 1% of their calendar year 2010 pensionable wages, as a pilot, capped at \$260,000. In other words, the maximum lump sum will be \$2,600.

Timing of Lump Sum Payment

The lump sum will be paid as soon as practicable following the date of ratification. In no event shall the lump sum payment be made earlier than the effective date of this agreement or later than 30 days after the date of ratification.

Retirement Plan Treatment of Lump Sum Payment

The lump sum will be paid in cash and will be treated as pensionable wages for the year in which it is paid. The lump sum also will be eligible for B-Plan contributions, (subject, of course, to applicable contractual and Internal Revenue Code limitations).

Sincerely,

John Maxwell
Vice President, Labor Relations

¹ Not all eligible pilots will receive a lump sum payment, as it is possible for an employee to be in an "eligible" status, yet not have any "eligible" calendar 2010 earnings on which to base the 1%. For instance, pilots hired in 2011 would fall into this category as would any pilots who were on leave of absence for the entire 2010 year and therefore had no pensionable earnings in 2010.

[Date TBD]

Captain John S. Gustafson
Chairman, FedEx ALPA MEC Negotiating Committee
1770 Kirby Parkway, Suite 300
Memphis, TN 38138

RE: Mid Term Discussions and Status of Administrative TA's in Future Section 6 Bargaining

Dear Captain Gustafson:

I am pleased that the parties were able to reach agreement on a new, 2011 collective bargaining agreement. As you know, this agreement (hereinafter, "new contract") differs from previous products of full scale, Section 6 bargaining, inasmuch as it does not introduce changes in several significant and complicated sections of the contract that nevertheless remain of great interest to the parties. Our discussions about the possibility of this new contract included talks about how the parties would spend the time between the effective date of this contract and the beginning of Section 6 negotiations at the amendable date. The purpose of this letter is to record our mutual commitment regarding those matters. Your signature at the bottom of this letter will indicate ALPA's agreement that this letter accurately captures that commitment.

The primary purpose of this new contract is to deal constructively with the complications introduced into negotiations by the NPRM on flight and duty time that FAA issued in September, 2010. Changes to regulations affecting flight operations occur on an almost annual basis, but almost never does a proposed rule involve paradigm changes on the scale involved in the FAA's NPRM on Flight and Duty Time. Because of the level of change proposed, the NPRM has spawned a flood of weighty comments from stakeholders throughout the industry. At this point, it is unclear what regulatory scheme ultimately will be put in place regarding flight and duty time.

As with all major airline pilot contracts, our current CBA was designed to mesh with then-existing FAA flight and duty time regulations. From a negotiating standpoint, the history on this property, which is consistent with approaches elsewhere, has been to finish the work rules portions of the contract prior to concluding the other economic issues. The uncertainty created by the NPRM makes that essentially impossible for the Corporation; we believe that one cannot fashion contract rules that dovetail with regulations until one knows what the regulations are. As a result, had we attempted to continue negotiations using the normal paradigm, we would have encountered frustrating delays that were beyond the control of either party.

The new contract is designed to address that difficulty while at the same time (1) not compromising either party's interests regarding the issues left unaddressed and (2) positioning the parties to address those issues more expeditiously when Section 6 bargaining begins the next time (i.e., after this new contract becomes amendable). With those purposes in mind, the parties make the following mutual commitment:

1. While the NPRM has prevented the swift conclusion of full scale negotiations on sections that were opened in the parties' Section 6 notices, there are many issues on which productive work nevertheless can be done. "Productive work" means work that narrows, clarifies or resolves the issues so that, when Section 6 negotiations begin, the parties will be positioned to reach final agreement earlier than would have been the case but for the interim discussions.¹
2. For as long as productive discussions can be had on these topics, the parties will meet for three business days every six weeks, (or such other schedule as the parties may agree upon), in order to fully understand each other's interests and potentially make progress on those issues. The purpose of these interim discussions is to foster a more efficient negotiating climate when negotiations begin again. The interim discussions neither constitute nor have the effect of an "early opener" as the parties know the phrase.
3. With respect to the administrative sections that were changed as part of this new contract (i.e., Sections 14, 15, 18, 19, 20, 21, 22, 23), there is no binding proscription against opening those sections in the Section 6 notices that (presumably) will precede the next Section 6 bargaining. However, in order to enhance the efficiency of the next negotiations, neither party intends to open any of these sections unless motivated to do so by some unforeseen event or consequence. The amount of both the ALPA FPL and SDC banks are not part of the intent set out in this paragraph.

As someone who has been involved in pilot negotiations for over 17 years on this property, I am encouraged that FedEx and ALPA were able to arrive at a creative and collaborative solution to a difficult problem created by factors beyond either of our control.

Sincerely,

FEDERAL EXPRESS CORPORATION

John D. Maxwell
Vice President, Labor Relations

Accepted and agreed to on behalf of the Air Line Pilots Association:

Captain John S. Gustafson
Chairman, FedEx ALPA MEC Negotiating
Committee

Dated this _____ day of _____, 2011

¹ As will be set forth more formally in the duration clause, the effect of this new agreement will be that all outstanding Section 6 notices between the parties are resolved. However, this resolution of pending Section 6 notices shall be without prejudice to either party serving future Section 6 notices on the same or similar topics, pursuant to the schedule set forth in the duration clause, and without prejudice to voluntary discussions between the parties outside the procedures of Section 6 during the term of this Agreement with respect to topics raised in prior Section 6 notices.