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AFA Legal - An Update On Sideletter 35

The 2007 NWA-AFA collective bargaining agreement contains Sideletter 35 which provides that all of the NWA labor agreements re-negotiated during the NWA bankruptcy could not take effect until the Company had achieved labor cost savings of \$1.126 billion. NWA further promised that it would not provide any additional compensation or financial benefits to any other labor group without providing a comparable benefit to all labor groups.

In August 2007, AFA learned that the NWA pilots had been given pay increases which, according to the Company, were in exchange for the pilots' withdrawal of several outstanding grievances. In other words, the pilot pay raises were of equal value to the grievance withdrawn. Therefore, the Company argued, it really wasn't a pay increase. AFA objected and, along with the IAM, filed a grievance pursuant to Sideletter 35. After waiting several months, NWA finally released financial data about the pilot raise which was examined by AFA's financial consultants. They concluded that the raise did exceed the potential monetary value of the withdrawn grievances. AFA then made repeated attempts to have the grievance scheduled for arbitration. Initially, NWA was open to arbitrating the AFA and IAM grievances together, but have subsequently insisted that the two grievances be arbitrated separately.

Thus far, the Company has failed to schedule a date for arbitration despite repeated requests by AFA to do so. On January 6, AFA sent an email to NWA's legal counsel proposing dates for the arbitration along with a demand for a response by January 9. If the Company refuses to agree to arbitration dates by that date, then AFA will be taking the appropriate legal action to compel arbitration of Sideletter 35.

In addition, a second grievance under Sideletter 35 was filed last week to include the additional pilot raises and benefits awarded in the contract ratified by the NWA/Delta pilots in June 2008. AFA will propose that the second grievance be consolidated and argued before the System Board along with the initial Sideletter 35 grievance.