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Date: May 26, 1989

To: All Crewmembers

From: John W. Poag

cc. Fred Smith
Jim Barksdale
Allan McArtor
Ken Masterson

Subject: Letter, Dated May 24, 1989, to All Crewmembers from Kenneth R. Masterson Concerning Seniority Integration

This memorandum is intended to repudiate claims made by Kenneth Masterson, General Counsel, Federal Express Corporation in his letter dated May 24, 1989.

At a time like this, when crewmembers are struggling with the complex issues that face them in the acquisition of Flying Tiger Line (FTL) by Federal Express (FEC), I feel it is of utmost importance that FEC management and designated representatives of the Federal Express Pilots Association (FEPA) present their cases in a factual, unemotional manner. All facts relative to a particular issue should be presented, not just those that conveniently provide support for ones own point of view. The case in point is Masterson's reference to a meeting that took place on December 10, 1988, during which he claims that I made a deal to trade away FCH 1-96, a fact that is simply not true.

The meeting on December 10, 1988, referred to in Masterson's letter was the second meeting in which I was involved to discuss the acquisition of FTL. Kenneth Masterson was not in attendance at the initial meeting between Fred Smith, Jim Barksdale, Bill Finnegan and me on Friday, December 9, 1988, when the FTL acquisition was presented to us. Fred explained that it was necessary to act on the purchase of FTL at that time because of the impending action on the part of Saul Steinberg, Chairman of the Reliant Corporation, one of the principle stockholders of FTL. Mr. Steinberg, citing poor fiscal performance of FTL, had decided to take FTL private and sell all or part of it to a consortium of KLM and Air France which group would operate some of the FTL routes. Due to this proposed breakup of FTL, Fred felt that it was in the best interest of FEC to attempt an acquisition of FTL to preserve for FEC the valuable 5th freedom rights FTL had gained.

Fred Smith and Jim Barksdale, during the December 9, 1988 meeting, asked Bill Finnegan and me to advise them of our opinion as to the problems facing FEC with regard to flight crew integration. I told Fred and Jim that if they had determined that purchasing FTL was the right thing to do, I would do my best to make it work from the pilots perspective. However, I did advise Fred and Jim that the

most likely outcome of the integration process was ALPA representation of all our pilots, a fact conveniently not mentioned by Fred or Jim in their recent video or by Masterson in his letter. Fred queried me as to my reasoning and I explained that FTL pilots would most likely vote in a substantial block due to their long history with ALPA and the unknown nature of being acquired by a non-union company. I further explained that a certain percentage of our pilots would also vote for ALPA because of the insecurity of their future without a contract and because they would not be able to achieve an airline standard pension plan without collective bargaining. The combination of these groups, I continued, would then result in an affirmative vote for ALPA.

Fred and Jim asked me if there was a way around this eventuality and I said yes there was, but it would require that both pilot groups be given another option. That other option would be an independent union. I expressed to them the opinion that an independent union would offer everyone a reasonable compromise. It offered the FTL pilots the security of a contract and the PEC pilots the chance to protect their desirable job environment under leadership with a proven track record of good relations with executive management. Additionally, it offered the opportunity for the PEC pilots to procure an airline standard pension plan. An independent union would offer PEC management a new, more stable, structured relationship in which problems could be solved. Fred expressed to me that his first preference was non-union, but if that was not possible, the independent union would be his next choice. I told him that it probably would be his only choice, but that I would do whatever I could to make the non-union option become successful provided the PEC pilots were not disadvantaged.

A meeting was then set for the next day to discuss in more detail the representational issue. Those in attendance at the meeting on Saturday, December 10, 1988, were Jim Barksdale, Ken Masterson, Rush O'Keefe, Mike Campbell, contract labor lawyer for PEC, Bill Finnegan and me. The meeting lasted several hours and consisted of discussions related to list integration and representational issues. My position then, as it is now, is that if all our crewmembers' career expectations (which would include the effects of all aircraft owned, contracted for or on option) were properly protected, I would request the FAB to allow me to appoint a revision committee to review PCH 1-96. I never said nor did I imply that I would be a party to any action to get rid of PCH 1-96 prior to a final list being in place. The rest of Saturday's meeting was spent addressing representational issues. After considerable discussion, I asked Jim Barksdale what the company's position would be if the pilots of PEC decided to organize an independent union. Jim replied, after obtaining legal advice, that while the Company could not support such action, they would not stand in our way.

The LPP's, as stated by Fred Smith and Jim Barksdale, were implemented to facilitate the merger in the eyes of the justice department and the department of transportation, not as some benevolent gesture. At no time during any of the two meetings discussed above were the LPP's to be used to dilute the FEC crewmembers' rights under the provisions of FCH 1-96. Even if the elimination of FCH 1-96 had been a discussion item, I had no authority to commit the pilots of FEC to such action as I was not their legal bargaining agent and could not act on their behalf. Nor was I willing to risk suffering the same potential liability the company may have for breach of contract. One question I have for the Company is that if FCH 1-96 is unrealistic, why are you so anxious to get rid of it? FCH 1-96 preceded the implementation of the LPP's, therefore it takes precedent over them and has no provisions in it for an arbitration. There is legal precedent that FCH 1-96 is a valid contractual obligation of the Company. This is particularly pertinent since Fred Smith provided the specific wording for that clause.

Masterson also alleges that we wrongfully obtained his letter which he claims to be confidential. This raises several interesting points. How can this information be confidential when he represents FEC and the merger committee represents the pilots. I feel that any information concerning the Company's desire to eliminate a specific provision of "our contract" is pertinent and should be addressed to each individual pilot rather than to a merger committee that has no right to alter that contract. Additionally, I suggest that any attempt by the Company to amend "our contract" with specific regards to compromising our rights will be looked at by the pilots with great scepticism and with legal recourse in mind.

John W. Doty