



The Watchdog

For Aircraft Technicians and Related

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Mechanics ESOP Nightmare Continues

April 1st. It can be associated with practical jokes, tricks, fools day, and . . . Oh Yeah, ESOP stock statements. The 2000 ESOP stock statements are in the mail, complete with the latest issue of ESOP News. The underlying information this publication puts out is somewhat depressing for Mechanics.

On page 3 there is a worksheet to validate your allocation. The figures in the IAM section make it very easy to figure out what the cost of the shares was for the IAM "represented" employees. Using the total IAM 1999 investment credit of \$223,332,058.81 and dividing by the total shares allocated to the group on page 2 of 1,141,366 shares, we find IAM members paid a total price of \$195.67 per share, or \$48.92 per common share equivalent. Not bad based on the current share price, until we flip to page 7 and find the price of the stock when the ESOP was inked at \$22.00 per share, which pretty much makes the graph at the top of the page a flat line. (48.92 purchase vs. current price.) To add insult to injury, we decided to compare our purchase price with two other groups, one represented by a craft union, the other with no union representation at all.

We will compare to the unrepresented group first. Stock allocations to both groups are based on total wages paid, so we will have to use cross multiplication to figure the concessions. Pilots gave up 9.7% in

concessions, and Salaried and Management personnel kicked in 8.25%. The chart on the back page shows the concessions for both groups. The total wages paid is a percentage of the total wages they would have made without the concessions, so we figured what that would have been and subtracted the total wages paid from that to give us a concession figure. We then divided the total concessions by the total 1999 shares allocated from page 2. The unrepresented group fared better than we did with a common share adjusted price of \$42.50 per share.

The pilots did the best of all groups, a common share adjusted price of \$22.68. Pilots paid less than half of what we did, almost at the market price at the time of signing. We, however, paid a 122.35% premium on top of the 1994 market price for the same shares of stock. The pilots premium was a whopping 3.09%.

Now the IAM will argue that the Pilots and Management's figures do not include their other give backs that were included in the deal, but you would also have to add the additional 6 years of paid lunch loss for IAM members, so that argument is pretty much a wash. Also, the ESOP ends on April 12, 2000, but the IAM concessions continue until July 12, 2000, making the cost of the 2000 allocated shares twice as high as last years shares. (6 months concessions for 3 months stock allocation.)

Based on these figures, a good argument could be made for being represented by a craft union like the pilots are, rather than an industrial union like the IAM.

IRS Deduction

UAL's SEC filing of 3/23/2000 states the following concerning the changes to the company charter that would allow ESOP shareholders to receive dividends as cash similar to the common shareholders:

We are seeking a favorable determination letter from the IRS as to the continued tax qualified status of the ESOP as a result of the amendment. Subject to our receipt of the letter and stockholder approval of the charter amendments, if the Board declared and paid a cash dividend on common stock, we would be able to take a tax deduction in the amount of the dividend passed through to ESOP participants. In this regard, if a cash dividend of \$1.25 per common share were paid, we would benefit from a tax deduction of approximately \$85 million per year.

Sounds like that's \$85 million per year we will not be allowed to put into the 401k after the ESOP ends. Ask your local committeeman for the specific numbers. Surely with 77 lawyers and financial strategists, this information is not new to them. The question is why were we not informed of this in 1994????

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IAM			
Total Concessions	<u>\$223,332,058.81</u>	Cost per Share	\$195.67
Shares Received	1,141,366.00	Cost per Split Share	\$48.92

Pilots			
Total Earnings	<u>\$1,200,146,929.43</u>		<u>90.3</u>
Earnings without concessions*	<u>\$1,329,066,367.03</u>		100
Total Concessions	<u>\$128,919,437.60</u>	Cost per Share	\$90.72
Shares Received	1421098	Cost per Split Share	\$22.68

Management/Salaried			
Total Earnings	<u>\$967,057,140.76</u>		<u>91.75</u>
Earnings without concessions*	<u>\$1,054,013,232.44</u>		100
Total Concessions	<u>\$86,956,091.68</u>	Cost per Share	\$170.00
Shares Received	511509	Cost per Split Share	\$42.50

UAL Stock Price on July 13, 1994
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	\$22.00	Price Markup (Percent)	Percent Ownership
IAM		122.35%	37.13%
Management/Salaried		93.18%	16.64%
Pilots		3.09%	46.23%

* Earnings without concessions figures were calculated based on the Total Earnings figures provided on page 3 of the March ESOP News. The calculation was based on the listed pay cut percentage from the SEC filings of May and June of 1994. Management and Salaried employees were listed as giving a 8.25 percent pay cut. Pilots were listed as giving a 9.7 percent pay cut.

Ask your IAM rep for exact figures.