THE UNITED AIRLINES PURCHASE OF FRONTIER AIRLINES OR PORTIONS THEREOF

PREPARED BY
THE FRONTIER PILOTS LEGAL REVIEW COMMITTEE

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FRONTIER AIRLINES 1946 to 1986 - A HISTORICAL OVERVIEW

A product of both the opportunities existing after World War II and of several mergers, Frontier began service in 1946 as Monarch Airlines. Through mergers with Arizona Airways and Challenger Airlines in 1950, the newly named Frontier Airlines provided regional service in several western states. Through another merger in 1967 with Central Airlines, Frontier expanded service to 14 states. At the onset of airline deregulation in 1978, Frontier's route system included 89 cities in 20 states with routes extending into Mexico and Canada. Frontier was one of the the first airlines to establish a hub and spoke route system, and by 1978 had consolidated its operations into one hub located in Denver.

Frontier had been recognized as an industry leader in profitability for 10 years prior to 1982. In this period, while in competition with United Airlines and Continental Airlines, Frontier produced an unbroken string of quarterly earnings totalling $163 million. The market forces began to move against Frontier in mid-1982 when United launched a major campaign to dominate the Denver airport. This included a one-third increase in flight schedules and a massive invasion of Frontier's top markets. Depressed passenger loads due to the 1982 recession, industry wide fare wars and United's increased competition had an immediate impact on Frontier's profitability. In the fourth quarter of 1982, Frontier suffered its first quarterly loss in ten years.

As United continued to strengthen its Denver operations, another key event occurred in September of 1983 when Continental declared bankruptcy and returned to service with a lower labor cost, enabling it to charge cut-rate fares. United and Frontier matched these fares but only United could reduce their impact on profitability. United had the advantages of offsetting its losses in non-Denver markets and had its Apollo computer reservations system installed in 75% of Denver's travel agencies which was biased to United.

Frontier made several failed attempts to avoid further erosion of its resources even including an alter ego airline, Frontier Horizon. The options finally were reduced to a liquidation or a sale. After rejecting offers from three other parties with one of the parties (Texas Air) making two attempts, Frontier found a buyer: Frontiers own employees, who had maintained an uncommon devotion to their company. The proposed Employee Stock Ownership Plan (ESOP) failed within 30 days of closing due to a higher bid being received from Texas Air Corp. Texas Air was itself outbid by People Express. The new owner was finding its east poast market niche evaporating and was hoping the synergism between the two airlines would reverse the fortunes of both.

But People Express did not show the necessary talent or resources to take advantage of its purchase. They changed Frontier's traditional full passenger service to the no-frills offering of People Express. This alienated Frontiers loyal customers and proved to be a disastrous marketing decision. Facing severe financial difficulties itself, People Express sold Frontier to United Airlines in July of 1986. The agreement contractually allowed United to buy Frontier assets prior to and independently from Frontier stock as a device to quickly infuse People Express with funds while the conditions of the stock purchase were being met. United bought the assets and not the stock which had the inevitable effect of putting Frontier out of business.

Though Frontier ceased operations on August 24, 1986, it has left some historical evidence of its existence. It is the only airline to have gone out of business as the result of an attempted merger. Frontier was fully unionized by ALEA, ALPA, AFA, IAM and TWU, but in all 40 years of operation there was not one service disruption due to labor strife. Frontier Airlines also established, based upon the number of takeoffs and landings, the best safety record in the history of civil aviation. The former Frontier employees, to this day, remain intensely proud of these last two entries in the airline industry archives.

THE PURCHASE OF FRONTIER AIRLINES BY PEOPLE EXPRESS

In July 1985, the Frontier Board of Directors approved a plan to allow the 4,750 employees to purchase the airline through an ESOP. The company would be 100% employee owned and a private corporation. Funding was provided by the sale of aircraft plus large employee pay and benefit reductions that approached 50% for some crafts. The purchase price was set at $17 per share and conditioned on no higher offer being received. The ESOP sale was scheduled to close in October but in late September, Texas Air offered $21 per share. An amount the employees could not match. After the union actions at Continental, Frontier employees were more than reluctant about being associated with Texas Air Corp. and hoped another bidder would emerge. People Express Inc. made a $24 per share bid for Frontier with the proviso that the union employees remain at the reduced wage rates set up as part of the ESOP funding.

Union agreements were reached that traded continuance at these low wage rates for certain employee protections. People Express Inc., the holding company owning People Express Airlines, bought Frontier on November 22, 1985, for the total purchase price of $307 million. The seller, RKO General Inc. (a subsidiary of GenCorp) which owned 45% of Frontier's stock and controlled the company, allowed People Express Inc. to take $193 million in cash from Frontier's treasury, consider it a dividend to the new owner and use the money to partially pay for the purchase. The extraction of almost all of Frontier's working capital (93%) left Frontier with only $14 million remaining. Frontier had a tax liability from the sale of aircraft of $44 million coming due a few months later. The remaining unencumbered assets of Frontier (eight airplanes and seven engines) were used as collateral to secure a $50 million loan used primarily to pay this tax liability. Because of the sale terms allowed by RKO General, Frontier was now completely dependent upon its parent company for working capital.

THE OCTOBER 17th AGREEMENT

The holding company also owning People Express Airlines and Britt Airlines, People Express Inc. purchased Frontier Airlines and its holding company Frontier Holdings, Inc. in a sales agreement dated and titled the October 17th Agreement. In exchange for the above mentioned wage concessions, People Express agreed to stipulations that protected the employees of Frontier. These agreed protections included the following:

1) Except for circumstances outside the control of the company, Frontier employees will be protected from furlough until August 1, 1989.
2) Frontier will not be merged or consolidated with another airline until at least February 1, 1990.
3) Frontier will not dispose of assets in excess of $25 million total and asset sales must be at fair market value.
4) People Express will make available to Frontier sufficient working capital to operate the company.
5) People Express intends Frontier to be a viable entity and strengthened as an airline.

The Agreement was signed for Frontier Airlines and Frontier Holdings by Mr. Joseph R. OGorman Jr., then the president of these two companies. Nine months later, Mr. OGorman in his new position as Senior Vice President of Futures Planning with United Airlines was instrumental in United's negotiations with People Express resulting in a contract to sell the stock and assets of Frontier to United. This contract relating to the assets required the consent of the Frontier unions per the October 17th Agreement.

THE SALES AGREEMENT BETWEEN UNITED AND PEOPLE EXPRESS

On July 10, 1986 United Airlines agreed to purchase all of the issued and outstanding capital stock of Frontier Airlines or the stock of Frontier Holdings (the parent corporation (that owned all of Frontier stock) at United's election for a purchase price of $146 million. This amount was to be adjusted up or down as determined by United's auditors at the time of stock sale. The

transaction was subject to conclusion no later than July 31, 1986. It was also *"subject to ratification by the unions if required, by August 31, 1956, of agreements satisfactory to United with labor unions representing its employees and the employees of Frontier, concerning the terms and conditions applicable to United's acquisition and operation of Frontier. United agrees to use its best efforts to obtain such agreements"*.

Prior to the closing of the stock purchase, United agreed, at the option of People Express to purchase assets of Frontier Airlines and of People Express. The Frontier assets to be purchased were as follows:

1) Five landing/takeoff air carrier slots at O'Hare Airport in Chicago for
$1.25 million.
2) Three gates at the Dallas-Fort Worth Airport for $6 million.
3) All Frontier's interest in its two hangars at Stapleton Airport in Denver for $15 million. These facilities included all of Frontiers maintenance space, its general offices, computer rooms, classrooms and reservation facilities.
4) The eight Boeing 737 aircraft pledged as loan security for $11 million.
5) Frontier's interest in contracts to acquire two MD-80 aircraft for $3.3 million.
6) Six Frontier gates at Stapleton Airport in Denver for $18 million.

The purchase of the above Frontier assets for $43.2 million (the aircraft were not purchased) was subject to the approval of Frontier unions as required in the October 17th Agreehient. The stock and asset purchases were also subject to D.O.T. approval. The stock purchase and asset purchase agreement would terminate if the D.O.T. disapproved United's purchase of Frontier stock or if all the conditions to United's purchase (some not mentioned here) had not been fulfilled by February 15, 1987.

UNITED'S BEST EFFORTS TO OBTAIN UNION AGREEMENTS

The unions at Frontier represented pilots, flight attendants, mechanics, ground workers and dispatchers. United has the same groups unionized with the ALPA, AFA and IAM unions on both properties. From July 10th until the very eve of Frontier's cessation of operations in late August, United only contacted and only negotiated with one of these unions, the Air Line Pilots Association. Other union groups attempted to begin negotiations but were rebuffed by United even though, by its own contract requirement, all the unions on both properties had to have agreements ratified by August 31st.

The pilot's union is an important one to any airline but numerically represents only about 10% of an airline's employees. United Airlines and its pilots both suffered in a bitter strike the year before, and their relations were less than cordial. The United pilots struck not to improve their contract but to prevent erosion of what they then enjoyed. United's proposition to the two pilot groups was that the Frontier pilots be integrated fully as United pilots just as was done with the Pan American pilots some six months before. There was one exception: the Frontier pilots were to remain at their Frontier wage rate for an extended period of time. United in effect was asking the United pilots to modify their existing contract before its amendable date and to create a third or "C" scale rate of pay. United remained inflexible and did not offer any proposal which changed the amount of compensation throughout the negotiations. The issue deciding the merger of United and Frontier thus became whether the United pilots would make a major concession one year into a three year contract. The Frontier pilots had no voice in this matter and were effectively locked out of the negotiations.

United's position was that the Frontier acquisition was uneconomic unless Frontiers pilot wage rates could be maintained. United could not know the true economics until it had negotiated with all the unions. Other calculations such as the savings of having experienced, qualified flight and

ground crews already trained and current with a true turn key capability and the immediate dominance over Continental in Denver were not apparently included in their economic calculations. Mr. Frank Lorenzo has since publicly stated that if United had secured Frontier, they would have all but driven Continental out of Denver. The futures of nearly 5,000 people who struggled mightily to help Frontier survive its odyssey were hinged to an agreement within the most acrimonious of relationships.

UNITED'S NEED FOR FRONTIER'S ASSETS

United's fleet expansion plans were to add 155 aircraft to its fleet by 1990. The Frontier hangars would allow United to service 30 to 40 aircraft at any given time. United's maintenance facility in San Francisco was the only location where overhaul and heavy maintenance could be accomplished. One of Frontier's hangars has the facilities for this type of work. One of United's hangars in San Francisco is scheduled for destruction in 1990 to make room for airport terminal facilities expansion.

United could not accommodate all of the flights it is able to schedule at Stapleton for lack of gate facilities and waiting for gates was a daily occurance during peak "bank' periods. Without the six Frontier gates, United had no means of obtaining additional gates in the near term. United needed three gates at the Dallas/Fort Worth airport to avoid construction of additional facilities. United's reservations facilities in Denver were inadequate for its anticipated workload. United planned to move its passenger reservations operations into Frontier's reservations space located in a large hangar that also contained Frontier's general offices.

Cargo reservations and Apollo technical support operations would also use these facilities. An additional 350 people would be hired to work in the expanded reservations offices and without the space, United projected that millions of dollars would be lost due to inadequate facilities.

THE FINANCIAL CONDITION OF FRONTIER AND PEOPLE EXPRESS

Denver was the only airport in the country where three airlines had hub facilities. Airline analysts agreed that there was only room for two and the squeeze was on Frontier. Air fares to and from Denver were by far the lowest in the nation and all three carriers were losing money on their Denver segments. It was a game of attrition, one Frontier could not win. Continental was making record profits while under bankrupcy protection, and it was hoped that once they were released from court protection, the fare wars would abate and Frontier could return to profitability. Continental did emerge from Chapter 11, just one week after Frontier ceased operations and itself filed for Chapter 11 protection.

Since the loss of its working capital from the "dividend" to People Express, Frontier was dependent on cash infusions while it attempted to reverse its fortunes. Establishing the People Express service formula and fares as low as $9 proved to be disastrous. Frontier had a better customer rapport and service level than Continental as a full service carrier and had higher load factors. With the bare bones approach, load factors remained high but yields disappeared. From March of 1986 through July, People Express supplied Frontier $42 million to meet its cash needs. By July 31st, Frontier had a cash deficit position in excess of $10 million. Current assets were only 62% of current liabilities. As of July, Frontier had been effectively locked out of all financing arrangements. This was due to its recent history of significant losses, its deficit cash position, and the fact that all of its significant tangible assets had been pledged. Frontier was not able, under any circumstances, to operate as an independent company.

People Express developed a market niche by offering air travel to people who otherwise could not afford to fly. Other airlines had no desire to match their prices. This niche was secure until American Airlines developed a way to yield manage their flights through the use of their Sabre reservations system and therefore offer a limited number of seals at competitive prices with People Express. Fortunes reversed before People Express' purchase of Frontier, and their financial condition became desperate by early spring. An internal Texas Air memo to Mr.

Lorenzo on May 5 declared that except for $130 million in cash, People Express was bankrupt. As a way out, People Express entertained two offers of sale. One offer was from Texas Air for both People and Frontier. The other offer from United was only for Frontier. The desire to remain a separate entity and the agreement that United would purchase assets of Frontier while the stock purchase was taking form, thus immediately infusing cash, decided the matter in favor of United.

The precarious financial condition of People Express was well known to United. Therefore, it could virtually dictate a sales agreement slanted in its favor. United agreed to purchase the stock and all assets of Frontier for $146 million. At the discretion of People Express, it had the ability to independently purchase selected assets of Frontier at, what some people suggest, was less than fair market value. The stock purchase was conditioned on labor "agreements satisfactory to United". Without any definition of the word 'satisfactory', United now had an option to buy the stock and complete the merger or rummage through the assets and let fate care for the rest.

UNITED'S AND PEOPLE EXPRESS D.O.T. FILING

United and People Express filed a joint application with the D.O.T. on July 14th, 1986, for an emergency exemption from Section 408 of the Federal Aviation Act to immediately acquire certain assets of Frontier. Some of the representations made in this application are as follows:

1) An application for Section 408 approval of the stock acquisition will be
filed with the Department at the earliest possible date.
2) The asset acquisitions are essential because they will generate much needed cash for People Express to help stabilize its financial position.
3) None of the asset sales is contingent on consummation of the stock acquisition.
4) If the stock transaction is terminated, United will lease back to Frontier maintenance facilities it reasonably needs for its continued operation.
(smaller hangar for the duration of the master lease)

5) Without the immediate infusion of cash that will be produced, People Express will have no means of covering the ever-mounting losses from Frontier and there are no offsetting disadvantages to permitting the asset sales to United.
6) If for any reason the sale of Frontier stock does not go forward, Frontier will still be left with a basic core of assets necessary to continue airline operations, even after the asset sales to United. This somewhat reduced level of assets would be more than sufficient to handle the company's current level of activity.
7) There will be no adverse impact on competition as a result of the asset purchases covered by the requested exemption and there is therefore no need to undertake a competitive impact inquiry.

The D.O.T. approved the exemption as filed on August 1, 1986. On the same date, United Airlines removed its auditors from Frontier's facilities.

ALLEGATIONS OF MISCONDUCT BY PEOPLE EXPRESS

1) People Express violated all five of the above listed restrictions contained in the October 17th Agreement with the employees of Frontier. The Frontier employees were required to file suit on August 5, 1986, in order to attempt to stop or control the violations, especially the unencumbered asset transfer.
2) People Express did not consult with or inform any managing officer of Frontier with regard to the negotiations, terms of the contract or effect upon Frontier of the agreement with United. The president of Frontier, Mr. Martin, is assumed to have known about the negotiations, but he had no advisory role and in fact was a paid employee of People Express and not Frontier Airlines.
3) During and following the negotiations, the Board of Directors of People Express and Frontier were identical. The Board of Directors had independent and equal responsibilities to both companies but acted wholly in the interest of one to the detriment of the other. Additionally, Frontier being a Nevada Corportation, was required by law to have the Board of Directors be a minimum of three persons. At crucial times in the summer of 1986, Mr. Donald Burr was the only director.
4) Although required to provide working capital to Frontier, People Express not only failed to do so but requested that the receipts from Frontier's asset sales be sent directly to People Express. United complied, and Frontier received no compensation for the sale of its assets. People Express accounted for this money as a repayment of intercompany loans. Others would later label it repayment of intercompany debt on the eve of bankruptcy and thus proscribed by law.
5) On August 8th, 1986, Frontier's president, Mr. Martin (a People Express employee) along with a United Airlines vice president, represented to the Denver City Council's Transportation Committee (in charge of the Frontier hangar and gate leases) that the lease transfers to United were necessary to provide Frontier the funds to continue operation until the stock purchase could be completed. The United spokesman, Mr. Lazarus, added that the most valuable Frontier asset was its employees. The Transportation Committee approved the lease transfer based upon these representations.
6) In the joint D.O.T. filing, People Express made no reference that Frontier would not benefit from the asset sale, that it in effect was expropriating Frontier's assets, that it would discontinue funding Frontier, that without the stock purchase, Frontier would immediately go out of business and that there was a high risk that this transaction would be anti-competitive.
7) Frontier Airlines was owned by People Express, Inc. a holding company. The asset sale proceeds went into the operating account of People Express Airlines, a subsidiary company just like Frontier.
8) In the above actions and omissions, People Express engaged in fraudulent conveyance, misrepresentations to city and federal agencies and acted in a fraudulent manner as to the employees and creditors of Frontier Airlines.

ALLEGATIONS OF MISCONDUCT BY UNITED AIRUNES

1) Item 1 (a) of the July 10th contract states United agrees, subject to the conditions set forth herein, to purchase all of the issued and outstanding capital stock of either Frontier Airlines, Inc. or Frontier Holdings, Inc., at United's election, for $146 million subject to adjustment…' Item 3 (a) states 'Prior to closing the foregoing transaction, United agrees, at People's option, to make any or all of the following purchases of assets of Frontier..." Under the cover of a stated stock purchase, United's intent as exemplified by their behavior was to raid the assets of Frontier Airlines to the point where Frontier would cease to be an operating entity.
2) The requirement of satisfactory union agreements as a purchase condition is understandable although vaguely worded. United's agreement "to use its best efforts to obtain such agreements" is very clear. The failure to initiate any dialogue with 80% of the unions representing 90% of the union members is by no means a best effort. United's negotiations with ALPA more represented initiation of internecine warfare than a good faith attempt to reach an accord. By never moving from its initial offer and by refusing to deal with any other union and by refusing an ALPA offer to enter into binding arbitration; United failed to make a good faith effort to fulfill the main condition of the stock purchase portion of the agreement.
3) United ignored the legal restrictions contained in the October 17th Agreement. The United vice president, who earlier signed

the October 17th Agreement while Frontier's president, was party to the stock and asset purchase agreement for United and knew fully of the asset sale and other restrictions therein.
4) United misrepresented facts and intent in representations to the Denver City Council and the Department of Transportation, Department of Justice and the Federal Trade Commission.
5) Once United gained the transfer of the Frontier assets it discontinued efforts to consummate the stock purchase agreement. One of the examples of this is United's failure to file a Section 408 application with the D.O.T. regarding approval for the stock purchase. The joint D.O.T. application for the asset transfer states rather inaccurately "An application for Section 408 approval of the stock acquisition will be filed with the Department at the earliest possible date". On August 20th, before Frontier ceased operations and before the August 31st contractual deadline for union ratification, United notified the D.O.T. that it would not be making an application to purchase Frontier's stock.
6) United was notified by Frontier, prior to the August 24th cessation of operations of Frontier's idea to shut down in order to pressure ALPA. United's knowledge of this went to presidential level and United did not object. The Frontier managers are still under the impression that United agreed to the shut down plan. Upon that act, United declared that Frontier had been irreparably harmed and they had no further interest in purchasing Frontier. They gave Frontier notice to vacate its hangars and other facilities on August 27th, giving Frontier 10 days to vacate.
7) Before United broke off negotiations with ALPA, People Express verbally offered to make up the contested difference in the Frontier pilots salary. United Airlines refused this offer.
8) After Frontier shutdown but prior to the bankruptcy, People Express offered United Frontier's stock free if they would assume Frontier's liabilities. United's answer was that People Express would have to "pay United" to take Frontier's stock. In essence, a company that United agreed to purchase for $146 million just six weeks earlier was available for $103 million less and United refused the offer.
9) United did not pay or otherwise compensate Frontier for the sale of Frontier assets as was required by the Master Asset and Lease Agreement signed by the two parties. The resulting intercompany transfer of assets was also proscribed by the October 17th Aereement.
10) United can easily be accused of fraudulent conveyance, misrepresentations, fraud, bad faith bargaining and anti-competitive practices.

Finally and very importantly, the Airline Deregulation Act of 1978 set the stage for the above events. Yet what appears to have happened was never intended to by the Act and is in fact proscribed. Section 102 (7) of the Act states the following to be in the public interest: The prevention of unfair, deceptive, predatory, or anti-competitive practices in air transportation, and the avoidance of unreasonable industry concentration, excessive market domination, and monopoly power; and other conditions that would tend to allow one or more air carriers unreasonably to increase prices, reduce services, or exclude competition in air transportation.

THE AFTERMATH

Frontier Airlines filed for Chapter 11 bankruptcy protection on August 28, 1986. With its key operating assets gone and the monies diverted to another company, Frontier had no chance of reorganizing and returning as a competitor in the Denver market. Three groups were primarily affected by the bankruptcy: The creditors of Frontier, its employees and the traveling public all of whom were ill-served by the maneuvers of People Express and United Airlines. United's response to the elimination of a competitor was to immediatedly add 51 flights in Denver, enjoy increased load factors and to raise prices. One year later, the price of a ticket in many Denver markets has more than doubled.

The Frontier estate had leased aircraft sitting idle and Frontier's former employees, who took the blow like the sudden death of a family member, were also idled. Continental immediately reviewed the prospects of a bargain rate expansion of their airline using these planes and crews. Continental entered into an agreement to lease the aircraft, offered Frontier employees jobs if they waived all claims against Frontier and People Express including their no furlough claim and any other recourse by legal action. Continental then bought Frontier's stock for $10 million and became the debtor in possession. Frontier, at Continental's direction, filed suit against United for two counts of fraudulent conveyance, preferential transfer, turnover proceeding (to recover assets) and fraud. This suit was settled out of court with United returning all Frontier assets.

The former Frontier aircraft, with Frontier crews, entered service as part of Continental airlines on November 7, 1986. Continental now possesses three hangars, controls two concourses and has replaced United as the largest carrier serving Denver. The Frontier estate is about to be settled with a plan to pay creditors the full amount of their claims and provide a $40 million excess to be delivered to Continental.

As with so many business transactions, employees suffer the most. The United Airlines employees through the machinations of their management have lost a perfect opportunity to control a vital hub market and for their company to profit and be strengthened as a result. The opposite has obviously happened. The former Frontier employees have all suffered financially, many quite severely. Those who chose to work for Continental are able to practice the skills they mastered at Frontier, but at much lower pay rates.

As in most tragedies, there are lessons to be learned. As frequently happens, the most innocent bear the brunt of the pain generated by the actions of others. What must be recognized as the most important lesson from the loss of Frontier is that this happened as a result of allowances provided by the deregulation of the airline industry. The intent of the Deregulation Act of 1978 was to increase competition and benefit the public. In many instances this has been accomplished. But in others, such as this example, a small high quality airline with highly skilled employees and a popular product that added competition to the industry, flew into oblivion; not because it did not serve the public, but only because quality is no longer a match for size.

COMMENTS

The United Airlines Purchase Of Frontier Airlines

I got this paper, The United Airlines Purchase Of Frontier Airlines by the FL Pilots Legal Review Committee, dated October, 1987, in a box of maintenance manuals sent by BJ Blackerby on 3/9/11. I sent the file to FL/ALPA Master Chairman Billy Walker for his comments.
-Jake Lamkins
(3/11/11)

Hi Billy,
I found the attached report in a box of maintenance manuals sent me by BJ Blackerby. Do you recall it and/or have any comments about it? It's a searchable file if you want to save to your files.
Regards,
-Jake Lamkins
(3/11/11)

Jake, The document speaks for itself. There may be others, but I did note one omission in particular - on Page 6:

5) On August 8th, 1986, Frontier's president, Mr. Martin (a People Express employee) along with a United Airlines vice president, represented to the Denver City Council's Transportation Committee (in charge of the Frontier hangar and gate leases) that the lease transfers to United were necessary to provide Frontier the funds to continue operation until thr. stock purchase could be completed. The United spokesman, Mr. Lazarus, added that the most valuable Frontier asset was its employees.

I spoke at this same Denver City Council meeting immediately following Lazarus' comments. I pleaded with the council members NOT to allow transfer of Frontier assets until the agreement with United had been completed. I stated, frankly, that we had every reason to believe that what happened would, in fact happen. In this case I very much hated being right...

Turns out PeopleExpress transferred Frontier assets directly to United which was illegal as it bypassed the Frontier corporate veil. By the time we knew this and went to Federal District Court Judge, Zita Weinshienk it was too late! Judge Weinshienk agreed with us albeit unable to reverse the damage done. The majority of assets had already been transferred.

In the end the only thing United gained was the sale of two MD-80 slot positions to American. Continental ended up with Frontier nuts-guts and feathers! ...for a song! Lorenzo bought FAL out of bankruptcy for $10 million bucks. Cheap enough. But, he knew that there was over $10 million in the pilots excess funding of our retirement. At this point his net cost was a paltry $5 million. After all the lawyers were paid and a few secured creditors, there was apparently $187 million left! The reality was heartbreaking to us knowing that Frontier was anything but bankrupt. But, in the end employees, even employees who bought and paid for the right to have some say, had no say...

Doug Bader and I appeared on Woody Paige's local radio show expressing these same concerns. Woody, a well know talk show host and Denver Post columnist, was very supportive of the Frontier employees plight.

We had all been delighted with UAL's announcement that United would be buying Frontier. Then, Dave Pringle showed up at a meeting in the Frontier Board Room and said, essentially, that if the Frontier pilots would find a way to abrogate the United pilots contract then he might be inclined to talk to the rest of Frontier's employees. Things went down-hill from there...

Likely, you'll remember one hell of a horrific roller-coaster ride. We all hung on and hung in there. The results were anything close to our hopes. It is difficult for me to go back to those dark days with the realization that Lorenzo ended up as Frontier employees savior! Unfathomable! ...but true. The agreement with Continental was ugly at best. We stated, on several occasions, that it was a way to keep food on the table until something better came along. Some went and stayed. Some went and later left. Some, myself included, did not go with CAL. Those who did finally saw improvement when Gordon Bethune became the CEO. But, they went thru 12 years of pain until he made things better. The former Frontier pilots who stayed on with CAL eventually retired well. The sine-wave that Richard Ferris, et. al. started has not yet fully sinusoidal out...

During the time all this was happening to Frontier, America West Airlines was starting up with less than $20 million funding. What dichotomy! America West was starting up and became successful due to Ed Beauvais' efforts. Frontier was forced from the skies when it had all the infrastructure and motivated employee base in place!

Hank Lund realized this and, while too late to save the old Frontier, later started the new Frontier. Hank was fired from Frontier because he refused to liquidate the company at Jerry O'Neil's demands. Joe O'Gorman came on board to do that and came to see the employees strong will to see our beloved airline survive. After, the PEX failed experiment, the United debacle, and the CAL "merger" we employees could only hold onto the pride we shared in this once great airline - this way of life. Looking back on all this makes me shake my head...

I've copied in a few of the players in case they have their own thoughts on this.
-Billy Walker
(3/11/11)

I just came across this history of the 1986 failed UAL/FAL merger. It is an analysis I wrote approximately one year later on my tiny screen MacIntosh and printed on one of the first ($3,000) home size laser printers. The report states that it is from the Legal Review Committee, but there was no such committee at the time. Just me chronicling events.

This information was the basis for a later pilot's lawsuit, Brooks v. United, that after a lengthy legal effort was denied cert by the U.S. Supreme Court. This lawsuit was solid on the merits, but the Railway Labor Act's limitations as to available remedies for union workers interfered with the base claim of tortious interference with contract. The courts held that part of a contract between Frontier and it's employees, where United interfered, was under the jurisdiction of the RLA. The RLA only allows a remedy through arbitration with the employer. We had no employer to arbitrate with as Frontier was gone and United was not our employer. Thus, the law denied the Frontier pilots a legal remedy for their loss of employment due to contract interference by United Airlines.

The lawsuit had 360 named pilot plaintiffs whose monetary damages would have been extensive. United lost an opportunity for a turnkey expansion of service plus the opportunity to eliminate Continental from its Denver hub, outbid Continental for Newark's then being completed terminal "C" and perhaps even to cause the demise of Continental Airlines.

Frontier ended its 40 year life with only one death of a paying passenger, long ago in a DC-3 that lost its battle with low level icing while on approach to Miles City, Montana. In 1986, the little airline that could (and did) was swept into history by forces much more powerful than low level icing.

Regards,
-Roger Brooks
(12/2/13)

Thanks Roger, I am sharing this with Jake (although I suspect he has it) as what you wrote should be available to The Frontier Family. You are so right that had we been able to present our case to a jury the outcome would have, should have, been vastly different...

I will always appreciate your friendship and your accepting duties that were so consuming during our fight to preserve something so special. You've never been adequately thanked.

Blue Skies & Tailwinds...
-Billy Walker
(12/2/13)

Thank you Billy for forwarding this. And thank you Roger for shedding more light on the matter. I am the one who posted this article on the OldFrontierAirlines.com website on the Death of Frontier webpage. Just after the article on the menu there is a posting of comments on the essay and I would like to add your comments, Roger, if it's okay with you. I had not heard before that it was the RLA that shot down the lawsuit.
Regards,
-Jake Lamkins
(12/2/13)

Jake - Good to hear from you. Please do as you wish.

The basic history of our United lawsuit is as follows: We filed in federal Denver District Court in Denver. Our case was assigned to a reportedly lazy judge named Brooks who was about to retire. The first action item for a defense is to file a motion for summary judgement. Brooks ruled in United's favor and dismissed our lawsuit. Some people in the Denver legal community told me that Brooks saw this as a lengthy and complicated case that could have delayed his retirement.

We then appealed Brooks' dismissal to the 10th Circuit Court of Appeals. The 10th Circuit reinstated the case, sending it back to the trial court, stating that the October 17th Agreement was both a business contract and partially a RLA labor document. That the trial court must determine the "severability" of the October agreement into RLA and non-RLA parts. The new trial court judge ruled that the RLA did apply to the part allowing us a civil cause of action, limiting our only path for restitution to the RLA's grievance procedure. Contract interference case dismissed. We then took the case back to the 10th Circuit and they did not reverse the trial court. Then we advanced the case to the U.S. Supreme Court which declined to hear our case. One major argument of ours was that the law is designed to provide a course of action for aggrieved parties to seek restitution through the courts. By our not being able to sue for a contract violation and no longer having an employer with which to greave, we were being denied the opportunity to even seek restitution. Obviously, the Supreme Court didn't care.

Not to be political but to remain factual, this was during the Reagan presidency. United clearly eliminated a competitor in a major market, which should have been the subject of an anti-trust investigation. However, the Reagan administration's philosophy was to not interfere with "free enterprise." I believe United knew, or early on found out, that they wouldn't be prosecuted for an anti-trust violation if they killed Frontier. A clue to where United felt its major exposure lay was that the United defense firm's attorney in charge of our case was the firm's anti-trust specialist.

Best Regards,
-Roger Brooks
(12/2/13)

Thanks very much, Roger.
-Jake Lamkins
(12/2/13)
<I consolidated the report and the comments for clarity and continuity, then reposted to the Old Frontier Airlines website.>