

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-6033

UAL CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware 36-2675207
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Location: 1200 East Algonquin Road, Elk Grove Township, Illinois 60007

Mailing Address: P. O. Box 66919, Chicago, Illinois
60666

(Address of principal executive offices) (Zip
Code)

Registrant's telephone number, including area code: (847) 700-4000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.) Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

	Outstanding at
<u>Class</u>	<u>July 29, 2005</u>
Common Stock (\$0.01 par value)	116,220,959

UAL Corporation and Subsidiary Companies Report on Form 10-Q

For the Quarter Ended June 30, 2005

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Item 1. Financial Statements

UAL Corporation and Subsidiary Companies

(Debtor and Debtor-in-Possession)

Condensed Statements of Consolidated Financial Position (Unaudited)

(In Millions)

	June 30	December 31
<u>Assets</u>	<u>2005</u>	<u>2004</u>
Current assets:		
Cash and cash equivalents	\$ 1,677	\$ 1,223
Restricted cash	968	877
Short-term investments	16	78
Receivables, net	1,131	951
Inventories, net	233	234
Deferred income taxes	105	96
Prepaid fuel expense	259	187
Prepaid expenses and other	<u>312</u>	<u>268</u>
	<u>4,701</u>	<u>3,914</u>
Operating property and equipment:		
Owned	17,517	17,745
Accumulated depreciation and amortization	<u>(5,829)</u>	<u>(5,626)</u>
	<u>11,688</u>	<u>12,119</u>
Capital leases	2,665	2,708
Accumulated amortization	<u>(693)</u>	<u>(653)</u>
	<u>1,972</u>	<u>2,055</u>
	<u>13,660</u>	<u>14,174</u>
Other assets:		
Investments	25	24
Intangibles, net	395	399
Pension assets	8	665

Aircraft lease deposits	484	540
Prepaid rent	155	158
Other, net	<u>779</u>	<u>831</u>
	<u>1,846</u>	<u>2,617</u>
	<u>\$20,207</u>	<u>\$20,705</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies
(Debtor and Debtor-in-Possession)

Condensed Statements of Consolidated Financial Position (Unaudited)

(In Millions)

	June 30	December 31
<u>Liabilities and Stockholders' Equity</u>	<u>2005</u>	<u>2004</u>
Current liabilities:		
Current portions of long-term debt and capital lease obligations	\$ 888	\$ 903
Advance ticket sales	2,085	1,361
Accrued salaries, wages and benefits	877	2,100
Accounts payable	644	601
Fuel purchase commitments	259	187
Other	<u>1,331</u>	<u>1,309</u>
	<u>6,084</u>	<u>6,461</u>
Long-term debt and capital lease obligations	<u>255</u>	<u>301</u>
Other liabilities and deferred credits:		
Deferred pension liability	105	2,333
Postretirement benefit liability	1,948	1,920
Deferred income taxes	485	389
Other	<u>939</u>	<u>946</u>

	<u>3,477</u>	<u>5,588</u>
Liabilities subject to compromise	<u>18,662</u>	<u>16,035</u>
Commitments and contingent liabilities (See note)		
Stockholders' equity:		
Preferred stock	-	-
Common stock at par	1	1
Additional capital invested	5,064	5,064
Retained deficit	(10,446)	(7,946)
Accumulated other comprehensive loss	(1,423)	(3,332)
Treasury stock	<u>(1,467)</u>	<u>(1,467)</u>
	<u>(8,271)</u>	<u>(7,680)</u>
	<u>\$20,207</u>	<u>\$20,705</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies

(Debtor and Debtor-in-Possession)

Statements of Consolidated Operations (Unaudited)

(In Millions, Except Per Share)

	Three Months Ended	
	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Operating revenues:		
Passenger - United Airlines	\$ 3,301	\$ 3,248
Passenger - Regional Affiliates	632	505
Cargo	180	167
Other	<u>310</u>	<u>269</u>
	<u>4,423</u>	<u>4,189</u>
Operating expenses:		
Salaries and related costs	1,052	1,208

Aircraft fuel	955	693
Regional affiliates	685	605
Purchased services	383	370
Landing fees and other rent	225	242
Aircraft maintenance	227	193
Depreciation and amortization	201	218
Cost of sales	147	145
Aircraft rent	109	134
Commissions	76	81
Special operating items	18	-
Other	<u>297</u>	<u>293</u>
	<u>4,375</u>	<u>4,182</u>
Earnings from operations	<u>48</u>	<u>7</u>
Other income (expense):		
Interest expense	(111)	(117)
Interest capitalized	-	1
Interest income	6	5
Reorganization items, net	(1,386)	(144)
Miscellaneous, net	<u>9</u>	-
	<u>(1,482)</u>	<u>(255)</u>
Loss before income taxes and equity in earnings of affiliates	(1,434)	(248)
Credit for income taxes	=	=
Loss before equity in earnings of affiliates	(1,434)	(248)
Equity in earnings of affiliates	<u>4</u>	<u>1</u>
Net loss	<u>\$(1,430)</u>	<u>\$(247)</u>
Net loss per share, basic	<u>\$(12.33)</u>	<u>\$(2.25)</u>

See accompanying Notes to Consolidated Financial Statements.

(Debtor and Debtor-in-Possession)

Statements of Consolidated Operations (Unaudited)

(In Millions, Except Per Share)

	Six Months Ended	
	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Operating revenues:		
Passenger - United Airlines	\$ 6,217	\$ 6,239
Passenger - Regional Affiliates	1,156	945
Cargo	352	315
Other	<u>613</u>	<u>599</u>
	<u>8,338</u>	<u>8,098</u>
Operating expenses:		
Salaries and related costs	2,085	2,457
Aircraft fuel	1,760	1,296
Regional affiliates	1,330	1,156
Purchased services	744	722
Landing fees and other rent	458	473
Aircraft maintenance	446	378
Depreciation and amortization	414	448
Cost of sales	290	341
Aircraft rent	229	271
Commissions	153	162
Special operating items	18	-
Other	<u>613</u>	<u>598</u>
	<u>8,540</u>	<u>8,302</u>
Loss from operations	<u>(202)</u>	<u>(204)</u>
Other income (expense):		
Interest expense	(220)	(237)
Interest capitalized	(5)	1
Interest income	10	15
Special non-operating items	-	(13)

Reorganization items, net	(2,154)	(274)
Miscellaneous, net	<u>67</u>	<u>8</u>
	<u>(2,302)</u>	<u>(500)</u>
Loss before income taxes and equity in earnings/(losses)		
of affiliates	(2,504)	(704)
Credit for income taxes	=	=
Loss before equity in earnings/(losses) of affiliates	(2,504)	(704)
Equity in earnings/(losses) of affiliates	<u>4</u>	<u>(2)</u>
Net loss	<u>\$(2,500)</u>	<u>\$(706)</u>
Net loss per share, basic	<u>\$(21.56)</u>	<u>\$(6.42)</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies
(Debtor and Debtor-in-Possession)

Condensed Statements of Consolidated Cash Flows (Unaudited)

(In Millions)

Six Months

Ended June 30

2005 2004

Cash and cash equivalents at beginning		
of period, excluding restricted cash	<u>\$ 1,223</u>	<u>\$ 1,640</u>
Cash flows from operating activities	<u>818</u>	<u>438</u>
Cash flows from reorganization activities:		
Reorganization items, net	(2,154)	(274)
Pension curtailments and settlements	1,045	-
Increase in liabilities	923	196
Other	<u>122</u>	<u>-</u>
	<u>(64)</u>	<u>(78)</u>

Cash flows from investing activities:		
Additions to property and equipment	(97)	(150)
Proceeds on disposition of property and equipment	35	13
Increase in restricted cash	(91)	(159)
Decrease in short-term investments	62	67
Other, net	<u>(31)</u>	<u>(49)</u>
	<u>(122)</u>	<u>(278)</u>
Cash flows from financing activities:		
Proceeds from DIP Financing	-	10
Repayment of DIP Financing	(10)	(241)
Repayment of long-term debt	(113)	(89)
Principal payments under capital lease obligations	(55)	(185)
Aircraft lease deposits, net	=	<u>160</u>
	<u>(178)</u>	<u>(345)</u>
Increase (decrease) in cash and cash equivalents	<u>454</u>	<u>(263)</u>
Cash and cash equivalents at end of period,		
excluding restricted cash	<u>\$ 1,677</u>	<u>\$ 1,377</u>
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 188	\$ 296
Non-cash transactions:		
Net unrealized gain/(loss) on investments	\$ 17	\$ (1)
Decrease in pension intangible assets	\$ 657	\$ -
Increase in long-term debt incurred in connection with additions to other assets	\$ 21	\$ 172

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Unaudited)

The Company

UAL Corporation is a holding company and its principal, wholly owned subsidiary is United Air Lines, Inc., a Delaware corporation ("United"). We sometimes collectively refer to UAL Corporation, together with its consolidated subsidiaries, as "we," "our," "us," "UAL" or the "Company."

Interim Financial Statements

We prepared the consolidated financial statements shown here as required by the Securities and Exchange Commission ("SEC"). Some information and footnote disclosures normally included in financial statements that meet generally accepted accounting principles ("GAAP") have been condensed or omitted as permitted by the SEC. We believe that the disclosures presented here are not misleading. The financial statements include all adjustments (which include only normal recurring adjustments, reorganization items and other special charges described below) that are considered necessary for a fair presentation of our financial position and operating results. These financial statements should be read together with the information included in our most recent Annual Report on Form 10-K for the year 2004.

Voluntary Reorganization Under Chapter 11

Bankruptcy Considerations. On December 9, 2002 ("Petition Date"), UAL, United and 26 direct and indirect wholly owned subsidiaries filed voluntary petitions to reorganize their businesses under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the "Bankruptcy Court"). The Bankruptcy Court is jointly administering these cases as "In re UAL Corporation, et al., Case No. 02-B-48191." The consolidated financial statements shown here include certain subsidiaries that did not file to reorganize under Chapter 11. The assets and liabilities of these subsidiaries are not considered material to the consolidated financial statements.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Illinois appointed on December 13, 2002 an official committee of unsecured creditors (the "Creditors' Committee"). The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court concerning our reorganization. There can be no assurance that the Creditors' Committee will support our positions or our plan of reorganization, and any disagreements between the Creditors' Committee and us could protract the Chapter 11 process, hinder our ability to operate during the Chapter 11 process, and delay our emergence from Chapter 11.

With the exception of our non-filing subsidiaries, we continue to operate our businesses as "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and applicable court orders. In general, as debtor-in-possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

All vendors are being paid for all goods furnished and services provided after the Petition Date in the ordinary course of business. However, under Section 362 of the Bankruptcy Code, actions to collect most of our pre-petition liabilities are automatically stayed, except for liabilities relating to certain qualifying aircraft, aircraft engines and other aircraft-related equipment that are leased or subject to a security interest or conditional sale contract. Under Section 1110 of the Bankruptcy Code, actions to collect such aircraft-related pre-petition liabilities are automatically stayed for 60 days after the Petition Date (the stay of such actions in our case ended on February 7, 2003), except under two conditions: (a) the debtor may extend the 60-day period by agreement with the relevant financier and with court approval; or (b) the debtor may agree to perform all of the obligations under the applicable lease or financing and cure any defaults as required under the Bankruptcy Code. If neither of these conditions is met, the lessor or financier may demand the return of the aircraft and enforce any of its contractual rights or remedies to sell, lease or otherwise retain or dispose of such property.

We have negotiated with our aircraft lessors and lenders to restructure existing financings to reduce aircraft ownership costs to better reflect current market rates, and we have reached agreements in principle to restructure transactions with respect to a majority of our financed aircraft. However, the need for further cost reductions due to difficult conditions in the airline industry with substantially higher fuel prices has required us to re-examine some of these agreements and to seek to renegotiate certain of those financings, most importantly the financings associated with approximately 119 aircraft with a group of mostly-public financiers (the "Public Debt Group").

We have been in discussions with the Public Debt Group seeking to renegotiate an agreement in principle reached in the summer of 2004 from which we subsequently withdrew. Previously, the Bankruptcy Court issued a temporary restraining order ("TRO") that enjoined the repossession of six B737 and eight B767 aircraft. During the second quarter of 2005, the TRO was cancelled by court order. Dissolution of the TRO only affected the eight B767 aircraft as the Company had since rejected the leases for the six B737 aircraft. Subsequently, the Company returned four B767 aircraft and entered into a letter of intent to purchase the remaining four B767 aircraft. On July 15, 2005, the Bankruptcy Court approved the letter of intent and approved a separate agreement that enables the Company to finance a limited number of additional aircraft purchases.

On August 6, 2005, United entered into agreements in principle to restructure the financings for all of the aircraft in United's fleet that are controlled by the Public Debt Group, other than the 14 aircraft financed under the Series 1997-1 Enhanced Equipment Trust Certificates ("EETC"), saving United approximately \$300 million annually. These agreements, which are subject to Bankruptcy Court approval, are expected to secure United's long-term access to these aircraft, and resolve any related administrative claims. With respect to all the agreements reached with financiers since entering reorganization, and including the benefit of contractual changes and strategic fleet reductions, the Company will reduce its annual fleet costs by approximately \$850 million since entering Chapter 11. In addition, with respect to those Public Debt Group financings for aircraft in United's fleet which were previously rejected, returned or repossessed, we have reached a global resolution of related administrative claims against the Company, subject to Bankruptcy Court approval. There can be no assurance that Bankruptcy Court approval for these agreements will be received.

United is also seeking to acquire the senior "A" tranche debt in the 1997-1 EETC transactions which would permit it to secure long-term access to the 14 aircraft subject to that financing. United had previously acquired the "B" and "C" tranches of this debt as a necessary predicate to purchasing the "A" tranche.

If the Company does not finalize the agreements in principle with the Public Debt Group, our operational and financial performance could be materially adversely affected, including the possibility that one or more financiers may seek to repossess a significant number of aircraft, or we may choose to reject or return such aircraft.

We have rejected or returned certain surplus aircraft to adjust our fleet size and composition to more closely match market demand, and are continuing this process to achieve an approximate fleet size of 455 aircraft in 2005. In addition, as part of ongoing negotiations with financiers, we have converted some long-term financing arrangements into operating leases of a reduced term and, in several instances, re-acquired previously

rejected aircraft as circumstances warranted.

Under Section 365 of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, subject to the approval of the Bankruptcy Court and certain other conditions. By order of the Bankruptcy Court, our Section 365 rights to assume, assume and assign, or reject unexpired leases of non-residential real estate expire on the earlier of the date of termination of our exclusive period to file a plan of reorganization (currently, September 1, 2005) or the date of the conclusion of a disclosure statement hearing in connection with a proposed plan of reorganization.

In general, if we reject an executory contract or unexpired lease, it is treated as a pre-petition breach of the lease or contract in question and, subject to certain exceptions, relieves us of performing any future obligations. However, such a rejection entitles the lessor or contract counterparty to a pre-petition general unsecured claim for damages caused by such deemed breach and accordingly, the counterparty may file a claim against us for such damages. As a result, liabilities subject to compromise are likely to change in the future as a result of damage claims created by our rejection of various aircraft, executory contracts and unexpired leases. Generally, if we assume an aircraft financing agreement, executory contract or unexpired lease, we are required to cure existing defaults under such contract or lease. We expect that the future assumption of certain executory contracts and unexpired leases may convert liabilities currently shown as subject to compromise to liabilities not subject to compromise.

To successfully emerge from Chapter 11, in addition to obtaining exit financing, the Bankruptcy Court must confirm a plan of reorganization, the filing of which will depend upon the timing and outcome of numerous ongoing matters in the Chapter 11 process. We had intended to file a plan of reorganization in early August 2005; however that filing was delayed at the request of the Creditors' Committee to allow the Committee more time to review the plan. We now expect to file a plan of reorganization in early September that provides for UAL's emergence from bankruptcy later in 2005 or early 2006, but there can be no assurance that the Bankruptcy Court will confirm the Company's plan of reorganization or that any such plan will be implemented successfully.

The Company's plan of reorganization will determine the rights and satisfaction of claims of various creditors and security holders. At this time, it is not possible to predict with certainty the effect of the Chapter 11 reorganization process on our business. We will include estimates of expected claims dispositions in our plan of reorganization, but the ultimate settlement of those claims will continue to be subject to the uncertain outcome of litigation, negotiations and Bankruptcy Court decisions up to and for a period of time after a plan of reorganization is confirmed. We believe that UAL's presently outstanding equity securities will have no value and will be canceled under any plan of reorganization that we propose. For this reason, we urge that caution be exercised with respect to existing and future investments in any UAL security.

Financial Statement Presentation. We have prepared the accompanying consolidated financial statements in accordance with American Institute of Certified Public Accountants' Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," ("SOP 90-7") and on a going-concern basis, which assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

SOP 90-7 requires that the financial statements for periods subsequent to a Chapter 11 filing separate transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, all transactions (including, but not limited to all professional fees, realized gains and losses and provisions for losses) directly associated with the reorganization and restructuring of the business are reported separately in the financial statements. For the three-month and six-month periods ending June 30, 2005 and 2004, we recognized the following reorganization expenses in our financial statements:

(In millions)	<u>Three Months</u>		<u>Six Months</u>	
	<u>Ended June 30,</u>		<u>Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Pension related charges	\$ 612	\$ -	\$ 1,045	\$ -
Contract rejection charges	509	-	509	-
Aircraft rejection charges	212	103	506	224
Professional fees	48	49	92	83
Severance and employee retention	6	-	13	7
Interest income	(10)	(4)	(17)	(8)
Other	<u>9</u>	<u>(4)</u>	<u>6</u>	<u>(32)</u>
	<u>\$ 1,386</u>	<u>\$ 144</u>	<u>\$ 2,154</u>	<u>\$ 274</u>

In the first and second quarters of 2005, the Company recognized non-cash pension curtailment charges of \$433 million and \$207 million, respectively, associated with actions taken by the Pension Benefit Guaranty Corporation ("PBGC") to involuntarily terminate United Air Lines, Inc. Ground Employees' Retirement Plan (the "Ground Employees Plan"), United Airlines Flight Attendant Defined Benefit Pension Plan (the "Flight Attendant Plan") and United Airlines Management, Administrative and Public Contact Defined Benefit Pension Plan ("MAPC Plan"). The PBGC was appointed trustee for the Ground Employees Plan effective May 23, 2005 and the MAPC Plan and the Flight Attendant Plan effective June 30, 2005, assuming all rights and powers over the pension assets and obligations of each plan. Upon termination and settlement of these plans, the Company recognized a non-cash net settlement loss of approximately \$395 million in accordance with SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" ("SFAS 88"). In addition, during the second quarter of 2005 the Company recognized a non-cash settlement loss in the amount of \$10 million for the termination of the non-qualified supplemental retirement plan for management employees who have benefits under the tax-qualified pension plan that cannot be paid due to Internal Revenue Code limits on compensation or benefits.

Contract rejection charges are non-cash costs that include our estimate of claims resulting from the Company's rejection of certain contract obligations such as executory contracts, unexpired leases, municipal bond obligations and regional carrier contracts. These claim amounts remain subject to future adjustments arising from negotiated settlements, actions of the Bankruptcy Court, the determination as to the value of any collateral securing claims, proofs of claim or other events.

Aircraft rejection charges are non-cash costs that include our estimate of claims resulting from the Company's rejection of certain aircraft leases and return of aircraft as part of the bankruptcy process.

As we restructure aircraft financings as permitted by Section 1110 of the Bankruptcy Code, our policy is to reflect the revised lease rates in aircraft rent once we have signed definitive term sheets for the financings and they have been approved by the Bankruptcy Court.

The Condensed Statements of Consolidated Financial Position distinguish pre-petition liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities subject to compromise are reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts.

In addition, as a result of the Chapter 11 filing, the realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty. While operating as debtor-in-possession under the protection of Chapter 11 and subject to approval of the Bankruptcy Court and the terms of the applicable debtor-in-possession secured financing ("DIP Financing") covenants, or otherwise as permitted in the ordinary course of business, we may sell or otherwise dispose of assets (including aircraft) and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, the forthcoming plan of reorganization is expected to materially change the amounts and classifications of certain assets and liabilities, as compared to amounts and classifications shown in the historical consolidated financial statements.

Pursuant to the Bankruptcy Code, we have filed schedules with the Bankruptcy Court identifying our assets and liabilities as of the Petition Date, while our creditors have filed proofs of claim with the Bankruptcy Court and we expect new claims to be filed in the future. Approximately 45,000 proofs of claim (including late-filed claims) have been filed so far with the Bankruptcy Court requesting payments from the Company. Through the claims resolution process we have identified many claims which we believe should be disallowed by the Bankruptcy Court, for a number of reasons such as our identification of claims that are duplicative, have been amended or superseded by later filed claims, are without merit, or are otherwise overstated. We have filed omnibus objections to many of these claims and will continue to file additional objections. As of June 30, 2005, approximately 31,000 of the total claims have either been withdrawn by the claimants or disallowed by the Bankruptcy Court.

As of June 30, 2005, approximately 14,000 proofs of claim totaling \$45.7 billion remain filed with the Bankruptcy Court. The remaining amount of the proofs of claim filed continues to far exceed our estimate of ultimate liability. Differences in amount between claims filed by creditors and liabilities shown in our records continue to be investigated and resolved in connection with our claims resolution process. While we have made significant progress to date, we expect this process to continue for some time, and to continue beyond the date of confirmation of a plan of reorganization. We believe that further resolution of claims is necessary for us to determine with more precision the likely range of creditor distributions under a proposed plan of reorganization. We have recorded liability amounts for the claims that can be reasonably estimated and which we believe are probable of being allowed by the Bankruptcy Court and we have classified these as liabilities subject to compromise in the attached Condensed Statements of Consolidated Financial Position. We will include estimates of expected claims dispositions in our plan of reorganization, although we expect those estimates to be further revised as the bankruptcy process continues.

We will continue to evaluate existing and new claims filed and will make adjustments, as appropriate. To date, such adjustments have been material and we anticipate that future adjustments will be material as well.

DIP Financing. In connection with the Chapter 11 filings, the Company arranged DIP Financing. As of June 30, 2005, the DIP Financing consisted of a \$1.0 billion facility of which \$900 million was available due to a \$100 million reserve for collateral maintenance and liquidation expenses. The facility included a revolving credit and letter of credit facility of \$200 million and a term loan of \$800 million, and was scheduled to mature on September 30, 2005. We had the option of borrowing under the DIP Financing at an interest rate of the prime rate plus 3.5% or LIBOR plus 4.5% plus mutually agreed fees. As of June 30, 2005, we had outstanding borrowings of \$853 million at a rate of 9.5%. In addition, letters of credit were issued under the DIP Financing in an aggregate amount of \$37 million. We were required to maintain a minimum unrestricted cash balance of \$750 million.

On July 15, 2005, the Bankruptcy Court approved an agreement with the DIP Financing lenders to increase the term loan to \$1.1 billion for a total facility of \$1.3 billion; extend the maturity date and the effectiveness of financial covenants to December 30, 2005 with the option to further extend the maturity date until March 31, 2006 if certain conditions are satisfied; reduce the interest rate to the prime rate plus 3.25% or LIBOR plus 4.25%; maintain a minimum unrestricted cash balance of at least \$750 million; waive certain events of default related to certain technical matters; and provide for a new capital expenditure basket for certain aircraft purchases, including a cash sublimit, but requiring financing for the balance of the aggregate purchase price of such aircraft.

The Company is proposing to enter into an amendment to the DIP financing which would provide for, among other things, a waiver of any event of default as a result of the Company acquiring the Tranche A, Tranche B and Tranche C indebtedness under the Series 1997-1 Enhanced Equipment Trust Certificates. The proposed amendment further provides for the refinancing of a majority of that indebtedness, as secured by up to 14 aircraft to be acquired in connection with the acquisition of that indebtedness. This proposed amendment will require the approval of the DIP financing lenders and the Bankruptcy Court. There can be no assurance that either approval will be received. For more information on the terms of the proposed amendment, please see the Company's Form 8-K filed with the SEC on August 8, 2005.

The terms of the DIP Financing include covenants that require us to satisfy ongoing monthly financial requirements, including minimum earnings before interest, income taxes, depreciation, amortization and aircraft rents ("EBITDAR") thresholds, limitations on capital expenditures and minimum unrestricted cash. Failure to comply with these covenants would constitute an event of default under the DIP Financing and allow the lenders to accelerate the loan. The Company complied with the EBITDAR covenant in April, May and June 2005.

Borrowing availability is determined by a formula based on a percentage of eligible assets. The eligible assets consist of certain previously unencumbered aircraft, spare engines, spare parts inventory, certain flight simulators and quick engine change kits. The underlying value of such assets may fluctuate periodically due to prevailing market conditions and fluctuations in value may have an impact on the borrowing availability under the DIP Financing. Availability may be further limited by additional reserves imposed by the lending banks in their commercially reasonable discretion.

The DIP Financing is guaranteed by UAL and all other filing subsidiaries and is secured by first priority liens on all unencumbered present and future assets and by junior liens on all other assets, other than certain specified assets, including assets which are subject to financing agreements that are entitled to the benefits of Section 1110 and to the extent such financing agreements prohibit such junior liens.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R") which establishes standards for accounting for transactions in which an entity obtains employee services in exchange for stock options or share-based payments. SFAS 123R requires that the compensation cost (as measured by the fair value of the equity or liability instruments issued) relating to share-based payment transactions be recognized in financial statements. This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Currently we account for stock options under APB 25 as permitted by SFAS 123. SFAS 123R is effective for the first interim or annual reporting period of the Company's first fiscal year that begins after June 15, 2005. The Company will recognize compensation expense for its participation in stock-based compensation plans for the portion of outstanding awards for which the employee service has not yet been rendered, based on the grant date fair value of those awards calculated under SFAS 123R. We anticipate the adoption of SFAS 123R will not have a material impact on our financial statements while we are in bankruptcy.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations - An Interpretation of FASB Statement No. 143" ("FIN47"). FIN47 clarifies the term conditional asset retirement obligation as used in SFAS No. 143, "Accounting for Asset Retirement Obligations", and addresses the diverse accounting practices that have developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and (or) method of settlement of the obligation are conditional on a future event. In addition, FIN47 clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN47 is effective no later than the end of the fiscal year ending December 31, 2005. Currently, we are evaluating the impact of FIN47 on our financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). This statement, which replaces APB Opinion No. 20, "Accounting Changes", and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements", requires that a voluntary change in accounting principle be applied retroactively to all prior period financial statements presented, unless it is impractical to do so. SFAS 154 also provides that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate effected by a change in accounting principle, and also provides that correction of errors in previously issued financial statements should be termed a "restatement". SFAS 154 is effective for fiscal years beginning after December 15, 2005. We anticipate that the adoption of SFAS 154 will not have a material impact on our financial statements.

In accordance with SOP 90-7, we are required to adopt all new accounting pronouncements upon emergence from bankruptcy, if they have effective dates within one year of the date of adoption of fresh-start reporting.

Per Share Amounts

Basic loss per share amounts were computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the year.

<u>Loss Attributable to Common Stockholders (in millions)</u>	Three Months		Six Months	
	<u>Ended June 30,</u>		<u>Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net loss	\$(1,430)	\$ (247)	\$ (2,500)	\$ (706)
Preferred stock dividend requirements	(3)	(3)	(5)	(5)
Loss attributable to common stockholders	<u>\$(1,433)</u>	<u>\$ (250)</u>	<u>\$ (2,505)</u>	<u>\$ (711)</u>

Shares (in millions)

Weighted average shares outstanding	<u>116.2</u>	<u>110.9</u>	<u>116.2</u>	<u>110.8</u>
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<u>Loss Per Share</u>	<u>\$(12.33)</u>	<u>\$ (2.25)</u>	<u>\$ (21.56)</u>	<u>\$ (6.42)</u>
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At June 30, 2005 and 2004, stock options to purchase approximately 9 million and 11 million shares of common stock, respectively, were outstanding but were not included in the computation of earnings per share because the exercise price of the options was greater than the average market price of the common shares and therefore, the effect of such shares would be antidilutive. As of June 30, 2004, all remaining shares of convertible ESOP preferred stock had been converted to common shares.

Stock Option Accounting

At June 30, 2005, we had certain stock-based employee compensation plans. We account for these plans under APB 25 and related Interpretations. No stock-based employee compensation cost for stock options is reflected in our financial statements as provided under APB 25, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

If compensation cost for stock-based employee compensation plans had been determined using the fair value recognition provisions of SFAS 123 we would have reported our net loss and loss per share as the pro forma amounts shown below:

<u>(In millions, except per share)</u>	Three Months	Six Months
--	--------------	------------

	<u>Ended June 30,</u>		<u>Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net loss, as reported	\$ (1,430)	\$ (247)	\$ (2,500)	\$ (706)
Less: Total compensation expense determined under				
fair value method	(1)	(3)	(2)	(5)
Net loss, pro forma	\$ (1,431)	\$ (250)	\$ (2,502)	\$ (711)
Net loss per share, basic				
As reported	\$ (12.33)	\$ (2.25)	\$ (21.56)	\$ (6.42)
Pro forma	\$ (12.34)	\$ (2.27)	\$ (21.57)	\$ (6.46)

Income Taxes

Beginning in the third quarter of 2002, we established a valuation allowance against our net deferred tax asset. Thus, UAL has a zero percent effective tax rate for both 2005 and 2004. As of June 30, 2005, our valuation allowance totaled \$3.7 billion. Further, we have determined that it is more likely than not that our gross deferred tax assets, net of valuation allowances at June 30, 2005, will be realized through the reversals of existing deferred tax credits.

Retirement and Postretirement Plans

Our net periodic benefit cost included the following components for the three-month and six-month periods ended June 30, 2005 and 2004:

<u>(In millions)</u>	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>Three months ended June 30, 2005</u>			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Service cost	\$ 23	\$ 62	\$ 10	\$ 16
Interest cost	174	197	30	42
Expected return on plan assets	(146)	(175)	(3)	(3)
Amortization of prior service cost				
including transition obligation/(asset)	6	20	(34)	(26)
Curtailment charge	207	-	-	-
Settlement losses, net	405	-	-	-
Recognized actuarial loss	<u>38</u>	<u>23</u>	<u>22</u>	<u>23</u>
Net periodic benefit costs	\$ <u>707</u>	\$ <u>127</u>	\$ <u>25</u>	\$ <u>52</u>

<u>(In millions)</u>	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>Six months ended June 30, 2005</u>			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Service cost	\$ 61	\$ 120	\$ 22	\$ 27
Interest cost	395	395	65	92
Expected return on plan assets	(328)	(355)	(5)	(5)
Amortization of prior service cost				
including transition obligation/(asset)	14	40	(72)	(51)

reorganization items	(468)	(44)	(11)	(32)	193	34	-	(328)
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(\$ In millions)

Six Months Ended June 30, 2004

	<u>United Air Lines, Inc.</u>						Inter-	UAL
	North			Latin			segment	Consolidated
	<u>America</u>	<u>Pacific</u>	<u>Atlantic</u>	<u>America</u>	<u>ULS</u>	<u>Other</u>	<u>Elimination</u>	<u>Total</u>
Revenue	5,190	1,300	979	222	392	15	-	8,098
Intersegment revenue	169	43	32	7	25	(26)	(250)	-
Earnings (loss) before special items and reorganization items	(514)	(3)	(7)	(13)	138	(20)	-	(419)

Beginning in the third quarter of 2004, our Statements of Consolidated Operations reflect reclassifications of regional carrier revenue and expenses in order to provide better presentation of results of operations for United Airlines mainline and United Express (Regional affiliates). Prior periods have been reclassified to conform to the current year's presentation. The effect of these reclassifications on reportable segments for the three-month and six-month periods of 2004 from amounts previously reported on our Form 10-Q was an increase of \$177 and \$148 million, respectively, to North America revenue.

A reconciliation of the total amounts reported by reportable segments to the applicable amounts in the consolidated financial statements follows:

<u>(In millions)</u>	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Total loss for reportable segments	\$ (45)	\$ (62)	\$ (362)	\$ (399)
Special items	(18)	-	(18)	(13)
Reorganization items, net	(1,386)	(144)	(2,154)	(274)
Other UAL subsidiary earnings and intersegment eliminations	<u>19</u>	<u>(41)</u>	<u>34</u>	<u>(20)</u>
Net loss	\$ <u>(1,430)</u>	\$ <u>(247)</u>	\$ <u>(2,500)</u>	\$ <u>(706)</u>

The Company's dedicated revenue-producing assets (primarily aircraft) generally can be deployed in any of its reportable segments, while ULS had \$1.3 billion in total assets as of June 30, 2005.

Comprehensive Income

We include in other comprehensive income changes in minimum pension liabilities and changes in the fair value of derivative financial instruments which qualify for hedge accounting. For the three months ended June 30, 2005 and 2004, total comprehensive income (loss) amounted to \$443 million and \$(248) million, respectively. For the six months ended June 30, 2005 and 2004, total comprehensive income (loss) amounted to \$(591) million and \$(708) million, respectively. Total comprehensive income for the six months ended June 30, 2005 included a \$1,891 million net adjustment relating to the termination of various pension plans, as discussed in Pension and Postretirement Plans.

Special Items

During the second quarter of 2005, we recognized a charge of \$18 million for aircraft impairments related to the planned accelerated retirement of certain aircraft currently operated by Air Wisconsin Airlines Corporation ("AWAC").

During the first quarter of 2004, we incurred a \$13 million charge in non-operating expense for the write-down of certain non-operating B767 aircraft.

Aircraft Fuel Hedges

Aircraft fuel represented 22% and 21%, respectively, of our total operating expenses for the three months and six months ended June 30, 2005.

Our strategy to hedge a portion of our price risk related to projected jet fuel requirements primarily involves using collar options. The collars

(only some of which were designated as cash flow hedges) involve the purchase of fuel call options with the simultaneous sale of fuel put options with identical expiration dates. Those contracts designated as hedges are recorded at fair value, with the changes in fair value, to the extent they are effective, recorded in other comprehensive income until the underlying hedged fuel is consumed. To the extent that the designated hedges are ineffective, gain or loss is recognized currently. The fair value of each designated hedge is determined by the use of standard option value models using commodity-related assumptions derived from prices observed in underlying markets. For those contracts not designated as hedges, the related gain or loss is recognized currently as an element of non-operating income. In the three months ending June 30, 2005, the Company recognized a loss of \$1 million (which included income of \$1.2 million relating to the options' time-value and a loss of \$2.5 million as a result of ineffective hedges) in non-operating income. In addition, in the six months ending June 30, 2005, the Company recognized income of \$40 million (which included income of \$5 million relating to the options' time-value and hedge ineffectiveness being immaterial) in non-operating income.

We have hedged approximately 8% of our remaining 2005 projected fuel requirements at an average price of \$1.24 per gallon, excluding taxes. These contracts will expire through December 31, 2005. The current fair value of our designated hedge position is approximately \$21 million as of June 30, 2005 and is included in other comprehensive income. We expect that this entire amount, to the extent it remains effective, will be recognized into earnings over the second half of 2005 as a reduction to fuel expense. We plan to continue to hedge future fuel purchases as circumstances and market conditions allow.

Commitments and Contingencies

In addition to common commercial lease transactions, we have entered into numerous long-term agreements to lease certain airport and maintenance facilities that are financed through tax-exempt special facility revenue bonds ("municipal bonds") and issued by various local municipalities to build or improve airport and maintenance facilities.

During 2003, we filed four complaints for declaratory judgment and corresponding motions for temporary restraining orders concerning United's municipal bond obligations for facilities at Denver International Airport ("DEN"), John F. Kennedy International Airport ("JFK"), San Francisco International Airport ("SFO"), and Los Angeles International Airport ("LAX"). In each case, we sought clarification of our obligations to pay principal and interest under the applicable municipal bonds, and the protection of our rights concerning related airport lease agreements at the applicable airports.

On March 30, 2004, the Bankruptcy Court granted our motions for summary judgment with respect to the JFK, SFO and LAX municipal bonds, holding that our payment obligations related to municipal bonds financing airport improvements at these sites which were not obligations arising under "leases" pursuant to Section 365 of the Bankruptcy Code. Based on this ruling, the outstanding \$248 million in principal in connection with these municipal bonds was considered pre-petition debt and the applicable accrued rent has been classified as liabilities subject to compromise.

In our adversary proceeding involving DEN, however, the Bankruptcy Court did not grant our motion for summary judgment. Rather, the Bankruptcy Court found that our payment obligations for the municipal bonds financing airport improvements at DEN (which represents approximately \$261 million in principal) were obligations arising under a true lease. We have appealed the adverse ruling of the DEN proceeding, but in accordance with the Bankruptcy Court's order, we have paid \$45 million into escrow for the semi-annual interest payments due for the DEN municipal bonds.

The defendants in the JFK, SFO and LAX adversary proceedings also appealed the Bankruptcy Court's ruling in the U.S. District Court for the Northern District of Illinois ("District Court"). In November 2004, the District Court reversed the Bankruptcy Court's ruling and held in favor of the defendants in the SFO adversary proceeding. In January 2005, the District Court affirmed the Bankruptcy Court's ruling with respect to the DEN adversary proceeding and reversed the Bankruptcy Court's ruling with respect to the LAX adversary proceeding. On February 18, 2005, the District Court affirmed the Bankruptcy Court's ruling in the Company's favor in the JFK adversary proceeding.

The Company has appealed the District Court's ruling with respect to the SFO, LAX and DEN adversary proceedings to the United States Court of Appeals for the Seventh Circuit, and the defendants have appealed the ruling in the Company's favor in the JFK matter. On July 26, the Court of Appeals reversed the District Court's ruling with respect to the SFO adversary proceeding, but the defendants may petition the court for a rehearing or a writ of certiorari. The outcome of these appeals remains uncertain and, therefore, the ultimate treatment of these municipal bond obligations in reorganization is uncertain. In accordance with the Bankruptcy Court's order, we have paid \$10 million and \$22 million into escrow for the interest payments due for the LAX and SFO municipal bonds, respectively.

Similarly, in September 2003, we filed a complaint for declaratory judgment for all seven municipal bond issues (which represent approximately \$601 million in principal) relating to our facilities at Chicago O'Hare International Airport ("O'Hare"), seeking, among other things, a declaration that a certain cross-default provision in the O'Hare airport lease is unenforceable. On February 15, 2005, the Bankruptcy Court approved an agreement ("O'Hare Settlement Agreement") resolving the disputes between United, the trustees and the bondholders that in effect reduced the Company's indebtedness related to these bond issues from approximately \$601 million to approximately \$150 million. The City of Chicago, a party to these adversary proceedings, is not a party to the O'Hare Settlement Agreement.

The O'Hare Settlement Agreement requires the indenture trustees and certain designated bondholders to waive any existing defaults with respect to the bonds, and not to seek any further payment on account of the bonds beyond the consideration set forth in the O'Hare Settlement Agreement. It requires the Company, in connection with the confirmation of its plan of reorganization, to relinquish any claims to certain unused construction fund monies (which currently total approximately \$65 million) and to issue convertible debt to the counterparties in the O'Hare Settlement Agreement, upon emergence from bankruptcy of the reorganized UAL Corporation, having a par value of \$150 million.

As of June 30, 2005, the Company had paid into escrow cash payments totaling approximately \$22 million related to interest due on three of the seven O'Hare municipal bonds for semi-annual interest payments that were purported to have come due during the pendency of the Chapter 11 reorganization. As part of the O'Hare Settlement Agreement, these escrow funds, less the legal fees of the trustees and certain holders, will be remitted back to the Company.

On August 7, 2005, the Company reached an agreement in principle with the City of Chicago, with respect to all unresolved disputes relating to our facilities at O'Hare. The agreement in principle, which will require definitive documentation and the approval of the Bankruptcy Court, provides for certain utilization and accommodation requirements with respect to the Company's gates at O'Hare that could result in the loss of access to certain gates if United fails to maintain a minimum utilization standard. The Company expects to meet the minimum utilization standard. There can be no assurance at this time that a definitive agreement will be reached, or that Bankruptcy Court approval of this agreement will be received.

UAL has certain contingencies resulting from litigation and claims (including environmental issues) incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the views of legal counsel, the nature of contingencies to which we are subject and prior experience, that the ultimate disposition of these contingencies will not materially affect the Company's consolidated financial position or results of operations.

We record liabilities for legal and environmental claims against us in accordance with GAAP. These amounts are recorded based on our assessments of the likelihood of their eventual settlements. The amounts of these liabilities could increase or decrease in the near term, based on revisions to estimates relating to the various claims. In addition, as a result of the bankruptcy filing, as of the Petition Date, virtually all pending litigation is stayed, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, again subject to certain exceptions, to recover on pre-petition claims against us. Accordingly, we have classified certain of these liabilities as liabilities subject to compromise.

The Company anticipates that if found liable, its damages from claims arising from the events of September 11, 2001 will be significant; however, we believe that, under the Air Transportation Safety and System Stabilization Act of 2001, our liability will be limited to our insurance coverage.

At June 30, 2005, commitments for the purchase of property and equipment, principally aircraft, approximated \$1.7 billion, after deducting advance payments. Since September 11, 2001, we have reached agreements with the aircraft manufacturers enabling us to delay or cancel delivery of future orders. Since resetting our fleet plan is critical to our overall restructuring, we continue to hold discussions regarding these deliveries. Our current commitments would require the payment of an estimated \$0.1 billion for the remainder of 2005, \$0.1 billion in 2006, \$0.4 billion in 2007, \$0.5 billion in 2008 and \$0.6 billion in 2009 and thereafter primarily for the purchase of A319 and A320 aircraft. It is likely that the amount and timing of these obligations will change, and could potentially be eliminated in their entirety. Additionally, the disposition of advance payments to the manufacturers and aircraft financiers of \$127 million is subject to the ultimate outcome of these discussions.

UAL Loyalty Services, LLC

In 2005, the Bankruptcy Court approved a corporate restructuring that (a) moved Ameniti Travel Clubs, Inc (formerly known as Confetti, Inc.) as a subsidiary of ULS to a subsidiary of MyPoints.com, Inc. ("MyPoints"), (b) moved MyPoints as a subsidiary of ULS to a subsidiary of UAL, and (c) moved ULS as a subsidiary of UAL to a subsidiary of United. This restructuring was completed on March 21, 2005 and resulted in a change in classification of certain operating revenues that are associated with our Mileage Plus program as follows:

<u>Increase/(decrease)</u>	Three Months Ended	Six Months Ended
	<u>June 30, 2004</u>	<u>June 30, 2004</u>
<u>(In millions)</u>		
Operating revenues:		
Passenger - United Airlines	\$ 4	\$ 32
Other	<u>(4)</u>	<u>(32)</u>
Total operating revenues	\$ _	\$ _

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Chapter 11 Restructuring Efforts

The following sections describe details of restructuring efforts underway by the Company in the areas of labor agreements, defined benefit pension plans, aircraft financings, future operating fleet redeployment and reductions, municipal bond obligations, and the ongoing bankruptcy claims resolution process. See "Voluntary Reorganization Under Chapter 11" in the Notes to Consolidated Financial Statements for further information on the reorganization process.

In the summer of 2004, we identified a further \$2 billion in required future annual cash savings (to be fully realized by fiscal year 2007) that we believe are necessary to attract exit financing and to emerge from reorganization later in 2005. We have amended our collective bargaining agreements ("CBAs") and reduced our non-represented salaried and management employees' compensation and benefits to achieve approximately \$700 million in average annual labor savings toward the \$2 billion goal. We are seeking operational savings and the termination and replacement of defined benefit pension plans to achieve the remainder of the \$2 billion savings target.

Labor Restructuring. Effective January 1, 2005, the Company reduced the compensation of its non-represented salaried and management employees and announced changes to benefits and productivity for this group. The Company has also negotiated consensual modifications to its CBAs with each of its labor unions to achieve further average annual labor savings. On January 31, 2005, the Bankruptcy Court approved amended CBAs between the Company and the Association of Flight Attendants ("AFA"), the Air Line Pilots Association ("ALPA"), the Professional Airline Flight Control Association ("PAFCA"), and the Transport Workers Union ("TWU") (all of whom had their memberships ratify such amendments). On May 31, 2005, the Bankruptcy Court approved an amended CBA between the Company and AMFA and subsequently, on July 22, 2005, approved an amended CBA between the Company and IAM, both of which were ratified by their memberships.

The Company has also agreed to provide each employee group a portion of the equity, securities or other consideration provided to general unsecured creditors under any plan of reorganization proposed or supported by the Company. Each employee group is to receive a distribution

based on the value of cost savings provided by that group. Approval of this distribution is subject to the Bankruptcy Court process.

The Company has agreed to provide to employees represented by ALPA, PAFCA, TWU, AMFA and IAM as well as its salaried and management employees, approximately \$706 million in convertible notes upon the emergence of the Company from bankruptcy in the event the groups' defined benefit pension plans are terminated. All represented groups other than the AFA have agreed to eliminate any requirements in their respective CBAs to maintain, and not to oppose efforts by the Company to terminate, each of their respective defined benefit pension plans.

Pensions. The Company determined that to obtain exit financing and successfully reorganize and emerge from Chapter 11 bankruptcy proceedings, it was necessary to terminate and replace all of its defined benefit pension plans. To this end, on April 22, 2005, United and the PBGC entered into a global settlement agreement which provides for the settlement and compromise of various disputes and controversies with respect to four defined benefit pension plans of United, including the United Airlines Pilot Defined Benefit Pension Plan (the "Pilot Plan"), Flight Attendant Plan, Ground Employees Plan and the MAPC Plan (collectively, the "Pension Plans"). On May 10, 2005, the Bankruptcy Court approved the settlement agreement, including modifications requested by certain creditors. The AFA and several other parties have filed legal challenges to the approval of the PBGC agreement by the Bankruptcy Court. To date, no such challenges have been successful, although several remain pending.

On May 23, 2005, the PBGC assumed responsibility for the Ground Employees Plan. On June 30, 2005, the PBGC assumed responsibility for the Flight Attendant Plan and the MAPC Plan. The PBGC and the Company have executed termination and trusteeship agreements with respect to each of these plans. The Company thus has no further duties or rights with respect to these plans. The Pilot Pension Plan termination date will be as specified in the settlement agreement and PBGC will not become statutory trustee until all issues referenced in the settlement agreement are resolved. The PBGC has moved for summary judgment on the termination of the Pilot Plan; a hearing has been scheduled before the Bankruptcy Court for August 18, 2005.

Under the settlement agreement, the Company has agreed to propose a plan of reorganization that provides for the distribution of the following consideration to the PBGC:

- \$500 million in principal amount of 6% senior unsecured notes to be issued to the PBGC no later than the bankruptcy exit date; maturing 25 years from issuance date; with interest payable in kind (notes or common stock) through 2011 (and thereafter in cash) in semi-annual installments; and being callable at any time at 100% of par value.
- 5,000,000 shares of 2% convertible preferred stock to be issued to the PBGC no later than the bankruptcy exit date, at a liquidation value of \$100 per share, convertible at any time following the second anniversary of the issuance date into common stock of the reorganized Company at a conversion price equal to 125% of the average closing price of the common stock during the first 60 days following exit from bankruptcy; with dividends payable in kind semi-annually; the preferred stock will rank *pari passu* with all current and future UAL or United preferred stock; and be redeemable at any time at \$100 par value at the option of the issuer; and being non-transferable until two years after the issuance date.
- \$500 million in principal amount of 8% senior unsecured notes contingently issuable to the PBGC in up to eight equal tranches of \$62.5 million (with no more than two tranches issued on a single date), beginning with the fiscal year ending December 31, 2009 and ending with the fiscal year ending December 31, 2017 in which there is an issuance trigger date. Issuance is triggered when, among other things, the Company's EBITDAR exceeds \$3.5 billion over the prior twelve months, provided that issuance would not cause a default under any other securities then existing. Each issued tranche would mature 15 years from its respective issuance date; with interest payable in cash in semi-annual installments; and being callable at any time at 100% of par value.

For more information on the terms of the settlement agreement, please see the Company's Form 8-K filed with the SEC on April 28, 2005.

The distribution of these securities to the PBGC is subject to a "safety valve" provision that allows for modifications to the terms of the securities to the extent that such terms are materially impairing, hindering or delaying the Company's ability to obtain the necessary financing to exit bankruptcy.

The PBGC agreed to waive its pension restoration rights, provided that the Company obtains the PBGC's consent with respect to any defined contribution plan proposed to be provided by the Company to its employees following termination of the Pension Plans. The Company could elect to implement a defined contribution plan without the PBGC's consent, but under those circumstances, the PBGC would retain its restoration rights.

Additionally, the Company has agreed to propose a plan of reorganization that provides the PBGC with a single pre-petition general unsecured unfunded liability claim arising from the termination of the Pension Plans. At the Company's option, the PBGC will assign 45% of the distribution it receives from this claim as directed by the Company; provided that the Company's direction of this assignment must be (1) consistent with the best interests of general unsecured creditors, (2) subject to at least 10 business days prior notice to the Creditors' Committee and after consultation with the Committee, and (3) subject to Bankruptcy Court approval under the best interest of creditors' test in a *de novo* review. If the Company does not comply with the above, the distribution will be directed to the unsecured creditors.

On November 30, 2004, Independent Fiduciary Services, Inc. ("IFS"), the independent fiduciary appointed by the Company, filed a motion in the Bankruptcy Court requesting the allowance of a \$288 million to \$993 million administrative claim against the Company for unpaid minimum funding contributions. On March 18, 2005, the Bankruptcy Court ruled that only those contributions arising from pension benefits associated with service performed by participants in the post-petition period would be considered an administrative claim. IFS is appealing this decision. Because the settlement agreement shall be deemed to have settled and released any claims by the PBGC on its own behalf or on behalf of the Pension Plans arising from or related to any minimum funding obligations (subject to certain terms and conditions), it also provides for United to terminate the IFS agreement, and for the PBGC to support the Company's actions in certain circumstances. On May 27, 2005, the Company provided notice to IFS of its intent to terminate the Fiduciary Services Agreement between the Company and IFS with respect to each of the Company's Pension Plans effective on the later of: (a) July 27, 2005 or (b) the termination date for each such plan, respectively. The Company and the PBGC have entered into trusteeship agreements for the Flight Attendant Plan, Ground Employees Plan, and MAPC Plan, with effective dates of June 30, March 11, and June 30, 2005, respectively. Thus, as of July 27, 2005, IFS is no longer independent fiduciary for the Flight Attendant Plan, Ground Employees Plan or the MAPC Plan that were the subject of IFS's Motion.

On June 24, 2005, the House of Representatives passed an amendment to a spending bill that seeks to prevent the PBGC from using appropriated funds to enforce or implement the settlement agreement. The Senate must also still act on this legislation, which is not yet scheduled. We do not believe this legislation will have any effect in its present form.

The AFA has stated that they may engage in self-help in response to the PBGC's involuntarily termination of the Flight Attendant Plan. Such

self-help could take the form of intermittent disruptions to United's operations, which could adversely affect future bookings on United. The Company has communicated to the AFA that it believes that any disruption to the airline's operations would be illegal and that it intends to vigorously prosecute parties taking such actions.

Section 1110 Aircraft Restructuring. All vendors are being paid for all goods furnished and services provided after the Petition Date in the ordinary course of business. However, under Section 362 of the Bankruptcy Code, actions to collect most of our pre-petition liabilities are automatically stayed, except for liabilities relating to certain qualifying aircraft, aircraft engines and other aircraft-related equipment that are leased or subject to a security interest or conditional sale contract. Under Section 1110 of the Bankruptcy Code, actions to collect such aircraft-related pre-petition liabilities are automatically stayed for 60 days after the Petition Date (the stay of such actions in our case ended on February 7, 2003), except under two conditions: (a) the debtor may extend the 60-day period by agreement with the relevant financier and with court approval; or (b) the debtor may agree to perform all of the obligations under the applicable lease or financing and cure any defaults as required under the Bankruptcy Code. If neither of these conditions is met, the lessor or financier may demand the return of the aircraft and enforce any of its contractual rights or remedies to sell, lease or otherwise retain or dispose of such property.

We have negotiated with our aircraft lessors and lenders to restructure existing financings to reduce aircraft ownership costs to better reflect current market rates, and we have reached agreements in principle to restructure transactions with respect to a majority of our financed aircraft. However, the need for further cost reductions due to difficult conditions in the airline industry with substantially higher fuel prices has required us to re-examine some of these agreements and to seek to renegotiate certain of those financings, most importantly the financings associated with approximately 119 aircraft with a group of mostly-public financiers (the "Public Debt Group").

We have been in discussions with the Public Debt Group seeking to renegotiate an agreement in principle reached in the summer of 2004 from which we subsequently withdrew. Previously, the Bankruptcy Court issued a temporary restraining order ("TRO") that enjoined the repossession of six B737 and eight B767 aircraft. During the second quarter of 2005, the TRO was cancelled by court order. Dissolution of the TRO only affected the eight B767 aircraft as the Company had since rejected the leases for the six B737 aircraft. Subsequently, the Company returned four B767 aircraft and entered into a letter of intent to purchase the remaining four B767 aircraft. On July 15, 2005, the Bankruptcy Court approved the letter of intent and approved a separate agreement that enables the Company to finance a limited number of additional aircraft purchases.

On August 6, 2005, United entered into agreements in principle to restructure the financings for all of the aircraft in United's fleet that are controlled by the Public Debt Group, other than the 14 aircraft financed under the Series 1997-1 Enhanced Equipment Trust Certificates ("EETC"), saving United approximately \$300 million annually. These agreements, which are subject to Bankruptcy Court approval, are expected to secure United's long-term access to these aircraft, and resolve any related administrative claims. With respect to all the agreements reached with financiers since entering reorganization, and including the benefit of contractual changes and strategic fleet reductions, the Company will reduce its annual fleet costs by approximately \$850 million since entering Chapter 11. In addition, with respect to those Public Debt Group financings for aircraft in United's fleet which were previously rejected, returned or repossessed, we have reached a global resolution of related administrative claims against the Company, subject to Bankruptcy Court approval. There can be no assurance that Bankruptcy Court approval for these agreements will be received.

United is also seeking to acquire the senior "A" tranche debt in the 1997-1 EETC transactions which would permit it to secure long-term access to the 14 aircraft subject to that financing. United had previously acquired the "B" and "C" tranches of this debt as a necessary predicate to purchasing the "A" tranche.

If the Company does not finalize the agreements in principle with the Public Debt Group, our operational and financial performance could be materially adversely affected, including the possibility that one or more financiers may seek to repossess a significant number of aircraft, or we may choose to reject or return such aircraft.

We have rejected or returned certain surplus aircraft to adjust our fleet size and composition to more closely match market demand, and are continuing this process to achieve an approximate fleet size of 455 aircraft in 2005. In addition, as part of ongoing negotiations with financiers, we have converted some long-term financing arrangements into operating leases of a reduced term and, in several instances, re-acquired previously rejected aircraft as circumstances warranted.

Redeployment and Reduction of Fleet. On October 6, 2004, the Company announced a plan to expand its international route network, redeploying aircraft to more profitable routes and reducing the overall size of its mainline fleet. These actions are part of the Company's ongoing strategy to adjust fleet size and route mix to current market conditions, which continue to be intensely competitive. In the first six months of 2005, we reduced our mainline operating fleet by 39 aircraft as compared to December 31, 2004.

In addition, on April 22, 2005, the Bankruptcy Court approved an agreement to transition to other regional carriers all flying operations currently performed for the Company by United Express carrier AWAC. This transition will be completed by early 2006. The Company does not anticipate that this change will adversely affect its United Express operations. Under this transition agreement, AWAC refunded to the Company on April 22, 2005 approximately \$22 million of previously incurred costs, which was recognized as a reduction to regional carrier expense. As a result of the transition agreement, the Company also recognized a charge of \$18 million for aircraft impairments relating to planned accelerated retirement of certain aircraft currently operated by AWAC.

Effective in May 2005, we amended our capacity purchase agreement with Mesa Air Group to give them the right to place into service up to 30 leased 50-seat regional jet aircraft to be branded as United Express and operated within the United Express system. United will receive \$30 million in cash before the end of 2005 for agreeing to this amendment, of which \$10 million was received during the second quarter of 2005; these payments will be recognized as a reduction to regional carrier expense over the contract terms.

Municipal Bond Obligations. As a result of our bankruptcy filing, we are not permitted to make payments on unsecured pre-petition debt. We have been advised that our municipal bonds may be unsecured (or in certain instances, partially secured) pre-petition debt. At June 30, 2005, we had approximately \$1.7 billion outstanding in municipal bonds that were issued on behalf of United to finance the construction of improvements at airport-related facilities. For further details, see "Commitments and Contingencies" in the [Notes to the Consolidated Financial Statements](#).

Claims Resolution Process. As permitted under the bankruptcy process, our creditors have filed proofs of claim with the Bankruptcy Court and we expect new claims to be filed in the future. Through the claims resolution process, we have identified many claims which we believe should be disallowed by the Bankruptcy Court for a number of reasons, such as our identification of claims that are duplicative, have been amended or superseded by later filed claims, are without merit, or are otherwise overstated. We have filed omnibus objections to many of these claims and will

continue to file additional objections. For further details, see "Voluntary Reorganization Under Chapter 11 - Financial Statement Presentation" in the Notes to the Consolidated Financial Statements.

Results of Operations

Over the past several years, the Company and the airline industry have been faced with severe business challenges and fundamental changes in the airline industry that have produced material adverse impacts on our results of operations, financial position and liquidity. During the three-month periods ended June 30, 2005 and 2004, we reported earnings from operations of \$48 million and \$7 million, respectively, and we reported net losses of \$1,430 million and \$247 million for the same respective periods. In addition, during the six-month periods ended June 30, 2005 and 2004, we reported losses from operations of \$202 million and \$204 million, respectively, and we reported net losses of \$2,500 million and \$706 million for the same respective periods.

Operating revenues for the airline industry in general, as well as for the Company, have been adversely impacted by a variety of factors in the last few years. Such factors have included from time to time unfavorable general economic conditions; the terrorist attacks of September 11, 2001 and fears of further terrorist activities; enhanced airport security measures which have increased airport inconvenience and produced some negative customer reaction; the enactment of federal taxes on ticket sales to fund those new security measures; the outbreak of Severe Acute Respiratory Syndrome in early 2003 and subsequent fears of other outbreaks of communicable diseases; and the growth of low-cost carriers in the United States placing further downward pressures on revenues by forcing us to compete with discounted fares offered by low-cost airlines in a growing percentage of the markets we serve. These and other adverse factors caused United mainline passenger revenue per revenue passenger mile to decline from 13.3 cents in 2000 (the last year we reported an operating profit) to 10.8 cents in 2004.

In the first six months of 2005, United mainline passenger revenue was 11.03 cents per revenue passenger mile, or 0.4% lower than it was in the first six months of 2004. Passenger load factor improved from 78.7% in the first six months of 2004 to 80.8% in the same period of 2005. These results reflect a 2.5% reduction in system capacity between periods. As announced in the fourth quarter of 2004, the Company continues to shift capacity from domestic to international markets and it believes that its actions to address overcapacity domestically are beginning to produce unit revenue improvements in that segment.

Our operating expenses have fluctuated as we have sought to restructure our obligations in bankruptcy, adjust our mainline and regional carrier operating capacity to match marketplace demand, and cope with historically high jet fuel prices throughout recent years. United mainline operating cost per available seat mile increased from 10.6 cents in 2000 to 12.0 cents in 2001, and then declined to 10.2 cents by 2004. In spite of significant accomplishments in restructuring our operating expenses, including significant contributions from employees and creditors through the bankruptcy process, high fuel costs have had a significant adverse affect on unit operating costs, particularly in more recent periods. In the first six months of 2005, United mainline operating cost per available seat mile ("CASM") was 10.39 cents per available seat mile, or 3.5% higher than it was in the first six months of 2004. The increase in fuel prices between periods added approximately seven tenths of a cent to the first six months of 2005 CASM, as compared to the same period in 2004.

Summary of Results. The air travel business is subject to seasonal fluctuations. Our operations can be impacted by adverse weather and our first- and fourth-quarter results normally reflect reduced travel demand. Historically, results of operations are better in the second and third quarters.

The second quarter 2005 results include \$1.4 billion in reorganization items recorded in connection with our bankruptcy proceedings. The second quarter 2004 results included \$144 million in reorganization items.

Second Quarter 2005 Compared with Second Quarter 2004. Operating revenues increased \$234 million. Passenger mainline revenues increased \$53 million due to a 3% increase in yield partially offset by a 1% decrease in traffic. The following analysis by market is based on information reported to the U.S. Department of Transportation:

2005	<u>System</u>	<u>Domestic</u>	<u>Pacific</u>	<u>Atlantic</u>	<u>Latin</u>
Passenger revenues (in millions)	3,301	2,042	671	482	106
Increase (Decrease) from 2004:					
Passenger revenues (in millions)	53	(128)	117	46	18
Passenger revenues (percent)	1.6%	(5.9%)	21.2%	10.5%	21.3%
Available seat miles (capacity)	(3.0%)	(11.6%)	19.5%	3.0%	20.5%
Passenger load factor	1.4pt.	3.2pt	(3.8)pt	0.2pt	3.1pt
Revenue passenger miles (traffic)	(1.4%)	(8.2%)	14.2%	3.3%	25.7%
Revenue per revenue passenger mile (yield)	3.2%	2.6%	6.7%	8.3%	(4.5%)

Cargo revenues increased \$13 million (8%) due to a 6% higher yield and 2% increase in cargo ton miles. Other operating revenues increased \$41 million (15%) primarily due to increases in third party maintenance revenues and Mileage Plus mileage sales.

Operating expenses increased \$193 million (5%) and mainline unit cost (operating expenses, excluding regional costs per available seat mile) increased 6%.

(In millions)	Increase/(Decrease) from 2004	Percentage Change	
Operating expenses:			
Salaries and related costs	(156)	(12.9%)	(a)
Aircraft fuel	262	37.8%	(b)
Regional affiliates	80	13.2%	(c)
Purchased services	13	3.5%	
Landing fees and other rent	(17)	(7.0%)	
Aircraft maintenance	34	17.6%	(d)
Depreciation and amortization	(17)	(7.8%)	
Cost of sales	2	1.4%	
Aircraft rent	(25)	(18.7%)	(e)
Commissions	(5)	(6.2%)	
Special operating items	18	100%	(f)
Other	4	1.4%	
Total	193	4.6%	

(a) Decreased primarily due to cost savings associated with lower salary and benefit rates and lower full-time equivalent employees.

(b) Increased primarily as a result of a 45% increase in the average cost of fuel (including tax and hedge impact) partially offset by a decrease in consumption.

(c) Increased primarily as a result of increased fuel costs and volumes of United Express regional carrier flying partially offset by new contract savings.

(d) Increased primarily due to higher levels of purchased maintenance activity. This increase is offset by productivity and labor rate improvements, the effects of which are included in (a) above.

(e) Decreased due to restructuring of aircraft lease obligations and fleet reductions.

(f) See "Special Items" in the Notes to Consolidated Financial Statements for details.

Other non-operating expense amounted to \$96 million in the second quarter of 2005, compared to \$111 million in the second quarter of 2004, excluding reorganization items. In the second quarter of 2005, the Company recognized a non-operating loss of \$1 million in miscellaneous, net to record the impact of non-designated and ineffective fuel hedges. Inclusive of reorganization items, other non-operating expense amounted to \$1.5 billion in the second quarter of 2005, compared to \$255 million in the second quarter of 2004. For details on reorganization items, see "Reorganization Items" in the Notes to Consolidated Financial Statements.

First Six Months of 2005 Compared with First Six Months of 2004. Operating revenues increased \$240 million. Passenger mainline revenues declined \$22 million. In the first quarter of 2004, passenger revenues included a \$60 million favorable adjustment. The following analysis by market is based on information reported to the U.S. Department of Transportation:

2005	<u>System</u>	<u>Domestic</u>	<u>Pacific</u>	<u>Atlantic</u>	<u>Latin</u>
Passenger revenues (in millions)	6,217	3,831	1,275	889	222
Increase (Decrease) from 2004:					
Passenger revenues (in millions)	(22)	(307)	195	60	30
Passenger revenues (percent)	(0.4%)	(7.4%)	18.0%	7.2%	16.0%
Available seat miles (capacity)	(2.5%)	(10.6%)	17.8%	3.6%	19.4%

Passenger load factor	2.1pt.	4.4pt	(4.1)pt	0.1pt	0.5pt
Revenue passenger miles (traffic)	0.1%	(5.4%)	12.1%	3.7%	20.1%
Revenue per revenue passenger mile (yield)	(0.4%)	(2.1%)	5.9%	4.9%	(4.9%)

Cargo revenues increased \$37 million (12%) largely due to a 4% higher yield and 8% increase in volumes. Other operating revenues increased \$14 million (2%) primarily due to an increase in third party maintenance revenues and Mileage Plus mileage sales, partially offset by a decrease in UAFC fuel sales to third parties.

Operating expenses increased \$238 million (3%) and mainline unit cost (operating expenses, excluding regional affiliates costs per available seat mile) increased 3%.

(In millions)	Increase/(Decrease) from 2004	Percentage Change	
Operating expenses:			
Salaries and related costs	(372)	(15.1%)	(a)
Aircraft fuel	464	35.8%	(b)
Regional affiliates	174	15.1%	(c)
Purchased services	22	3.0%	
Landing fees and other rent	(15)	(3.2%)	
Aircraft maintenance	68	18.0%	(d)
Depreciation and amortization	(34)	(7.6%)	
Cost of sales	(51)	(15.0%)	(e)
Aircraft rent	(42)	(15.5%)	(f)
Commissions	(9)	(5.6%)	
Special operating items	18	100%	(g)
Other	<u>15</u>	<u>2.5%</u>	
Total	<u>238</u>	<u>2.9%</u>	

(a) Decreased primarily due to cost savings associated with lower salary and benefit rates and lower full-time equivalent employees.

(b) Increased primarily as a result of a 41% increase in the average cost of fuel (including tax and hedge impact) partially offset by a decrease in consumption.

(c) Increased primarily as a result of increased fuel costs and volumes of United Express regional carrier flying, partially offset by new contract savings.

(d) Increased primarily due to higher levels of purchased maintenance activity. This increase is offset by productivity and labor rate improvements, the effects of which are included in (a) above.

(e) Decreased due to lower third-party fuel sales by UAFC.

(f) Decreased due to restructuring of aircraft lease obligations and fleet reductions.

(g) See "Special Items" in the Notes to Consolidated Financial Statements for details.

Other non-operating expense amounted to \$148 million in the first six months of 2005, compared to \$213 million in the first six months of 2004, excluding special non-operating items and reorganization items. In the first six months of 2005, the Company recognized a non-operating gain of \$40 million in miscellaneous, net to record the impact of non-designated and ineffective fuel hedges. Inclusive of special non-operating items and reorganization items, other non-operating expense amounted to \$2.3 billion in the first six months of 2005, compared to \$500 million in the first six months of 2004. For details on the special items and reorganization items, see "Reorganization Items" and "Special Items" in the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

The matters described in "Liquidity and Capital Resources," to the extent that they relate to future events or expectations, may be significantly affected by the Chapter 11 reorganization process. Those proceedings involve, or may result in, various restrictions on the Company's activities, limitations on financing, and may require Bankruptcy Court and Creditors' Committee approval for various matters, and may create

uncertainty as to ongoing relationships with vendors, suppliers, customers and others with whom we may conduct or seek to conduct business.

Generally, under the Bankruptcy Code most of a debtor's liabilities must be satisfied in full before the debtor's stockholders can receive any distribution on account of such shares. The rights and satisfaction of claims of our various creditors and security holders will be determined by the confirmed plan of reorganization. It is likely that pre-petition unsecured claims against the Company will be substantially impaired in connection with our reorganization. At this time we can make no prediction concerning how each of these claims will be valued in the bankruptcy proceedings. We believe that UAL's presently outstanding equity securities will have no value and it is expected that those securities will be canceled under any plan of reorganization that we propose.

UAL's total of cash, cash equivalents and short-term investments, including restricted cash, was \$2.7 billion at June 30, 2005, as compared to \$2.2 billion at December 31, 2004.

As of June 30, 2005, we had \$968 million in restricted cash, an increase of \$91 million as compared to December 31, 2004. Restricted cash primarily represents cash collateral to secure workers' compensation obligations, security deposits for airport leases and reserves with institutions that process our credit card ticket sales. Prior to 2003, we met many of these obligations (which were smaller in amount) through surety bonds or secured letters of credit; however, such facilities are currently largely unavailable to us. As a result, we may be required to post significant additional cash collateral to meet such obligations in the future.

During the second quarter of 2005, an institution that processes our credit card ticket sales increased its cash holdback by approximately \$84 million to secure advanced ticket sales in accordance with the terms of its merchant agreement.

Operating Activities. For the first six months of 2005, we generated cash flow from operations of \$818 million, a \$380 million increase as compared to \$438 million in operating cash flows generated in the first six months of 2004.

We contributed \$127 million towards our pension funding obligations in 2004, but made no cash contributions in 2005. Detailed information regarding our pension plans is included in "Retirement and Postretirement Plans" in the Notes to Consolidated Financial Statements.

Investing Activities. Cash used from investing activities was \$122 million in 2005, as compared to \$278 million in 2004. The change from 2004 to 2005 primarily reflects smaller restricted cash increases in 2005 than 2004, decreased property additions (including aircraft and aircraft spare parts), and increased proceeds from the disposition of property and equipment. In the first six months of 2005, the Company sold six B727, four B737 and five B767 aircraft, transferred seven B767 aircraft to non-operating status and rejected (and/or returned to the lessor) 29 B737 aircraft and three B767 aircraft under Section 1110 of the Bankruptcy Code.

Financing Activities. Cash flows used in financing activities were \$178 million in 2005 and \$345 million in 2004. In the first six months of 2005, we made principal payments under debt and capital lease obligations of \$113 million and \$55 million, respectively. The decrease in principal payments on capital lease obligations was related to aircraft rejections under Section 1110. In addition, we made \$10 million in principal payments on the DIP Financing in the first six months of 2005.

The Company has committed to spend an estimated \$100 million for the remainder of 2005 for the purchase of property and equipment. At June 30, 2005, commitments for the future purchase of property and equipment, principally aircraft, approximated \$1.7 billion, after deducting advance payments. For further details, see "Commitments and Contingencies" in the Notes to the Consolidated Financial Statements.

At June 30, 2005, we had a total of \$853 million in debt outstanding under the DIP Financing and \$37 million in outstanding letters of credit. We believe that the DIP Financing, together with other sources of cash, such as from operations, will be adequate to provide for our projected future liquidity needs through our emergence from bankruptcy. On July 15, 2005 the Bankruptcy Court approved an agreement with the DIP financing lenders to increase the term loan to \$1.1 billion, thereby providing a total facility of \$1.3 billion. This agreement also provides for a new capital expenditure basket for certain aircraft purchases, including a cash sublimit, but requiring financing for the balance of the aggregate purchase price of such aircraft.

The Company is proposing to enter into an amendment to the DIP financing which would provide for, among other things, a waiver of any event of default as a result of the Company acquiring the Tranche A, Tranche B and Tranche C indebtedness under the Series 1997-1 Enhanced Equipment Trust Certificates. The proposed amendment further provides for the refinancing of a majority of that indebtedness, as secured by up to 14 aircraft to be acquired in connection with the acquisition of that indebtedness. This proposed amendment will require the approval of the DIP financing lenders and the Bankruptcy Court. There can be no assurance that either approval will be received. For more information on the terms of the proposed amendment, please see the Company's Form 8-K filed with the SEC on August 8, 2005.

With historically high fuel prices and continuing weak revenue, we have continued to restructure our costs to achieve a business plan that will permit the Company to attract exit financing for our projected future liquidity needs upon emergence from bankruptcy. This exit financing, together with other available cash and cash flows from future operations, is expected to provide us with adequate levels of liquidity necessary for our ongoing operations and to service our restructured fixed obligations. We expect that in order for the Company to attract exit financing, we will be required to comply with financial covenants, and that this financing would be approved as part of an overall plan of reorganization. However, the Company cannot guarantee that this financing will be obtained, or that a plan of reorganization will be approved or implemented successfully.

Outlook

United expects third-quarter system mainline capacity to be down about 5 percent year-over-year. System mainline capacity for 2005 is expected to be about 3 percent lower than 2004. The Company projects fuel prices for the third quarter, including taxes and excluding the impact of hedges, to average \$1.83 per gallon. The Company has 6.5 percent of its expected fuel consumption for the third quarter hedged at an average of \$1.29 per gallon, including taxes. In the third quarter, the Company expects to recognize other large non-cash reorganization items as we move toward exit from bankruptcy.

Certain statements throughout Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking and thus reflect the Company's current expectations and beliefs with respect to certain current and future events and financial performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to our operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, without limitation, the following: our ability to continue as a going concern; our ability to comply with the terms of the DIP Financing or negotiate modifications or amendments thereto as necessary; our ability to

successfully renegotiate aircraft financings under Section 1110 of the Bankruptcy Code; our ability to obtain court approval with respect to motions in the Chapter 11 proceeding prosecuted by us from time to time; our ability to develop, prosecute, confirm and consummate one or more plans of reorganization with respect to the Chapter 11 cases; risks associated with third parties seeking and obtaining court approval to terminate or shorten our exclusive period to propose and confirm one or more plans of reorganization; the potential adverse impact of the Chapter 11 cases on our liquidity or results of operations; the appointment of a Chapter 11 trustee or conversion of the cases to Chapter 7; the costs and availability of financing; our ability to execute our business plan; our ability to attract, motivate and/or retain key employees; our ability to attract and retain customers; demand for transportation in the markets in which we operate; general economic conditions; the effects of any hostilities or act of war or any terrorist attack; the ability of other air carriers with whom we have alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the costs and availability of aircraft insurance; the costs of aviation fuel; the costs associated with security measures and practices; labor costs; competitive pressures on pricing (particularly from lower-cost competitors) and on demand; government legislation and regulation; the ability of the Company to maintain satisfactory labor relations; any disruptions to operations due to any potential actions by our labor groups; weather conditions; and other risks and uncertainties set forth from time to time in UAL's reports to the United States Securities and Exchange Commission. Consequently, the forward-looking statements should not be regarded as representations or warranties by the Company that such matters will be realized. We disclaim any intent or obligation to update or revise any of the forward-looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in UAL's Annual Report on Form 10-K for the year 2004.

Interest Rate Risk -

<u>(In millions, except average contract rates)</u>	Notional	Average	Estimated
	<u>Amount</u>	<u>Contract Rate</u>	<u>Fair Value</u>
			(Pay)/Receive*
Interest rate swap	\$ 130	7.56%	\$ (29)

Price Risk (Aircraft Fuel) - When market conditions indicate risk reduction is achievable, the Company enters into fuel option contracts to reduce its price risk exposure to jet fuel. The option contracts are designed to provide protection against increases in the price of aircraft fuel. As market conditions change, so may the Company's hedging program.

<u>(In millions, except average contract rates)</u>	Notional	Average	Estimated
	<u>Amount</u>	<u>Contract Rate</u>	<u>Fair Value</u>
			(Pay)/Receive*
			June 30, 2005
Purchased call options - Heating oil	\$ 109	\$ 1.24/gal	\$ 42
Sold put options - Heating oil	(93)	1.05/gal	-

*Estimated fair values represent the amount the Company would pay/receive on June 30, 2005 to terminate the contracts.

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2005. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures are effective. During the second quarter of 2005, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits.

A list of exhibits included as part of this Form 10-Q is set forth in an Exhibit Index that immediately precedes the exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this quarterly report on Form 10-Q for the quarter ended June 30, 2005 to be signed on its behalf by the undersigned thereunto duly authorized on the 9th day of August 2005.

UAL CORPORATION

By: /s/ Frederic F. Brace

Frederic F. Brace

Executive Vice President and

Chief Financial Officer

(principal financial and

accounting officer)

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.1	Settlement Agreement, dated as of April 22, 2005, by and among UAL Corporation, all of its direct and indirect subsidiaries and the Pension Benefit Guaranty Corporation (as filed as Exhibit 10.1 to UAL's Form 8-K dated April 28, 2005 and incorporated herein by reference)
10.2	Eleventh Amendment and Limited Waiver, dated as of April 8, 2005, to Debtor in Possession Credit Agreement, dated as of December 24, 2002, by and among United Air Lines, Inc., the United subsidiaries named therein, the Lenders named therein and Bank One, NA, as agent
10.3	Letter Agreement, dated as of January 1, 2005, entered into in accordance with the Railway Labor Act by and between UAL Corp., United Air Lines, Inc., and the Air Line Pilots Association, International
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements
31.1	Certification of the Principal Executive Officer Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
31.2	Certification of the Principal Financial Officer Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

CONFORMED VERSION

**WAIVER, CONSENT AND ELEVENTH AMENDMENT
TO REVOLVING CREDIT, TERM LOAN AND
GUARANTY AGREEMENT**

WAIVER, CONSENT AND ELEVENTH AMENDMENT, dated as of April 8, 2005 (the "Amendment"), to the REVOLVING CREDIT, TERM LOAN AND GUARANTY AGREEMENT, dated as of December 24, 2002, among UNITED AIR LINES, INC., a Delaware corporation (the "Borrower"), a debtor and a debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code, UAL CORPORATION, a Delaware corporation and the parent company of the Borrower (the "Parent") and all of the direct and indirect subsidiaries of the Borrower and the Parent signatory thereto (the "Subsidiaries" and together with the Parent, each a "Guarantor" and collectively the "Guarantors"), each of which Guarantors referred to in this paragraph is a debtor and a debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code, JPMORGAN CHASE BANK, N.A. (formerly known as JPMorgan Chase Bank), a national banking corporation ("JPMCB"), CITICORP USA, INC., a Delaware corporation ("Citi"), THE CIT GROUP/BUSINESS CREDIT, INC., a New York corporation ("CIT Group"), GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("GECC"), each of the other financial institutions from time to time party hereto (together with JPMCB, Citi, CIT Group and GECC, the "Lenders"), JPMORGAN CHASE BANK, N.A. and CITICORP USA, INC., as co-administrative agents (together, the "Agents") for the Lenders and JPMORGAN CHASE BANK, N.A., as paying agent (in such capacity, the "Paying Agent") for the Lenders.

WITNESSETH:

WHEREAS, the Borrower, the Guarantors, the Lenders, the Paying Agent and the Agents are parties to that certain Revolving Credit, Term Loan and Guaranty Agreement, dated as of December 24, 2002 (as heretofore amended, modified or supplemented, and as in effect on the date hereof, the "Credit Agreement");

WHEREAS, the Borrower and the Guarantors have requested that from and after the Effective Date (as hereinafter defined), the Lenders agree (A) to waive the Events of Default described in Article II hereof, (B) to consent to certain modifications of the Security and Pledge Agreement and the Aircraft Mortgage, in each case as more fully set forth in Article III hereof and (C) that the Credit Agreement be amended as set forth in Article IV, all subject to and upon the terms and conditions set forth herein;

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I. Definitions

1. As used herein, all terms that are defined in the Credit Agreement shall have the same meanings herein.

ARTICLE II. Waivers

2. Waiver. The Lenders hereby waive any Events of Default that might occur or have occurred as a result of (i) the Borrower's and the Guarantors' failure to timely provide copies of the notices such entities received in connection with the PBGC's effort to involuntarily terminate the United Airlines Pilot Defined Benefits Pension Plan, as required pursuant to Section 5.01(h) of the Credit Agreement, (ii) the Borrower's failure to satisfy the condition that no Event of Default shall have occurred and be continuing at the time of a continuation of a Eurodollar Loan insofar as the Events of Default described in this Article II had occurred and were continuing at the time any Eurodollar Loans may have been continued and (iii) the Borrower's and the Guarantors' failure to provide written notice required pursuant to Section 5.05 of the Credit Agreement as a result of the Events of Default described in clauses (i) and (ii) of this paragraph.

ARTICLE III. Consents

3. Consent to Amendment to Security and Pledge Agreement. The Lenders hereby consent to, and authorize the Collateral Agent to execute, an amendment to the Security and Pledge Agreement, substantially in the form of Exhibit A attached hereto.

4. Consent to Amendment to Aircraft Mortgage. The Lenders hereby consent to, and authorize the Collateral Agent to execute, an amendment to the Aircraft Mortgage, substantially in the form of Exhibit B attached hereto, permitting the Borrower to lease Engines and Spare Engines (each as defined in the Aircraft Mortgage) on a short-term basis (up to 120 days) to repair customers and other third party air carriers under certain circumstances.

ARTICLE IV. Amendments

5. Amendments to Section 1.01. Section 1.01 of the Credit Agreement is hereby amended by:

(A) deleting the definition of each of the following terms: "Collateral Documents", and "Orders", appearing therein, and inserting the following new definitions in appropriate alphabetical order:

"Collateral Documents" shall mean, collectively, the Security and Pledge Agreement, the Aircraft Mortgage (including, without limitation, any Mortgage Supplement), the SGR Security Agreement, the Mortgage Amendment, Mortgage Amendment No. 2, Mortgage Amendment No. 3, Mortgage Amendment No. 4 and other agreements, instruments or documents that create or purport to create a Lien in favor of the Collateral Agent for the benefit of the Lenders.

"Orders" shall mean the Interim Order and the Final Order of the Bankruptcy Court referred to in Sections 4.01(b) and 4.02(d) and the Seventh Amendment Order, the Eighth Amendment Order, the Tenth Amendment Order and the Eleventh Amendment Order.

; (B) inserting the following new definitions of the terms "AWAC", "Mortgage Amendment No. 4" and "Eleventh Amendment Order" in appropriate alphabetical order:

"AWAC" shall mean Air Wisconsin Airlines Corporation, a Delaware corporation.

"Mortgage Amendment No. 4" shall mean that certain Fourth Amendment to the Aircraft Mortgage dated as of April __, 2005.

"Eleventh Amendment Order" shall mean an order of the Bankruptcy Court in form and substance reasonably satisfactory to the Agents approving the execution of the Waiver, Consent and Eleventh Amendment dated as of April __, 2005.

; (C) amending the definition of the term "EBITDAR" by replacing sub-clause (a)(xiv) appearing therein with the following new sub-clause:

"(xiv) a one time adjustment to EBITDAR for an expense in an amount not in excess of \$84,000,000 incurred as a result of replacing services provided by AWAC on forward-looking terms that are more economically favorable to the Borrower than the terms of the AWAC service arrangement existing as of January 25, 2005"

; and (D) amending the definition of the term "Ineligible Collateral and Reserve Amount" by replacing sub-clause (f) appearing therein with the following new sub-clause:

"(f) an amount equal to the Orderly Liquidation Value of aircraft, engines and spare engines that have been leased or sub-leased to third parties, or spare parts that have been loaned to or exchanged with third parties;"

6. Amendment to Section 5.22. Section 5.22 of the Credit Agreement is hereby amended by (A) deleting the word "Agent" appearing therein and inserting in lieu thereof the word "Agents" and (B) deleting the date "March 31, 2005" appearing therein and inserting in lieu thereof the date "on or before July 31, 2005".

7. Amendment to Section 6.01. Section 6.01 of the Credit Agreement is hereby amended by deleting the words "and April 15, 2005," appearing in sub-clause (xx) thereof and inserting in lieu thereof the words ", April 15, 2005, July 15, 2005 and September 15, 2005,".

8. Amendment to Section 6.03. Clause (xv) of Section 6.03 of the Credit Agreement is hereby amended by inserting at the end thereof the words "at any one time outstanding".

9. Amendment to Section 7.01. Section 7.01 of the Credit Agreement is hereby amended by deleting the words "and April 15, 2005" appearing in sub-clause (r) thereof and inserting in lieu thereof the words ", April 15, 2005, July 15, 2005 and September 15, 2005".

ARTICLE V. Miscellaneous

10. Conditions to Amendment and Consent Effective Date. The waivers set forth in Article II of this Amendment, the consents in Article III of this Amendment and the amendments set forth in Article IV of this Amendment shall not become effective until the date (the "Effective Date") on which the following conditions precedent shall have been satisfied (or waived by the Required Lenders):

(A) Execution. This Amendment shall have been executed by the Borrower, the Guarantors and the Required Lenders and each Agent shall have received evidence reasonably satisfactory to it of such execution.

(B) Bankruptcy Court Order; Payment of Fees. (i) The Bankruptcy Court shall have entered an order reasonably satisfactory in form and substance to the Agents (x) approving the terms of this Amendment to the extent required by the Bankruptcy Code and (y) authorizing the payment by the Borrower of the fees referred to in that certain Eleventh Amendment Fee Letter dated the date hereof and (ii) such amendment and other fees shall have been paid in cash to the Paying Agent within one Business Day after entry of the order referred to above.

(C) Opinions of Counsel. The Agents and the Collateral Agent shall have received a favorable written opinion of McAfee & Taft, special counsel to the Agents, dated the Amendment Effective Date, with respect to the Liens of the Aircraft Mortgage, and reasonably satisfactory in form and substance to the Collateral Agent.

(D) Corporate and Judicial Proceedings. All corporate and judicial proceedings and all instruments and agreements in connection with the transactions among the Borrower, the Guarantors, the Agents and the Lenders contemplated by this Amendment shall be reasonably satisfactory in form and substance to the Lenders, and the Agents and the Lenders shall have received all information and copies of all documents and papers, including records of corporate and judicial proceedings, which the Agents may have reasonably requested in connection herewith, such documents and papers where appropriate to be certified by proper corporate, governmental or judicial authorities.

(E) Mortgage Amendment. The Borrower shall have duly executed and delivered to the Collateral Agent a Fourth Amendment to the Aircraft Mortgage, in substantially the form of Exhibit B, and the Collateral Agent shall have received evidence that such mortgage amendment has been recorded with the FAA.

11. Ratification. Except to the extent hereby amended, the Credit Agreement and each of the Loan Documents remain in full force and effect and are hereby ratified and affirmed.

12. Costs and Expenses. The Borrower agrees that its obligations set forth in Section 10.05 of the Credit Agreement shall extend to the preparation, execution and delivery of this Amendment, including the reasonable fees and disbursements of special counsel to the Agents.

13. Representations and Warranties. The Borrower represents and warrants to the Lenders, to induce the Lenders to enter into this Amendment, that no Event of Default or event with the passage of time would constitute an Event of Default (other than the Events of Default described in Article II herein) exists on the date hereof and that each of the representations and warranties made by the Borrower in the Credit Agreement and each other Loan Document are true and correct in all material respects as of the date hereof except where such representation or warranty relates to a specific date, in which such representation or warranty shall be true and correct in all material respects as of such date.

14. References. This Amendment shall be limited precisely as written and shall not be deemed (a) to be a consent granted pursuant to,

or a waiver or modification of, any other term or condition of the Credit Agreement or any of the instruments or agreements referred to therein or (b) to prejudice any right or rights which the Agents or the Lenders may now have or have in the future under or in connection with the Credit Agreement or any of the instruments or agreements referred to therein. Whenever the Credit Agreement is referred to in the Credit Agreement or any of the instruments, agreements or other documents or papers executed or delivered in connection therewith, such reference shall be deemed to mean the Credit Agreement as modified by this Amendment.

15. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. A fax copy of a counterpart signature page shall serve as the functional equivalent of a manually executed copy for all purposes.

16. Applicable Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Waiver, Consent and Eleventh Amendment to be duly executed as of the day and the year first written.

BORROWER:

UNITED AIR LINES, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: Executive Vice President & CFO

GUARANTORS:

UAL CORPORATION

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: Executive Vice President & CFO

UAL LOYALTY SERVICES, LLC

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General
Counsel & Secretary

UAL COMPANY SERVICES, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: Vice President and Treasurer

CONFETTI, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General
Counsel & Secretary

MILEAGE PLUS HOLDINGS, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General
Counsel & Secretary

MILEAGE PLUS MARKETING, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel &
Secretary

MYPOINTS.COM, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel &
Secretary

CYBERGOLD, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel &
Secretary

ITARGET.COM, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel &
Secretary

MYPOINTS OFFLINE SERVICES, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel
& Secretary

UAL BENEFITS MANAGEMENT, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: President

UNITED BIZ JET HOLDINGS, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel
& Secretary

BIZJET CHARTER, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel
& Secretary

BIZJET FRACTIONAL, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel
& Secretary

BIZJET SERVICES, INC.

By: /s/ Steven M. Rasher
Name: Steven M. Rasher
Title: Senior Vice President, General Counsel &
Secretary

KION LEASING, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: President

**PREMIER MEETING AND TRAVEL
SERVICES, INC.**

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: Vice President and Treasurer

UNITED AVIATION FUELS CORPORATION

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: Vice President

UNITED COGEN, INC.

By: /s/ Paul Lovejoy
Name: Paul R. Lovejoy
Title: Senior Vice President & Secretary

MILEAGE PLUS, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: Vice President

UNITED GHS, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: President

UNITED WORLDWIDE CORPORATION

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: President

UNITED VACATIONS, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: Vice President

FOUR STAR LEASING, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: President

AIR WIS SERVICES, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: President

AIR WISCONSIN, INC.

By: /s/ Frederic F. Brace
Name: Frederic F. Brace
Title: President

DOMICILE MANAGEMENT SERVICES, INC.

By: /s/ Paul Lovejoy
Name: Paul R. Lovejoy
Title: Senior Vice President & Secretary

LENDERS:

JPMORGAN CHASE BANK

By: /s/ Matthew H. Massie
Name: Matthew H. Massie
Title: Managing Director

CITICORP USA, INC.

By: /s/ James J. McCarthy
Name: James J. McCarthy
Title: Vice President and Director

CIT/BUSINESS CREDIT INC.

By: /s/ Vincent Belcastro
Name: Vincent Belcastro
Title: Vice President

**GENERAL ELECTRIC CAPITAL
CORPORATION**

By: /s/ Roger P. Tauchman
Name: Roger P. Tauchman
Title: Duly Authorized Signatory

ARES VI CLO LTD.

By: ARES CLO Management VI, L.P.,
Investment Manager

By: ARES CLO GP VI, LLC,
Its Managing Member

By: /s/ David A. Sachs
Name: David A. Sachs
Title: Vice President

ARES VII CLO LTD.

By: ARES CLO Management VII, L.P.,
Investment Manager

By: ARES CLO GP VII, LLC,
Its General Partner

By: /s/ David A. Sachs
Name: David A. Sachs
Title: Vice President

ARES VIII CLO LTD.

By: ARES CLO Management VIII, L.P.,
Its Investment Manager

By: ARES CLO GP VIII, LLC,
Its General Partner

By: /s/ David A. Sachs
Name: David A. Sachs
Title: Vice President

ARES IX CLO LTD.

By: ARES CLO Management IX, L.P.,
Its: Investment Manager

By: ARES CLO GP IX, LLC,
Its: Its General Partner

By: /s/ David A. Sachs
Name: David A. Sachs
Title: Vice President

ARES ENHANCED LOAN INVESTMENT STRATEGY, LTD.

By: ARES Enhanced Loan Management, L.P.,
Its: Investment Manager

By: ARES Enhanced Loan GP, LLC,
Its: Its General Partner

By: /s/ David A. Sachs
Name: David A. Sachs
Title: Vice President

ARES LEVERAGED INVESTMENT FUND II, L.P.

By: ARES Management II, L.P.,
Its: Its: General Partner

By: /s/ David A. Sachs
Name: David A. Sachs
Title: Vice President

ARES TOTAL VALUE FUND, L.P.

By: ARES Total Value Management LLC
Its: General Partner

By: /s/ David A. Sachs
Name: David A. Sachs
Title: Vice President

AVL LOAN FUNDING LLC

By: AVL Loan Funding LLC for itself or as agent
for AVL2 Loan Funding LLC

By: /s/ Dominic Blea
Name: Dominic Blea
Title: Attorney-In-Fact

AZURE FUNDING

By: /s/ Henry J. Sandlass
Name: Henry J. Sandlass
Title: Managing Director

BUSHNELL CBNA LOAN FUNDING LLC

By: Bushnell CBNA Loan Funding LLC, for itself
or as agent for Bushnell CFPI Loan Funding
LLC

By: /s/ Janet Haack
Name: Janet Haack
Title: Attorney-In-Fact

**CANADIAN IMPERIAL BANK OF
COMMERCE**

By: /s/ John O'Dowd
Name: John O'Dowd
Title: Authorized Signatory

By: /s/ [ILLEGIBLE]
Name:
Title: Authorized Signatory

CASPIAN CAPITAL PARTNERS, L.P.

By: Mariner Investment Group

By: /s/ Charles R. Howe II
Name: Charles R. Howe II
Title: Treasurer

CITIBANK, N.A.

By: /s/ Shawn Hendrickson
Name: Shawn Hendrickson
Title: Attorney-In-Fact

COSTANTINUS EATON VANCE CDO V, LTD.

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

DUNES FUNDING LLC

By: /s/ Meredith J. Koslick
Name: Meredith J. Koslick
Title: Assistant Vice President

EATON VANCE CDO III, LTD.

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

EATON VANCE CDO VI, LTD.

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

**EATON VANCE FLOATING-RATE INCOME
TRUST**

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

**EATON VANCE INSTITUTIONAL SENIOR
LOAN FUND**

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

**EATON VANCE LIMITED DURATION
INCOME FUND**

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

EATON VANCE SENIOR FLOATING-RATE TRUST

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

EATON VANCE SENIOR INCOME TRUST

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

EATON VANCE SHORT DURATION DIVERSIFIED INCOME FUND

By: Eaton Vance Management
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II, as Lender

By: Four Corners Capital Management LLC,
as Sub-Adviser

By: /s/ Vijay Srinivasan
Name: Vijay Srinivasan
Title: Assistant Vice President

FORTRESS PORTFOLIO TRUST, as Lender

By: Four Corners Capital Management LLC,
as Investment Manager

By: /s/ Vijay Srinivasan
Name: Vijay Srinivasan
Title: Assistant Vice President

GRAYSON & CO.

By: Boston Management and Research
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

HARCH CLO II LIMITED

By: /s/ Michael E. Lewitt
Name: Michael E. Lewitt
Title: Authorized Signatory

INDOSUEZ CAPITAL FUNDING III, LIMITED

By: /s/ Alexander B. Kenna
Name: Alexander B. Kenna
Title: Authorized Signatory

INDOSUEZ CAPITAL FUNDING VI, LTD.

By: Lyon Capital Management LLC
as Collateral Manager

By: /s/ Alexander B. Kenna
Name: Alexander B. Kenna
Title: Director

LAUREL RIDGE CAPITAL LP

By: /s/ Van Nguyen
Name: Van Nguyen
Title: Managing Partner

**LIGHTPOINT CLO 2004-1 & PREMIUM LOAN
TRUST I, LTD.
PREMIUM LOAN TRUST I, LTD.**

By: /s/ Thomas A. Kramer
Name: Thomas A. Kramer
Title: Senior Managing Director & Chief
Executive Officer

MARINER LDC

By: Mariner Investment Group

By: /s/ Charles R. Howe II
Name: Charles R. Howe II
Title: Treasurer

MARINER OPPORTUNITIES FUND, L.P.

By: Mariner Investment Group

By: /s/ Charles R. Howe II
Name: Charles R. Howe II
Title: Treasurer

MUIRFIELD TRADING LLC

By: /s/ Meredith J. Koslick
Name: Meredith J. Koslick
Title: Assistant Vice President

OLYMPIC CLO I LTD

By: /s/ Kevin J. Hickam
Name: Kevin J. Hickam
Title: Managing Director
Centre Pacific, LLC

ORIX FINANCE CORP. I

By: /s/ Christopher L. Smith
Name: Christopher L. Smith
Title: Authorized Representative

**SECURITY BENEFIT LIFE INSURANCE
COMPANY, as Lender**

By: Four Corners Capital Management LLC,
as Sub-Adviser

By: /s/ Vijay Srinivasan
Name: Vijay Srinivasan
Title: Assistant Vice President

SENIOR DEBT PORTFOLIO

By: Boston Management and Research
as Investment Advisor

By: /s/ Michael B. Botthof
Name: Michael B. Botthof
Title: Vice President

SPECTRUM INVESTMENT PARTNERS, LP

By: Spectrum Group Management LLC
as General Partner

By: /s/ Jeffrey A. Schaffer
Name: Jeffrey A. Schaffer
Title: Managing Member

STANWICH LOAN FUNDING LLC

By: /s/ Meredith J. Koslick
Name: Meredith J. Koslick
Title: Assistant Vice President

**STONEHILL INSTITUTIONAL PARTNERS,
L.P.**

By: /s/ Christopher Wilson
Name: Christopher Wilson
Title: General Partner

STEDMAN CBNA LOAN FUNDING LLC

By: Stedman CBNA Loan Funding LLC, for itself
or as agent for Stedman CFPI Loan Funding
LLC

By: /s/ Janet Haack
Name: Janet Haack
Title: Attorney-In-Fact

TORONTO DOMINION (NEW YORK), LLC

By: /s/ Masood Fikree
Name: Masood Fikree
Title: Authorized Signatory

TRS FORE LLC

By: /s/ Alice L. Wagner
Name: Alice L. Wagner
Title: Vice President

TRS STARK LLC

By: /s/ Alice L. Wagner
Name: Alice L. Wagner
Title: Vice President

TRUMBULL THC2 LOAN FUNDING LLC,

By: Trumbull THC2 Loan Funding LLC, for itself
or as agent for Trumbull THC2 CFPI Loan
Funding LLC

By: /s/ Janet Haack
Name: Janet Haack
Title: Attorney-In-Fact

U.A.L. INVESTORS, L.L.C.

By: Farallon Capital Management, L.L.C.,
its Manager

By: /s/ Derek Schier
Name: Derek Schier
Title: Managing Member

UBS AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint
Name: Wilfred V. Saint
Title: Director

By: /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director

**WATERSHED CAPITAL INSTITUTIONAL
PARTNERS, L.P.**

By: WS Partners, L.L.C.,
Its General Partner

By: /s/ Meridee Moore
Name: Meridee Moore
Title: Senior Managing Member

WATERSHED CAPITAL PARTNERS, L.P.

By: WS Partners, L.L.C.,
Its General Partner

By: /s/ Meridee Moore
Name: Meridee Moore
Title: Senior Managing Member

**WATERSHED CAPITAL PARTNERS
(OFFSHORE), LTD.**

By: Watershed Asset Management L.L.C.,
Its Investment Manager

By: /s/ Meridee Moore
Name: Meridee Moore
Title: Senior Managing Member

WIND RIVER CLO I LTD.

By: McDonnell Investment Management, LLC,
as Manager

By: /s/ Kathleen A. Zarn
Name: Kathleen A. Zarn
Title: Vice President

**EXHIBIT A
TO ELEVENTH AMENDMENT**

**FORM OF FIRST AMENDMENT TO
SECURITY AND PLEDGE SECURITY AGREEMENT**

FIRST AMENDMENT TO SECURITY AND PLEDGE AGREEMENT

FIRST AMENDMENT, dated as of April 8, 2005 (the "Amendment"), to the SECURITY AND PLEDGE AGREEMENT (the "Agreement"), dated as of December 24, 2002, made by UNITED AIR LINES, INC. ("United"), a Delaware corporation, UAL CORPORATION, a Delaware corporation (the "Parent"), all of the direct and indirect subsidiaries of United and the Parent (together with United and the Parent, each a "Grantor" and collectively the "Grantors, each such Grantor being a debtor and a debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code), to JPMORGAN CHASE BANK and CITICORP USA, INC., acting as co-collateral agents (together, the "Collateral Agent").

WITNESSETH:

WHEREAS, the Grantors entered into a Revolving Credit, Term Loan and Guaranty Agreement, dated as of December 24, 2002 (as heretofore amended, modified, restated, extended or otherwise supplemented, and as in effect on the date hereof, the "Credit Agreement") among the Borrower, the Guarantors party thereto, the Collateral Agent and the Lenders from time to time party thereto; and

WHEREAS, unless otherwise defined herein, terms defined in the Agreement are used herein as defined therein; and

WHEREAS, the Borrower has requested that various amendments to the Credit Agreement be effected pursuant to a Waiver, Consent and Eleventh Amendment to the Credit Agreement dated as of the date hereof (the "Eleventh Amendment"), and the Grantors have requested that certain amendments be made to the Agreement pursuant to this Amendment;

NOW, THEREFORE, the parties hereto hereby agree as follows:

17. Amendments to Subsection 4(b). Subsection 4(b) of the Agreement is hereby amended by inserting at the end of the first sentence appearing therein the words ", other than to the extent that the legal name of any such Grantor shall have changed in accordance with a corporate restructuring or other transaction which is (A) not prohibited by Article VI of the Credit Agreement and (B) carried out in accordance with the requirements appearing in Section 5(e) of this Agreement."

18. Amendment to Subsection 4(e). Subsection 4(e) of the Agreement is hereby amended in its entirety to read as follows:

"The Pledged Shares (i) have been duly authorized and validly issued and are fully paid and non-assessable, provided that the Grantors do not represent or warrant that the Pledged Shares representing ownership interests in (A) Covia LLC, (B) UAL Loyalty Services, LLC, (C) any limited liability company other than Covia LLC and UAL Loyalty Services, LLC and (D) corporations or other entities incorporated or formed in Guam, Bermuda and Mexico are fully paid and non-assessable, and (ii) in the case of Pledged Shares representing membership interests in any limited liability company other than Covia LLC and UAL Loyalty Services, LLC, are not subject under any operating agreement or other organizational document governing such Pledged Shares to any requirement that the Grantor owning such membership interests make any capital or equity call or contribution. None of the Pledged Shares have been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer is subject."

19. Amendment to Section 5. Section 5 of the Agreement is hereby amended by adding the following new Section 5(e):

"(e) Each Grantor agrees to furnish updated versions of Schedule 1(l) or Schedule 4(b) to this Agreement (in each case to be reasonably satisfactory to the Collateral Agent) in connection with the consummation of any corporate restructuring or other transaction which is not prohibited by Article VI of the Credit Agreement to the extent that updating such schedules is necessary to permit each Grantor to make the representations and warranties set forth in Section 4, provided that, no such corporate restructuring or other transaction shall be consummated unless the Grantors shall have provided the Collateral Agent with (A) at least fifteen (15) days' prior written notice of any such restructuring or other transaction and (B) prior to the effective date of such proposed corporate restructuring or other transaction, any documentation reasonably requested by the Collateral Agent to preserve the pledges, liens and security interests granted in favor of the Collateral Agent under this Agreement (including, without limitation, drafts of any updated Schedules (in each case to be reasonably satisfactory to the Collateral Agent) to this Agreement, replacement stock certificates if the name of any Issuer is to be modified in connection with such restructuring or other transaction and acknowledgements executed by any relevant Grantor as to the pledges, liens and security interests granted in favor of the Collateral Agent under this Agreement). Upon delivery of any updated Schedule in accordance with the preceding sentence, the Schedule then in effect shall be replaced in its entirety by the updated Schedule, and all representations and warranties under this Agreement with respect to such Schedule shall thereafter relate to the updated Schedule."

20. This Amendment shall not become effective until the later of (a) the date on which this Amendment shall have been executed by the Grantor and each Collateral Agent and each Collateral Agent shall have received evidence satisfactory to it of such execution and (b) the date on which the Collateral Agent shall have received evidence reasonably satisfactory to it that each condition precedent to the effectiveness of the Eleventh Amendment has occurred (or been waived) and remains in effect.

21. Except to the extent hereby amended, the Agreement remains in full force and effect and is hereby ratified and affirmed.

22. The Borrower and each Guarantor agrees that its obligations set forth in Section 10.05 of the Credit Agreement shall extend to the preparation, execution and delivery of this Amendment, including the reasonable fees and disbursements of special counsel to the Agents under the Credit Agreement.

23. This Amendment shall be limited precisely as written and shall not be deemed (a) to be a consent granted pursuant to, or a waiver or modification of, any other term or condition of the Agreement or any other Loan Document, (b) to prejudice any right or rights which the Collateral Agents or the Lenders may now have or have in the future under or in connection with the Agreement, the Credit Agreement, any Loan Document or any of the instruments or agreements referred to therein. Whenever the Agreement is referred to in the Agreement, any Loan Document or any of the instruments, agreements or other documents or papers executed or delivered in connection therewith, such reference shall be deemed to mean the Agreement as modified by this Amendment.

24. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

25. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Security and Pledge Agreement to be duly executed as of the day and the year first written.

[signatures omitted in conformed version of Eleventh Amendment]

**EXHIBIT B
TO ELEVENTH AMENDMENT**

FORM OF FOURTH AMENDMENT TO
AIRCRAFT MORTGAGE

**FOURTH AMENDMENT TO AIRCRAFT, spare engineS
AND SPARE PARTS
MORTGAGE AND SECURITY AGREEMENT**

THIS FOURTH AMENDMENT TO AIRCRAFT, SPARE ENGINES AND SPARE PARTS MORTGAGE AND SECURITY AGREEMENT dated as of April __, 2005 (this "**Mortgage Amendment**") made by **UNITED AIR LINES, INC.**, a Delaware corporation and a debtor-in-possession under Chapter 11 of the Bankruptcy Code (the "**Grantor**"), in favor of **JPMORGAN CHASE BANK, N.A.** (formerly known as JPMorgan Chase Bank) and **CITICORP USA, INC.**, acting as co-collateral agents (together, the "**Collateral Agent**").

WITNESSETH

WHEREAS, the Grantor and the Collateral Agent entered into that certain Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement, dated as of December, 24, 2002 (as heretofore amended, restated, extended, supplemented or otherwise modified in writing from time to time, herein called the "**Mortgage**"; capitalized terms used herein but not defined shall have the meaning ascribed to them in the Mortgage) in order to secure the Obligations of the Grantor under that certain Revolving Credit, Term Loan and Guaranty Agreement, dated as of December 24, 2002 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, herein called the "**Credit Agreement**"), among the Grantor, a debtor and a debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code, UAL Corporation, a Delaware corporation and the parent company of the Grantor (the "**Parent**") and all of the direct and indirect subsidiaries of the Grantor and the Parent signatory thereto (the "**Subsidiaries**" and together with the Parent, each a "**Guarantor**" and collectively the "**Guarantors**"), each of which Guarantors referred to in this paragraph is a debtor and a debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code (the

cases of the Borrower and the Guarantors, each a "**Case**" and collectively, the "**Cases**"), JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank), a national banking corporation ("**JPMorgan Chase**"), Citicorp USA, Inc., a Delaware corporation ("**Citi**"), JPMorgan Chase Bank, N.A. (successor by merger to Bank One, NA), a national banking corporation ("**Bank One**"), The CIT Group/Business Credit, Inc., a New York corporation ("**CIT Group**"), each of the other financial institutions from time to time party thereto (together with JPMorgan Chase, Citi, Bank One and CIT Group, the "**Lenders**"), JPMorgan Chase and Citi, as co-administrative agents (together, the "**Agents**") for the Lenders and JPMorgan Chase as paying agent (in such capacity, the "**Paying Agent**") for the Lenders;

WHEREAS, the Mortgage was filed for recordation with the Federal Aviation Administration along with the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 1 ("**Mortgage Supplement No. 1**") on December 24, 2002, and the Mortgage and Mortgage Supplement No. 1 were recorded by the Federal Aviation Administration on February 26, 2003 as Conveyance No. MM024558;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 2, dated March 19, 2003, executed by Grantor, recorded by the Federal Aviation Administration on March 26, 2003 and assigned Conveyance No. YY036809;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 3, dated July 11, 2003, executed by Grantor, recorded by the Federal Aviation Administration on August 1, 2003, as Conveyance No. H109394;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 4, dated March 12, 2004, executed by Grantor, recorded by the Federal Aviation Administration on April 23, 2004 and assigned Conveyance No. U083669;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 5, dated August 25, 2004, executed by Grantor, recorded by the Federal Aviation Administration on October 29, 2004 and assigned Conveyance No. FF003509;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 6, dated October 13, 2004, executed by Grantor, recorded by the Federal Aviation Administration on November 18, 2004 and assigned Conveyance No. ZZ030843;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 7, dated October 29, 2004, executed by Grantor, recorded by the Federal Aviation Administration on November 18, 2004 and assigned Conveyance No. GG033321;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 8, dated November 10, 2004, executed by Grantor, recorded by the Federal Aviation Administration on December 16, 2004 and assigned Conveyance No. H112344;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 9, dated November 30, 2004, executed by Grantor, recorded by the Federal Aviation Administration on December 16, 2004 and assigned Conveyance No. R065812;

WHEREAS, the Mortgage was previously supplemented by the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement Supplement No. 10, dated February 22, 2005, executed by Grantor, recorded by the Federal Aviation Administration on March 24, 2005 and assigned Conveyance No. M006119;

WHEREAS, the Mortgage was previously amended by the First Amendment to Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement dated as of May 7, 2004 (the "**First Mortgage Amendment**"), executed by Grantor and the Collateral Agent, recorded by the Federal Aviation Administration on June 28, 2004 as Conveyance No. XX026858;

WHEREAS, the Mortgage was previously amended by the Second Amendment to Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement dated as of September 1, 2004 (the "**Second Mortgage Amendment**"), executed by Grantor and the Collateral Agent, recorded by the Federal Aviation Administration on October 20, 2004 as Conveyance No. FF003475;

WHEREAS, the Mortgage was previously amended by the Third Amendment to Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement dated as of February 22, 2005 (the "**Third Mortgage Amendment**"), executed by Grantor and the Collateral Agent, recorded by the Federal Aviation Administration on March 24, 2005 as Conveyance No. M006120;

WHEREAS, a listing of the Airframes, Engines, Spare Engines and Spare Parts Locations currently subject to the Mortgage is attached as Exhibit 1 to this Mortgage Amendment;

WHEREAS, the parties to the Credit Agreement have entered into certain amendments to the Credit Agreement;

WHEREAS, (a) a copy of the Credit Agreement as in effect on December 24, 2002 was attached to the Mortgage as Exhibit C, (b) an unexecuted composite conformed copy of the Credit Agreement reflecting modifications made to the Credit Agreement through and including the Seventh Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of May 7, 2004 was added as Exhibit D to the Mortgage pursuant to the First Mortgage Amendment, (c) Exhibit D to the Mortgage was replaced with an updated unexecuted composite conformed copy of the Credit Agreement reflecting modifications made to the Credit Agreement through and including the Waiver, Consent and Eighth Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of July 22, 2004 pursuant to the Second Mortgage Amendment, and (d) Exhibit D to the Mortgage was further replaced with an updated unexecuted composite conformed copy of the Credit Agreement reflecting modifications made to the Credit Agreement through and including the Waiver, Consent and Tenth Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of February 22, 2004 pursuant to the Third Mortgage Amendment;

WHEREAS, the parties to the Credit Agreement have entered into that certain Waiver, Consent and Eleventh Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of April 8, 2005 (the "**Eleventh Amendment**"); and

WHEREAS, in connection with the execution of the Eleventh Amendment, the Grantor and the Collateral Agent have agreed that the

Mortgage shall be amended as set forth herein subject to and upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto hereby agree as follows:

26. Amendment to Witnesseth Section. The fourth paragraph appearing in the Witnesseth section of the Mortgage is hereby amended to read in its entirety as follows:

WHEREAS, pursuant to that certain Revolving Credit, Term Loan and Guaranty Agreement, dated as of December 24, 2002 (as previously amended, restated, extended, supplemented or otherwise modified by that certain Waiver and Amendment Letter dated as of February 7, 2003, that certain First Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of February 10, 2003, that certain Second Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of February 10, 2003, that certain Correction Letter dated as of February 14, 2003, that certain Third Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of February 18, 2003, that certain Fourth Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of March 27, 2003, that certain Waiver and Fifth Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of May 15, 2003, that certain Waiver and Sixth Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of October 10, 2003, that the Seventh Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of May 7, 2004, that certain Waiver and Eighth Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of July 21, 2004, that certain Waiver, Consent and Ninth Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of November 5, 2004, that certain Waiver, Consent and Tenth Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of January 26, 2005, and that certain Waiver, Consent and Eleventh Amendment to Revolving Credit, Term Loan and Guaranty Agreement dated as of April 8, 2005 (the "**Eleventh Amendment**"), and as may be further amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; a copy of the Credit Agreement as executed on December 24, 2002 is attached hereto as Exhibit C; an unexecuted conformed copy of the Credit Agreement as amended through and including the Eleventh Amendment is attached hereto as Exhibit D), among the Grantor, UAL Corporation, the parent company of the Grantor (the "**Parent**"), each of the direct and indirect Subsidiaries of the Grantor from time to time party thereto, JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank), Citicorp USA, Inc. and the other lenders from time to time party thereto (collectively, the "**Lenders**"), JPMorgan Chase Bank, N.A., (formerly known as JPMorgan Chase Bank) as Paying Agent, and JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank) and Citicorp USA, Inc. (each, as a Co-Administrative Agent and Co-Collateral Agent), the Lenders have agreed to make the Loans to and issue Letters of Credit on behalf of the Grantor;

27. Amendments to Section 2.01. Section 2.01(b) of the Mortgage is hereby amended by (A) deleting the word "or" appearing at the end of sub-section (vi) appearing therein; (B) deleting the period appearing at the end of sub-section (vii) appearing therein and inserting the word "or" at the end of such sub-section; and (C) inserting the following new sub-section (viii) immediately following sub-section (vii):

"(viii) Notwithstanding anything to the contrary contained in Section 2.01(b)(vii), enter into a non-consecutive short term lease (i.e., for a lease term of no longer than 120 days) of such Engine or Spare Engine with any repair customer of the Grantors or any other Person which is a Certificated Air Carrier or a Foreign Air Carrier, provided that, (A) the aggregate number of Engines and Spare Engines leased as permitted pursuant to this Section 2.01(b)(vii) at any one time shall not exceed five (5) Engines or Spare Engines, (B) the aggregate Orderly Liquidation Value of the Engines and Spare Engines leased at any time as permitted pursuant to this Section 2.01(b)(viii) shall not exceed \$17,000,000, (C) the lease documentation for any Engine or Spare Engine leased as permitted pursuant to this Section 2.01(b)(viii) shall (1) contain an acknowledgement by the lessee party thereto of the perfected Lien of the Collateral Agent under this Mortgage on such Engine or Spare Engine, (2) provide that the Grantor shall be entitled to perform a boroscope examination on such Engine or Spare Engine at the end of the lease period and (3) provide that the lessee of such Engine or Spare Engine shall be responsible for a use fee per cycle and a use fee per hour with respect to its utilization of such Engine or Spare Engine during the term of the lease, (D) the Grantor shall provide the Collateral Agent with (1) written notice of such lease no less than one (1) day prior to the transfer of the Engine or Spare Engine subject to such lease, (2) copies of the lease documentation with respect to each such lease and (3) on or before the last Business Day of each month a report identifying each Engine and Spare Engine subject to leases permitted pursuant to this Section 2.01(b)(viii) and the Orderly Liquidation Value of such leased Engines and Spare Engines and (E) the lessee under such lease is not subject to a proceeding or final order under applicable bankruptcy, insolvency or reorganization laws on the date the lease is entered into,"

28. Amendment to Exhibits. The Mortgage is hereby amended by replacing Exhibit D thereto with Exhibit 2 to this Mortgage Amendment.

29. Conditions to Amendment Effectiveness. The amendments set forth in this Mortgage Amendment shall not become effective until the date and time at which this Mortgage Amendment is filed for recordation with the Federal Aviation Administration Aircraft Registry.

30. Costs and Expenses. The Grantor agrees that its obligations set forth in Section 10.05 of the Credit Agreement shall extend to the preparation, execution and delivery of this Mortgage Amendment, including the reasonable fees and disbursements of special counsel to the Agents (as defined in the Credit Agreement).

31. Representations and Warranties. The Grantor represents and warrants to the Collateral Agent, to induce the Collateral Agent to enter into this Mortgage Amendment, that each of the representations, warranties and covenants made by the Grantor in the Mortgage are true and correct in all material respects as of the date hereof except where such representation or warranty relates to a specific date, in which such representation or warranty shall be true and correct as of such date.

32. References. This Mortgage Amendment shall be limited precisely as written and shall not be deemed (a) to be a consent granted pursuant to, or a waiver or modification of, any other term or condition of the Mortgage or any of the instruments or agreements referred to therein or (b) to prejudice any right or rights which the Collateral Agent may now have or have in the future under or in connection with the Mortgage or any of the instruments or agreements referred to therein. Whenever the Mortgage is referred to in the Mortgage, the Credit Agreement or any of the instruments, agreements or other documents or papers executed or delivered in connection therewith, such reference shall be deemed to mean the Mortgage as modified by this Mortgage Amendment.

33. Counterparts. This Mortgage Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

34. Applicable Law. This Mortgage Amendment shall be governed by, and construed in accordance with, the laws of the State of New York to the full extent provided in Section 6.05 of the Mortgage.

35. This Mortgage Amendment shall be construed as supplemental to the Mortgage and shall form a part thereof, and the Mortgage is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the Grantor and the Collateral Agent have caused this Fourth Amendment to Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement to be duly executed by their respective officers thereunto duly authorized.

UNITED AIR LINES, INC., as Grantor

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as Co-Collateral Agent

By: _____
Name:
Title:

CITICORP USA, INC., as Co-Collateral Agent

By: _____
Name:
Title:

**Exhibit 1 to
Mortgage Amendment**

**DESCRIPTION OF AIRFRAMES, ENGINES,
SPARE ENGINES AND SPARE PARTS LOCATIONS**

[omitted in conformed version of Eleventh Amendment]

**Exhibit 2 to
Mortgage Amendment**

**EXHIBIT D
TO
AIRCRAFT, SPARE ENGINES AND SPARE PARTS
MORTGAGE AND SECURITY AGREEMENT**

**COMPOSITE CONFORMED CREDIT AGREEMENT
(THROUGH ELEVENTH AMENDMENT)**

[omitted in conformed version of Eleventh Amendment]

LETTER OF AGREEMENT
by and between
UAL CORP.,
UNITED AIR LINES, INC.
and
THE AIR LINE PILOTS
in the service of
UNITED AIR LINES, INC.
as represented by
THE AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

THIS LETTER OF AGREEMENT, dated as of January 1, 2005, is made and entered into in accordance with the Railway Labor Act by and between UAL Corp. (hereinafter referred to as "UAL"), UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as "ALPA" or the "Association").

WHEREAS UAL, the Company and the Association have reached agreement concerning the revisions to their current collective bargaining agreement (the "2003 Pilot Agreement" and, as revised by this Letter of Agreement, the "Revised 2003 Pilot Agreement") necessary for the Company to emerge from Chapter 11; and

WHEREAS certain of the revisions shall become effective as of January 1, 2005 (the "Effective Date"), assuming the complete satisfaction of the conditions described in paragraph 15 below prior to January 31, 2005 and others shall become effective on the effective date (the "Exit Date") of a plan of reorganization proposed by UAL (the "Plan of Reorganization"); and

WHEREAS the Company has represented to the Association that the Company has concluded that UAL cannot attract the exit financing necessary to emerge from Chapter 11 absent the termination of all of the Company's defined benefit plans;

THEREFORE the parties to this Letter of Agreement hereby agree as follows:

1. Contract Extension. The amendable date of the Revised 2003 Pilot Agreement shall be December 31, 2009. Section 22.D of the Revised 2003 Pilot Agreement shall read in its entirety as follows:

This Agreement shall continue in full force and effect through and including December 31, 2009 and shall renew itself without change each succeeding January 1st thereafter, unless written notice of intended change is served in accordance with Section 6, Title I, of the Railway Labor Act by either party upon the other at least thirty (30) but not more than two hundred seventy (270) days prior to December 31, 2009 or any year thereafter. The parties shall commence direct negotiations with respect to such notices no later than thirty (30) days following the delivery of such notice. In the event a new tentative collective bargaining agreement has not been concluded by August 1, 2009 (or August 1st of any year thereafter if applicable), and the services of the National Mediation Board (the "Board") have not previously been invoked, the parties shall, no later than August 1, 2009 (or August 1st of any year thereafter if applicable), jointly invoke the services of the Board under Section 5 of the Act.

2. Hourly Pay Rates. The rates for hourly pay (the "Hourly Rates") under Section 3-B of the 2003 Pilot Agreement shall be reduced by 11.8% on the Effective Date, and the reduced Hourly Rates shall thereafter be increased by 1.5% on May 1, 2006, by 1.5% on May 1, 2007, by 1.5% on May 1, 2008 and by 1.5% on May 1, 2009 (as provided in the 2003 Pilot Agreement). In addition to the increases contained in the preceding sentence, the Hourly Rates shall be increased by 1% on January 1, 2008. The Hourly Rates under Section 3-B of the Revised 2003 Pilot Agreement are set forth in Exhibit A to this Letter of Agreement.

3. Other Contract Changes. Certain other provisions of the 2003 Pilot Agreement shall be revised on the Effective Date as described on Exhibits B-1, B-2 and B-3 to this Letter of Agreement.

4. Defined Benefit Pension Plan.

a. In the event the Company seeks judicial approval to terminate the United Airlines Pilot Defined Benefit Pension Plan (the "A Plan") under 29 U.S.C §1341(c) following April 11, 2005, then, on and after May 11, 2005, (i) the Association shall waive any claim it may have that the termination of the A Plan would violate the terms and conditions of the existing collective bargaining agreement between the Company and the Association, and (ii) the Association shall not otherwise oppose the Company's efforts to terminate the A Plan under 29 U.S.C §1341(c); provided, however, that nothing in this Letter of Agreement shall be construed, deemed or characterized by UAL or the Company as any agreement of any form by the Association that the A Plan should be terminated;

b. The Company: (i) shall not terminate or agree to terminate the A Plan effective at any time prior to the earlier of (A) ten (10) days before the Exit Date and (B) the last date that any of the Company's other defined benefit pension plans are terminated (the "Pension Termination Date") and (ii) shall oppose any effort by any other person or entity to terminate the A Plan effective at any time prior to the Pension Termination Date;

c. The A Plan shall remain in full force and effect unless (i) the bankruptcy court issues an order declaring that the Company has met the requirements for plan termination under 29 U.S.C. §1341(c)(2)(B)(ii), and (ii) any of the following has occurred: (A) no timely notice of appeal of the order has been filed, (B) the order has been affirmed following the exhaustion of all appeals, or (C) the Exit Date has occurred and the Plan of Reorganization has become effective without provision for the continuation of any such appeals; and

d. Notwithstanding any termination of A Plan retirement benefits, any and all of the Company's indemnification obligations under or applicable to the A Plan shall remain in full force and effect without regard to Section 22 of the Revised 2003 Pilot Agreement.

5. Pension Contributions. In the event that the A Plan is terminated pursuant to 29 U.S.C §1341 or §1342 following judicial approval of such termination:

a. The Company shall make an additional monthly contribution (the "C Plan Contribution") to the United Airlines Pilot Directed Account Plan (the "PDAP") of six percent (6%) of pilot compensation (as measured under the PDAP) beginning with the earlier of (i) June 1, 2005 or (ii) the first day of the calendar month following the Exit Date (with a pro rated C Plan Contribution for the period between the Exit Date and the first of the month following the Exit Date); provided, however, that in the event the Exit Date follows June 1, 2005, C Plan Contributions will accrue from June 1, 2005 through the Exit Date and be contributed in a single lump sum payment to the PDAP on the Exit Date;

b. Prior to the Exit Date, the Company and the Association shall adopt a mutually-acceptable qualified or non-qualified plan arrangement to accept contributions that cannot be allocated to pilot defined contribution accounts under Section 415 of the Internal Revenue Code;

c. At any time prior to January 1, 2007, the Association may elect, on an irrevocable basis, to amend the Revised 2003 Pilot Agreement, effective January 1, 2008, (i) to increase the C Plan Contribution from six percent (6%) to seven percent (7%) of pilot compensation (as measured under the PDAP) and (ii) to reduce the Hourly Pay Rates under Section 3-B of the Revised 2003 Pilot Agreement by one percent (1%);

d. The C Plan Contribution shall be in addition to the nine percent (9%) of pilot compensation contributed to the PDAP under the 2003 Pilot Agreement; and

e. Following the Exit Date, the Company shall not establish or re-establish any single-employer defined benefit plan for any UAL or Company employee group unless the pilot group is provided the option of electing to receive a comparable defined benefit plan in lieu of the C Plan Contribution.

6. Profit Sharing. The Revised 2003 Pilot Agreement shall provide for the pilot group to participate in the revised profit sharing program described in Exhibit C to this Letter of Agreement.

7. Convertible Notes. In the event that the A Plan is terminated pursuant to 29 U.S.C §1341 or §1342 following judicial approval of such termination, the Revised 2003 Pilot Agreement and the Plan of Reorganization shall provide for the issuance of \$550 million of UAL convertible notes, as described in Exhibit D to this Letter of Agreement, to a trust or other entity designated by the Association. The terms of the UAL convertible notes described in Exhibit D shall be subject to mutually-acceptable modifications to optimize implementation for all parties from an accounting, securities law and tax law perspective.

8. Distribution Agreement. The Plan of Reorganization shall provide the pilot group with a distribution of UAL equity securities as provided in the amended distribution agreement described in Exhibit E to this Letter of Agreement.

9. Additional Non-Labor Savings. Prior to the Exit Date, the Association and the Company shall develop, and the Company shall begin pursuit of, a mutually-acceptable business improvement program reasonably projected to produce at least \$150 million of annual savings in non-labor costs in addition to the savings contained in the Gershwin 5F business plan dated as of November 4, 2004 (the "Business Plan").

10. Administrative Claim. The Association shall accrue and be entitled to a stipulated, approved and allowed claim of administration under 11 U.S.C §503(b) in the amount of the actual cash savings provided to the Company under this Letter of Agreement from the Effective Date through the earlier of (i) the termination of this Letter of Agreement under paragraph 16 below or (ii) the Exit Date (the "Administrative Claim"). The Administrative Claim shall be extinguished upon the Exit Date unless the Association has terminated the Letter of Agreement under paragraph 16 below.

11. Indemnity. UAL and the Company shall provide indemnification on the Effective Date as described in Exhibit F to this Letter of Agreement.

12. Plan Release and Exculpation. The Plan of Reorganization shall include a plan exculpation and release provision (which provision shall be at least as comprehensive as the plan exculpation and release provision under the Plan of Reorganization for the debtor or any other person) for the Air Line Pilots Association, International, the United Master Executive Council of the Air Line Pilots Association, International, and each of their current or former (a) members, (b) officers, (c) committee members, (d) employees, (e) advisors, (f) attorneys, (g) accountants, (h) investment bankers, (i) consultants, (j) agents and (k) other representatives with respect to any liability such person or entity may have in connection with or related to the UAL bankruptcy cases, the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of any of the Plan of Reorganization, the disclosure statement concerning the Plan of Reorganization, the 2003 Pilot Agreement, this Letter of Agreement, the Revised 2003 Pilot Agreement or any contract, employee benefit plan, instrument, release or other agreement or document created, modified, amended or entered into in connection with either the Plan of Reorganization or any agreement between the Company, UAL and the Association, or any other act taken or omitted to be taken in connection with the United bankruptcy.

13. Assumption of the Pilot Agreement. The Revised 2003 Pilot Agreement (other than with respect to the A Plan if the A Plan is terminated) shall be assumed under 11 U.S.C. §365 under the Plan of Reorganization.

14. Bankruptcy Actions. The Company and the Association shall take the following actions to seek the approval of this Letter of Agreement by the bankruptcy court in In Re UAL Corporation et al., Case No. 02-B-48191 (Bankr. N.D. Ill.) (the "Bankruptcy Cases"):

a. the Company shall file a motion for approval of the Letter of Agreement under 11 U.S.C. §363, in form and substance reasonably acceptable to the Association, by no later than January 21, 2005;

b. the Company shall provide, to the extent reasonably practicable, the Association's counsel with copies

of, and a reasonable opportunity to comment on, all motions, applications, proposed orders, pleadings and supporting papers prepared by the Company for filing with the bankruptcy court relating to court approval of this Letter of Agreement; and

c. both the Company and the Association shall support and seek the approval of this Letter of Agreement in the Bankruptcy Cases without condition, qualification or exception; shall use their best efforts to obtain the support of the Official Committee of Unsecured Creditors and other parties and stakeholders for the Letter of Agreement; and shall take every reasonable action necessary to obtain judicial approval of this Letter of Agreement in the Bankruptcy Cases without condition, qualification or exception, including the filing of motions, objections and appeals.

15. Conditions to Effectiveness. This Letter of Agreement shall become effective as of January 1, 2005, subject to the occurrence of all of the following prior to January 31, 2005: (a) acceptance by the United Master Executive Council of the Association, (b) United pilot membership ratification under the Association's Constitution and By-Laws, (c) if required, approval by the Company's Board of Directors, (d) execution by the President of the Association, and (e) withdrawal of the Company's motion to reject the 2003 Pilot Agreement under 11 U.S.C. §1113.

16. Termination Rights. This Letter of Agreement may be terminated by the Association, by written notice from the Association to the Company (the "Termination Notice"), given before or after the Effective Date but no later than the Exit Date, but in no event later than sixty (60) days following the occurrence of any of the following events:

a. failure of the court to issue final judicial approval of this Letter of Agreement, without condition, qualification or exception, by January 31, 2005;

b. a court of competent jurisdiction enters a final, non-appealable judicial order that the Company is not entitled to the termination of the A Plan under 29 U.S.C §1341(c);

c. failure of the Company to implement, through binding agreement or final judicial order effective no later than June 1, 2005, revisions to (i) the labor contracts of the Company's other unionized employees and (ii) the wages, benefits and working conditions of the Company's salaried and management employees so that the aggregate revisions in (i) and (ii) are reasonably projected to produce at least \$1.0 billion in average annual cost savings in labor and pension costs for the Company from January 1, 2005 through and including January 1, 2010, unless such action is cured to the reasonable satisfaction of the Association within twenty (20) days of the Termination Notice;

d. the filing by UAL or United of, support by UAL or United for, or judicial confirmation or approval of (as the case may be), a plan of reorganization or a proposed disclosure statement which (i) contains any material term that is materially inconsistent with the Revised 2003 Pilot Agreement or this Letter of Agreement or (ii) proposes or confirms a capital structure or ownership structure that is not reasonably acceptable to the Association unless, in either case (i) or (ii), such action is cured to the reasonable satisfaction of the Association within twenty (20) days of the Termination Notice; or

e. any other material breach of the Company's or UAL's obligations under this Letter of Agreement unless such breach is cured to the reasonable satisfaction of the Association within twenty (20) days of the Termination Notice.

In the event of such termination, (A) the Administrative Claim shall be paid on the Exit Date, (B) this Letter of Agreement shall otherwise become null and void in its entirety, and (C) the parties shall thereafter be governed by the 2003 Pilot Agreement (including the A Plan) and without regard to this Letter of Agreement.

17. Fees and Expenses. The Company shall reimburse the Association for fees and expenses incurred in connection with this Letter of Agreement as described on Exhibit G to this Letter of Agreement.

18. Agreement. This Letter of Agreement is a final, binding and conclusive commitment and agreement between UAL, the Company and the Association. Notwithstanding anything to the contrary in this Letter of Agreement, judicial approval of this Letter of Agreement shall constitute approval and allowance of the Administrative Claim and shall otherwise have the same meaning and effect as the judicial approval of the 2003 Pilot Agreement in the Bankruptcy Cases signed on April 30, 2003.

19. Amendments; Waiver. This Letter of Agreement may be amended, modified, superseded or canceled and any of its provisions may be waived only by a written instrument executed by all parties or, in the case of a waiver, by the party waiving compliance. Except as otherwise expressly provided in paragraph 16 above with respect to the delivery of a notice of termination, the failure of any party at any time to require performance of any provision of this Letter of Agreement shall not affect the right of that party at a later time to enforce the same or a different provision. No waiver by any party of a right under this Letter of Agreement shall be deemed or construed as a further or continuing waiver of any such right with respect to the same or a different provision of this Letter of Agreement.

20. Notices. Any notice or other communication given under to the terms of this Letter of Agreement must be in writing and shall be deemed to have been duly given on the day it is delivered by hand, on the day it is sent by facsimile with confirmation of receipt by the transmitting machine, on the business day after it is sent by a national overnight mail service (delivery charge prepaid), or on the third business day after it is mailed first class, postage prepaid, in any case to the following addresses:

If to the Company: United Airlines, Inc.
1200 East Algonquin Road
Elk Grove Township, Illinois 60007
Attention: Paul Lovejoy
Facsimile: 847-700-4099

with copies to: Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
Attention: James H.M. Sprayregen
Facsimile: 312-861-2200

If to the Association: United Master Executive Council
Air Line Pilots Association, International
9550 West Higgins Road, Suite 1000
Rosemont, IL 60018
Attention: Master Chairman
Facsimile: 847-292-1777

with copies to: Cohen, Weiss and Simon, LLP
330 West 42nd Street
25th Floor
New York, New York 10036
Attention: Babette Ceccotti
Facsimile: 212-695-5436

or to such other address or to such other person as any party shall have last designated by written notice provided to the other parties in the manner set forth in this paragraph.

21. Counterparts. This Letter of Agreement may be executed in two or more counterparts, all of which shall be considered one and the same instrument, and each of which shall be deemed an original. Each party to this Letter of Agreement has agreed to permit the use of faxed or otherwise electronically transmitted signatures in order to expedite the consummation of the transactions contemplated hereby.

22. Headings: Construction. The paragraph headings in this Letter of Agreement have been inserted for convenience of reference only and do not restrict or otherwise modify any of the terms or provisions of this Letter of Agreement. Unless otherwise expressly provided, the words "including" or "includes" in this Letter of Agreement do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation."

23. Exhibits. This Letter of Agreement includes all of Exhibits A through G hereto. Except as otherwise expressly set forth therein, all capitalized terms in Exhibits A through G shall have the meanings defined in this Letter of Agreement.

24. Fair and Equitable Pension Treatment. In the event the Company implements, or reaches agreement with respect to, a legislative or other pension funding solution that permits the continuation or maintenance of any of the Company's defined benefit plans following the Pension Termination Date, the pilots will receive the full benefit of that legislative or other solution to maintain the pilot A Plan in the same status (e.g., frozen or active) as any other surviving plan so long as the pilot labor and pension savings contributed to the restructuring remain fair and proportional to other employee groups' labor and pension savings contributed to the restructuring in the manner contemplated under the Business Plan in light of any such legislative or other pension funding solution.

(Signature page to follow)

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this ___ day of January, 2005.

WITNESS:

FOR UNITED AIR LINES, INC.

Peter B. Kain
Vice President - Labor Relations

FOR UAL CORPORATION

Glenn F. Tilton
Chairman, President and CEO

WITNESS:

FOR THE AIR LINE PILOTS
ASSOCIATION, INTERNATIONAL

Duane E. Woerth, President

Mark Bathurst, Chairman
United Master Executive Council

Exhibit A
Revised Pay Rates

Section 3-B "Hourly Rates" is modified to read as follows:

3-B-1 Effective January 1, 2005 the hourly rates for Captains and First Officers shall be as follows. The hourly rates, overrides, and incentive pay established in this Section 3 shall govern all aspects of pilot compensation.

3-B-1-a Hourly Rates

Captains

	B747-400	B777	B767/757	A320/319	B737-300
1yr	166.91	166.91	136.79	116.24	116.24
2yr	167.86	167.86	137.83	117.24	117.24
3yr	168.74	168.74	139.10	118.28	118.28
4yr	169.66	169.66	140.03	119.40	119.40
5yr	170.62	170.62	141.13	120.52	120.52
6yr	171.50	171.50	142.18	121.58	121.58
7yr	172.45	172.45	143.13	122.67	122.67
8yr	173.59	173.59	144.33	123.75	123.75
9yr	174.55	174.55	145.28	124.68	124.68
10yr	175.97	175.97	146.78	126.23	126.23
11yr	177.31	177.31	148.36	127.68	127.68
12yr	178.91	178.91	149.75	129.21	129.21

First Officers

	B747-400	B777	B767/757	A320/319	B737-300
1yr	30.73	30.73	30.73	30.73	30.73
2yr	70.00	70.00	57.47	48.89	48.89
3yr	101.24	101.24	83.36	70.97	70.97
4yr	107.06	107.06	88.36	75.34	75.34
5yr	109.29	109.29	90.39	77.19	77.19
6yr	111.81	111.81	92.70	79.27	79.27
7yr	114.42	114.42	94.96	81.39	81.39
8yr	117.18	117.18	97.42	83.53	83.53
9yr	118.17	118.17	98.35	84.41	84.41
10yr	119.57	119.57	99.73	85.77	85.77
11yr	120.93	120.93	101.19	87.08	87.08
12yr	122.20	122.20	102.28	88.25	88.25

3-B-1-b deleted

3-B-2 Effective May 1, 2006 the hourly rates for Captains and First Officers shall be as follows:

3-B-2-a Hourly Rates

Captains

	B747-400	B777	B767/757	A320/319	B737-300
1yr	169.42	169.42	138.84	117.99	117.99
2yr	170.38	170.38	139.90	119.00	119.00
3yr	171.27	171.27	141.19	120.06	120.06
4yr	172.21	172.21	142.13	121.19	121.19
5yr	173.18	173.18	143.25	122.32	122.32
6yr	174.07	174.07	144.31	123.41	123.41
7yr	175.03	175.03	145.27	124.51	124.51
8yr	176.20	176.20	146.49	125.61	125.61
9yr	177.16	177.16	147.46	126.55	126.55
10yr	178.61	178.61	148.98	128.12	128.12
11yr	179.97	179.97	150.59	129.60	129.60
12yr	181.59	181.59	152.00	131.15	131.15

First Officers

	B747-400	B777	B767/757	A320/319	B737-300
1yr	31.19	31.19	31.19	31.19	31.19
2yr	71.05	71.05	58.34	49.63	49.63
3yr	102.76	102.76	84.61	72.03	72.03
4yr	108.66	108.66	89.68	76.47	76.47
5yr	110.93	110.93	91.75	78.35	78.35
6yr	113.49	113.49	94.09	80.46	80.46
7yr	116.13	116.13	96.39	82.61	82.61
8yr	118.93	118.93	98.88	84.78	84.78
9yr	119.94	119.94	99.83	85.68	85.68
10yr	121.37	121.37	101.23	87.06	87.06
11yr	122.74	122.74	102.70	88.38	88.38

12yr	124.03	124.03	103.81	89.57	89.57
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3-B-2-b deleted

3-B-3 Effective May 1, 2007 the hourly rates for Captains and First Officers shall be as follows:

3-B-3-a Hourly Rates

Captains

	B747-400	B777	B767/757	A320/319	B737-300
1yr	171.96	171.96	140.92	119.76	119.76
2yr	172.94	172.94	141.99	120.79	120.79
3yr	173.84	173.84	143.30	121.86	121.86
4yr	174.79	174.79	144.26	123.01	123.01
5yr	175.78	175.78	145.40	124.16	124.16
6yr	176.68	176.68	146.48	125.26	125.26
7yr	177.66	177.66	147.45	126.37	126.37
8yr	178.84	178.84	148.69	127.49	127.49
9yr	179.82	179.82	149.67	128.45	128.45
10yr	181.29	181.29	151.22	130.04	130.04
11yr	182.67	182.67	152.85	131.54	131.54
12yr	184.32	184.32	154.28	133.11	133.11

First Officers

	B747-400	B777	B767/757	A320/319	B737-300
1yr	31.66	31.66	31.66	31.66	31.66
2yr	72.12	72.12	59.21	50.37	50.37
3yr	104.30	104.30	85.87	73.12	73.12
4yr	110.29	110.29	91.03	77.62	77.62
5yr	112.59	112.59	93.13	79.53	79.53
6yr	115.19	115.19	95.50	81.67	81.67
7yr	117.87	117.87	97.83	83.85	83.85
8yr	120.72	120.72	100.36	86.05	86.05
9yr	121.74	121.74	101.32	86.96	86.96
10yr	123.19	123.19	102.75	88.36	88.36
11yr	124.59	124.59	104.24	89.71	89.71
12yr	125.89	125.89	105.37	90.92	90.92

3-B-3-b deleted

3-B-4 Effective January 1, 2008 the hourly rates for Captains and First Officers shall be as follows:

3-B-4-a Hourly Rates

Captains

B747-400	B777	B767/757	A320/319	B737-300
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1yr	173.68	173.68	142.33	120.96	120.96
2yr	174.67	174.67	143.41	122.00	122.00
3yr	175.57	175.57	144.74	123.08	123.08
4yr	176.54	176.54	145.70	124.24	124.24
5yr	177.54	177.54	146.85	125.40	125.40
6yr	178.45	178.45	147.94	126.51	126.51
7yr	179.43	179.43	148.93	127.64	127.64
8yr	180.63	180.63	150.18	128.77	128.77
9yr	181.62	181.62	151.17	129.73	129.73
10yr	183.10	183.10	152.73	131.34	131.34
11yr	184.50	184.50	154.37	132.86	132.86
12yr	186.16	186.16	155.82	134.45	134.45

First Officers

	B747-400	B777	B767/757	A320/319	B737-300
1yr	31.98	31.98	31.98	31.98	31.98
2yr	72.84	72.84	59.80	50.87	50.87
3yr	105.34	105.34	86.73	73.85	73.85
4yr	111.40	111.40	91.94	78.39	78.39
5yr	113.72	113.72	94.06	80.32	80.32
6yr	116.34	116.34	96.46	82.49	82.49
7yr	119.05	119.05	98.81	84.68	84.68
8yr	121.93	121.93	101.37	86.91	86.91
9yr	122.96	122.96	102.34	87.83	87.83
10yr	124.42	124.42	103.78	89.25	89.25
11yr	125.83	125.83	105.29	90.61	90.61
12yr	127.15	127.15	106.42	91.83	91.83

3-B-4-b deleted

3-B-5 Effective May 1, 2008 the hourly rates for Captains and First Officers shall be as follows:

3-B-5-a Hourly Rates

Captains

	B747-400	B777	B767/757	A320/319	B737-300
1yr	176.28	176.28	144.47	122.77	122.77
2yr	177.29	177.29	145.57	123.83	123.83
3yr	178.21	178.21	146.91	124.92	124.92
4yr	179.19	179.19	147.89	126.10	126.10
5yr	180.20	180.20	149.05	127.28	127.28
6yr	181.12	181.12	150.16	128.41	128.41
7yr	182.13	182.13	151.16	129.55	129.55
8yr	183.34	183.34	152.43	130.70	130.70
9yr	184.34	184.34	153.44	131.68	131.68
10yr	185.85	185.85	155.02	133.31	133.31
11yr	187.26	187.26	156.69	134.85	134.85
12yr	188.95	188.95	158.16	136.46	136.46

First Officers

	B747-400	B777	B767/757	A320/319	B737-300
1yr	32.46	32.46	32.46	32.46	32.46
2yr	73.93	73.93	60.70	51.64	51.64
3yr	106.92	106.92	88.03	74.95	74.95
4yr	113.07	113.07	93.32	79.57	79.57
5yr	115.42	115.42	95.47	81.53	81.53
6yr	118.09	118.09	97.91	83.72	83.72
7yr	120.84	120.84	100.29	85.95	85.95
8yr	123.75	123.75	102.89	88.22	88.22
9yr	124.80	124.80	103.87	89.15	89.15
10yr	126.28	126.28	105.33	90.58	90.58
11yr	127.72	127.72	106.87	91.97	91.97
12yr	129.06	129.06	108.02	93.21	93.21

3-B-5-b deleted

3-B-6 Effective May 1, 2009 the hourly rates for Captains and First Officers shall be as follows:

3-B-6-a Hourly Rates

Captains

	B747-400	B777	B767/757	A320/319	B737-300
1yr	178.93	178.93	146.64	124.61	124.61
2yr	179.95	179.95	147.75	125.68	125.68
3yr	180.88	180.88	149.11	126.80	126.80
4yr	181.87	181.87	150.11	127.99	127.99
5yr	182.91	182.91	151.29	129.19	129.19
6yr	183.84	183.84	152.41	130.34	130.34
7yr	184.86	184.86	153.43	131.49	131.49
8yr	186.09	186.09	154.72	132.66	132.66
9yr	187.11	187.11	155.74	133.65	133.65
10yr	188.64	188.64	157.35	135.31	135.31
11yr	190.07	190.07	159.04	136.87	136.87
12yr	191.79	191.79	160.53	138.51	138.51

First Officers

	B747-400	B777	B767/757	A320/319	B737-300
1yr	32.94	32.94	32.94	32.94	32.94
2yr	75.04	75.04	61.61	52.41	52.41
3yr	108.53	108.53	89.35	76.08	76.08
4yr	114.76	114.76	94.72	80.76	80.76
5yr	117.15	117.15	96.90	82.75	82.75
6yr	119.86	119.86	99.38	84.98	84.98
7yr	122.65	122.65	101.80	87.24	87.24
8yr	125.61	125.61	104.43	89.54	89.54
9yr	126.68	126.68	105.43	90.49	90.49
10yr	128.18	128.18	106.91	91.94	91.94

11yr	129.63	129.63	108.47	93.35	93.35
12yr	130.99	130.99	109.64	94.60	94.60

Renumber balance of Section 3-B

**Exhibit B-1
Other Contract Revisions**

1. Section 3-B-10-a "Late Night Flying" deleted
2. Section 5-G-1-e-(1)-(d) deleted
3. Section 5-G-1-e-(2) modified to read as follows:

5-G-1-e-(2) A pilot functioning as a reserve will not be scheduled into a day(s) off.
4. Section 20-J-4-d deleted
5. Section 22-A-2 add this LOA
6. Letter Of Agreement 04-09 "PBS Contract Modifications" change to 20-E-2-b is modified to read as follows:

20-E-2-b In equipment domiciles which have both international and domestic trips, the senior 50% of the pilots whose lines will be vacated for OE lines will be subject to assignments as reserves per domestic reserve rules. The junior 50% of the pilots whose lines will be vacated for OE lines are subject to assignments as reserves per international reserve rules. If an odd number of OE lines exist, the odd line will be identified as a domestic regular reserve line for days off consideration.
7. The contractual provisions identified in paragraphs 2, 3, 4 and 6 above will take effect on the first day of the month following the Effective Date.

**Exhibit B-2
Other Contract Revisions**

(Retiree Life Insurance)

January 1, 2005

Captain Mark Bathurst, Chairman
UAL-MEC Air Line Pilots Association
9550 West Higgins Suite 1000
Rosemont, Illinois 60018

Dear Mark:

During the negotiations which led to the Letter of Agreement 05-01 (Bankruptcy Exit), the parties agreed that the following change will apply to pilots who, on January 1, 2005, are active (including paid leave), receiving Pilot Disability Income benefits, furloughed, on medical leave of absence, on military leave or on other approved leave:

No retiree life insurance will be payable upon the death of any pilot who retires after January 1, 2005.

If this letter accurately reflects our agreement, please sign and return three (3) copies for our files.

Sincerely,

Peter B. Kain
Vice President - Labor

Accepted and agreed to this
____ day of January 2005

Captain Mark Bathurst, Chairman
UAL-MEC Air Line Pilots Association

Exhibit B-3
Success Sharing

Section 3-M-1-e of the 2003 Pilot Agreement shall be revised to read in its entirety as follows:

Pilots will receive the following cash incentive payments based on United's actual performance under the annual incentive program (with linear interpolation between the performance points):

Threshold Performance: 0.5% of Wages
Target Performance 1.0% of Wages
Maximum Performance 2.0% of Wages

Exhibit C
Profit Sharing

Effective Date of Profit Sharing Plan: As of January 1, 2005 (so that the first year covered by the profit sharing plan shall be calendar year 2005).

Profit Sharing Pool: In the event that the Company has more than \$10 million in Pre-Tax Earnings in the relevant calendar year, 7.5% of Pre-Tax Earnings in 2005 and 2006 and 15% of Pre-Tax Earnings in each calendar year thereafter.

Pre-Tax Earnings: UAL consolidated net income as determined in accordance with GAAP, but excluding (i) consolidated federal, state and local income tax expense (or credit); (ii) unusual, special, or non-recurring charges, (iii) charges with respect to the grant, exercise or vesting of equity, securities or options granted to UAL and United employees, and (iv) expense associated with the profit sharing contributions.

Eligibility: All domestic employees of UAL Corp. or United Airlines, Inc. (including all pilots) who have completed one year of service as of December 31st of the year for which Pre-Tax Earnings are being measured.

Allocation: For each eligible employee, a pro rata share of the Profit Sharing Pool for each calendar year based on the ratio of the employee's Considered Earnings for the year to the aggregate amount of Considered Earnings for all eligible employees that year.

Considered Earnings: As currently defined in the Company's Success Sharing Plan (i.e., base pay, overtime, holiday pay, longevity pay, sick pay, vacation pay, shift differential, premiums, pre-tax contributions to a 401(k) plan, pre-tax medical plan contributions, and flexible spending account contributions but not expense reimbursement, incentive or profit sharing payments, imputed income or other similar awards or allowances).

Payment Date: By no later than April 30th of the following year.

Distribution: In cash, subject to 401(k) deferrals.

Relationship to Other Programs: Incremental to the Success Sharing Plan; in lieu of the existing profit sharing plan described in Section 3-M-2 of the 2003 Pilot Agreement.

Documentation: Implementing documentation reasonably acceptable to the Association.

Duration: Continuing unless and until terminated in a future pilot collective bargaining agreement.

Exhibit D
Convertible Notes

Issuer: Reorganized UAL Corp.

Guarantor: United Airlines, Inc.

Issue: []% Senior Subordinated Convertible Notes Due 2021 (the "Notes") to be issued no later than 180 days following the Exit Date (the "Issuance Date").

Initial Holder: A trust or similar non-permanent vehicle for the benefit of eligible United pilots; the Notes or the value of the Notes to be distributed to such pilots or pilot retirement accounts as soon as reasonably practicable given tax, accounting, securities and market considerations; all rights of the Notes to be exercised by individual pilots while the notes remain in the trust. Distribution mechanics, eligibility and allocation among such pilots to be reasonably determined by the Association.

Principal Amount: \$550,000,000 in denominations of \$1,000.

Term: 15 years from the Issuance Date.

Amortization: None prior to maturity; full principal to be repaid at the maturity date except to the extent converted or prepaid.

Interest Rate: Semi-annually in arrears, in cash, at an annual rate of []%¹; provided, however, that (i) the first full year of interest from the Issuance Date may be paid in cash or in kind at the option of the Issuer; (ii) if such interest is paid in kind, it will be in Common Stock, but only to the extent there exists Common Stock that is exempt from registration under 11 U.S.C. § 1145; and (iii) if such interest is paid in kind, it shall be delivered to the Holders under applicable market terms at issuance for public convertible debt securities of this type (e.g., any notice period and stock payment premium).

Security: None.

Ranking: Junior to the Reorganized UAL exit facility, customary secured indebtedness, indebtedness contemplated under a plan of reorganization, and other mutually agreed-upon indebtedness; pari passu to all current and future UAL or United Airlines senior unsecured debt; senior to all current and future subordinated debt.

Conversion Rights: The Holder may convert any number of the Notes into the Issuer's common stock (the "Common Stock"), at any time, at the Conversion Price.

Conversion Price: The product of (x) 125% and (y) the average closing price of the Common Stock for the sixty consecutive trading days following the Exit Date.

Transferability: To the greatest extent feasible under applicable law, the Notes and the Common Stock shall be issued under 11 U.S.C. §1145, and the Notes and the Common Stock into which they shall be convertible shall be freely transferable by the Holders without registration under the Securities Act of 1933.

Common Stock:	When delivered, the Common Stock into which Notes may convert shall be fully paid and non-assessable. Issuer shall use its best efforts to list the Common Stock on a national stock exchange or NASDAQ prior to the Issuance Date.
Call Rights:	No call for five years from the Issuance Date; thereafter, callable in cash or Common Stock if the Common Stock has traded at no less than 125% of the Conversion Price for the sixty (60) consecutive trading days prior to the call date.
Put Rights:	Soft put right on the fifth and tenth anniversary of the Issuance Date for all principal and accrued interest as of such date; payable in cash or shares of Common Stock.
Mandatory Prepayments:	Mandatory prepayment upon a "fundamental change" with a customary make whole premium, if any, for public convertible debt securities of this type; no prepayment obligations for mergers in which the Issuer is the surviving entity; no make whole premium in other mergers.
Anti-Dilution Protections:	The Conversion Price will be subject to customary anti-dilution adjustments, including upon (i) stock or extraordinary cash dividends, (ii) reclassifications, subdivisions or combinations of the Common Stock, (iii) the issuance of rights or warrants to all holders of Common Stock convertible into or exercisable for Common Stock at less than the then-current market price, (iv) distribution of the capital stock of an Issuer subsidiary to holders of the Common Stock and (v) any other distributions of assets by the Issuer to holders of the Common Stock.
Mergers and Business Combinations:	The Notes will enjoy customary adjustments and protections in the event the Common Stock is converted into, reclassified into or exchanged for cash, other assets or securities.
Other Terms and Conditions:	The Notes are intended to be public market securities and to trade at par value. The documentation of the Notes shall include such other terms and conditions as are customarily found in public market convertible securities of this type.
Implementation:	Implementing documentation reasonably acceptable to the Association and the Company.
Distribution:	The Association and the Company will coordinate any distribution of the Notes so that such distribution does not unreasonably interfere with capital markets activities of the UAL or the Company. The Association's investment bankers will be the exclusive distribution agent for the Notes.

Exhibit E
Amended Distribution Agreement

1. Section 2 of Letter of Agreement 03-07 to the 2003 Pilot Agreement (the "Distribution Agreement") is hereby amended to read in its entirety as follows:

In consideration for the pilot contract revisions under the Section 1113 Restructuring Agreement reached between UAL, the Company, and ALPA effective May 1, 2003 (the "2003 Restructuring Agreement"), which modifies the parties' 2000 collective bargaining agreement ("2000 Agreement") and resolves numerous union grievances concerning the administration of the 2000 Agreement, and in consideration of the pilot contract revisions under the revisions to the 2003 Pilot Agreement effective in 2005 (the "Revised 2003 Pilot Agreement"), any plan of reorganization proposed or supported by UAL and the Company as proposed and/or amended from time to time (the "Plan"), shall provide that, on or as soon as reasonably practicable after the effective date of such Plan, the pilot group will receive a percentage distribution of the equity, securities and/or other consideration provided to general unsecured creditors under the Plan (the "Distribution") calculated by the following formula:

A/(A+B), where:

A is the sum of (i) \$2,742,574,581, representing the dollar value of 30 months of average cost reductions under the 2003 Restructuring Agreement as reasonably measured under Labor Model 1.1A FINAL, and (ii) \$300,000,000, representing the dollar value of 20 months of cost reductions under

the Revised 2003 Pilot Agreement (the "ALPA Amount"); and

B is the total amount of all other allowed prepetition general unsecured claims against the Debtors (UAL and its 27 debtor subsidiaries).

2. Section 3 of the Distribution Agreement is hereby amended to read in its entirety as follows:

In the event the other employees of the Company receive a Distribution in excess of \$865,000,000 in connection with the 2005 labor cost reductions (the "Other Employee Distribution"), then the \$300,000,000 amount described in paragraph 2 of this Distribution Agreement shall instead equal the product of (x) \$300,000,000 and (y) a fraction, the numerator of which is the actual amount of the Other Employee Distribution and the denominator of which is \$865,000,000.

3. Except as revised in the preceding paragraphs, the Distribution Agreement shall remain unchanged and in full force and effect.

Exhibit F Indemnity Agreement

1. Indemnification. UAL and the Company (collectively, "United") hereby indemnify and hold harmless the Association, its members, officers, committee members, agents, employees, counsel, financial advisors and representatives (each, an "Indemnified Person") from any and all losses, damages, fines, penalties, taxes, expenses, claims, lawsuits, or administrative charges of any sort whatsoever (including reasonable attorney's fees and costs arising in connection with the investigation and defense of any such matter) relating to, concerning or connected with the negotiation or implementation of this Letter of Agreement (any such event, a "Claim"), except to the extent that a Claim against an Indemnified Person is finally determined by a court of competent jurisdiction to have resulted from the gross negligence, fraud or willful misconduct of such Indemnified Person.

2. Indemnification Procedure.

a. An Indemnified Person must give prompt notice to the Company of the facts and circumstances that may constitute a Claim under this Indemnity Agreement; provided, however, that any delay by an Indemnified Person in giving such notice shall not relieve United of its obligations under this Indemnity Agreement except to the extent that such delay causes material damage or prejudice to United.

b. United shall be entitled to participate in judicial, administrative proceeding concerning an actual or potential Claim (an "Action") and, upon ten (10) days notice to the applicable Indemnified Person, may assume the defense of such Claim with counsel reasonably satisfactory to the Indemnified Person. Following any assumption of the defense of an Action by United, United shall not be liable for any subsequent fees of legal counsel or other expenses incurred by the Indemnified Person in connection with the defense of such Action, subject to reimbursement for actual out-of-pocket expenses incurred by the Indemnified Person as the result of a request for cooperation or assistance by United; provided, however, that if, in the reasonable opinion of outside counsel to the Indemnified Person, there exists an actual, material conflict of interest between the United and the Indemnified Person, United shall be liable for the legal fees and expenses of separate counsel to the Indemnified Person; provided, further, that the Indemnified Person shall have the right to participate in the defense of an Action with its own counsel at its own expense.

c. No compromise or settlement of any Action shall be binding on United for purposes of United's obligations under this Indemnity Agreement without United's express written consent, which consent shall not be unreasonably withheld. United shall not compromise or settle any Action or otherwise admit to any liability for any Claim on a basis that would reasonably be expected to adversely affect the future activity or conduct of the Indemnified Person without the prior written consent of the Indemnified Person, which consent shall not be unreasonably withheld.

d. In the event United assumes the defense of any Action under this Indemnity Agreement, United shall (i) keep the Association and the applicable Indemnified Person informed of material developments in the Action, (ii) promptly provide the Association and such Indemnified Person with copies of all pleadings, responsive pleadings, motions and other similar legal documents and papers received in connection with the Action, (iii) permit the Association and such Indemnified Person and their counsel, to the extent practicable, to confer on the defense of the Action, and (iv) permit the Association and such Indemnified Person and their counsel, to the extent practicable, an opportunity to review all legal papers to be submitted prior to their submission. The parties shall provide to each others such assistance as may be reasonably required to insure the proper and adequate defense of the Action, and each party shall use its good faith efforts and cooperate with each other party to avoid the waiver of any privilege of another party.

3. Plan of Reorganization; Survival. This indemnity agreement shall be assumed under the Plan of Reorganization and shall continue in full force and effect thereafter without regard to the terms of Section 22 of the Revised 2003 Pilot Agreement.

Exhibit G Fees and Expenses

1. The Company shall reimburse the Association for the reasonable, actual fees and out-of-pocket expenses incurred by the Association in connection with the review, design, negotiation, approval and ratification of this Letter of Agreement (its "Expenses") including:

a. reasonable flight pay loss incurred by the Association in review and negotiation of this Letter of

Agreement and Special MEC Meetings or LEC Meetings called for the purpose of reviewing, approving or ratifying the Letter of Agreement ; and

b. the reasonable, actual fees and expenses of the Association's outside legal, pension, and other professional advisors (in each case based on normal hourly rates for actual time expended).

up to a maximum, aggregate total of \$2.5 million. Of the total reimbursement for Expenses, \$1 million shall be paid on the Effective Date, and the remaining \$1.5 million will be paid on the Exit Date.

2. On the Exit Date, the Company shall also pay, or reimburse the Association for paying, the expenses incurred by the Association's investment bankers in connection with the Letter of Agreement and a structuring fee for the Association's investment bankers.

3. The Company shall seek judicial approval for its obligations under this Exhibit G at the same time that it seeks judicial approval of this Letter of Agreement.

4. The parties acknowledge and agree that the Company's agreement to reimburse the Association for fees and expenses under this Letter of Agreement is a result of the special collective bargaining circumstances created by the parties' desire to negotiate modifications to the pilot collective bargaining agreement as part of the Company's bankruptcy reorganization.

UAL Corporation and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges

	Six Months Ended <u>June 30</u>	
	<u>2005</u>	<u>2004</u>
	(In Millions)	
Earnings:		
Loss before income taxes	\$(2,500)	\$(706)
Fixed charges, from below	362	317
Undistributed losses of affiliates	4	(2)
Interest capitalized	<u>(5)</u>	<u>1</u>
Loss	\$ <u>(2,139)</u>	\$ <u>(390)</u>
Fixed charges:		
Interest expense	\$ 220	\$ 237
Portion of rental expense representative of the interest factor	<u>142</u>	<u>80</u>
Fixed charges	\$ <u>362</u>	\$ <u>317</u>
Ratio of earnings to fixed charges	<u>(a)</u>	<u>(a)</u>

a. Earnings were inadequate to cover fixed charges by \$2.5 billion in 2005 and \$707 million in 2004.

UAL Corporation and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges
and Preferred Stock Dividend Requirements

	Six Months Ended <u>June 30</u>	
	<u>2005</u>	<u>2004</u>
	(In Millions)	
Earnings:		
Loss before income taxes	\$(2,500)	\$(706)
Fixed charges, from below	367	322
Undistributed losses of affiliates	4	(2)
Interest capitalized	<u>(5)</u>	<u>1</u>
Loss	<u>\$(2,134)</u>	<u>\$(385)</u>
Fixed charges:		
Interest expense	\$ 220	\$ 237
Preferred stock dividend requirements	5	5
Portion of rental expense representative of the interest factor	<u>142</u>	<u>80</u>
Fixed charges	<u>\$ 367</u>	<u>\$ 322</u>
Ratio of earnings to fixed charges	<u>(a)</u>	<u>(a)</u>

(a) Earnings were inadequate to cover fixed charges and preferred stock dividend requirements by \$2.5 billion in 2005 and \$707 million in 2004.

Certification of the Principal Executive Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Glenn F. Tilton, the Chairman, President and Chief Executive Officer of UAL Corporation (the "Company"), certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2005 of the Company;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- (4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- (5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Glenn F. Tilton

Glenn F. Tilton
UAL Corporation
Chairman, President and Chief Executive Officer
August 9, 2005

Certification of the Principal Financial Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Frederic F. Brace, the Executive Vice President and Chief Financial Officer of UAL Corporation (the "Company"), certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2005 of the Company;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- (4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- (5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Frederic F. Brace

Frederic F. Brace
UAL Corporation
Executive Vice President and Chief Financial Officer
August 9, 2005

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Glenn F. Tilton, the Chairman, President and Chief Executive Officer of UAL Corporation (the "Company") certify that to the best of my knowledge, based upon a review of the quarterly report on Form 10-Q for the period ended June 30, 2005 of the Company (the "Report"):

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Glenn F. Tilton
Glenn F. Tilton
UAL Corporation
Chairman, President and Chief Executive Officer
August 9, 2005

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Frederic F. Brace, the Executive Vice President and Chief Financial Officer of UAL Corporation (the "Company") certify that to the best of my knowledge, based upon a review of the quarterly report on Form 10-Q for the period ended June 30, 2005 of the Company (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frederic F. Brace

Frederic F. Brace

UAL Corporation

Executive Vice President and Chief Financial Officer

August 9, 2005