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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000

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 No. 1-6033

UAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-2675207

(IRS Employer
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

Securities registered pursuant to Section 12(b) of the Act:

NAME OF EACH EXCHANGE

TITLE OF EACH CLASS

ON WHICH REGISTERED

Common Stock, \$.01 par value
New York, Chicago and
Pacific Stock Exchanges

Depository Shares each representing
1/1,000 of a share of Series B

Preferred Stock, without par value
New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act:

NONE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by non-affiliates of the Registrant was \$1,997,225,062 as of February 28, 2001. The number of shares of common stock outstanding as of February 28, 2001 was 52,773,342.

Documents Incorporated by Reference

Part III of this Form 10-K incorporates by reference certain information from the Registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 17, 2001.

PART I

ITEM 1. BUSINESS.

UAL Corporation ("UAL" or the "Company") was incorporated under the laws of the State of Delaware on December 30, 1968. The world headquarters of the Company are located at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007. The Company's mailing address is P.O. Box 66919, Chicago, Illinois 60666. The telephone number for the Company is (847) 700-4000.

The Company is a holding company and its principal subsidiary is United Air Lines, Inc., a Delaware corporation ("United"), which is wholly owned. United accounted for virtually all of the Company's revenues and expenses in 2000. United is a major commercial air transportation company, engaged in the transportation of persons, property and mail throughout the U.S. and abroad.

Airline Operations

During 2000, United carried, on average, more than 231,000 passengers per day and flew more than 126 billion revenue passenger miles. It is the world's largest airline as measured by revenue passenger miles flown, providing passenger service in 28 countries. United's network, supplemented with strategic airline alliances, provides comprehensive transportation service within its North America segment and to international destinations within its Pacific, Atlantic, and Latin America segments. Operating revenues attributed to United's North America segment were \$13.1 billion in 2000, \$12.5 billion in 1999 and \$12.0 billion in 1998. Operating revenues attributed to United's international segments were \$6.2 billion in 2000, \$5.5 billion in 1999 and \$5.5 billion in 1998.

North America. United operates hubs in Chicago, Denver, Los Angeles, San Francisco and Washington Dulles and has the most extensive U.S. route system of any airline, ranking first in capacity share in all of its U.S. hubs. Within the North America segment, United also operates United Shuttle®, which is designed to provide high-frequency air service in competitive markets, as well as critical traffic feed to United's mainline operations. United Shuttle is principally concentrated on the West Coast and in Denver. United Shuttle offers approximately 455 daily flights on 30 routes among 23 cities in the western U.S. United's North America operations accounted for 67.7% of United's revenues in 2000.

Pacific. Via its Tokyo hub, United provides passenger service between its U.S. gateway cities (Chicago, Honolulu, Los Angeles, New York, San Francisco and Seattle) and the Asian cities of Bangkok, Hong Kong, Seoul, Shanghai and Singapore. United also provides nonstop service between Hong Kong and each of Chicago, Los Angeles, San Francisco, and Singapore; between San Francisco and each of Beijing, Osaka, Seoul, Shanghai, Sydney and Taipei; and between Los Angeles and each of Auckland, Melbourne and Sydney.

In November 2000, United received authority to fly two additional frequencies to China. The new authority allows United to operate daily service between San Francisco and Shanghai. Additionally, United plans to resume around-the-world service in April 2001, adding service between Delhi and each of London and Hong Kong. Also during April 2001, United plans to add nonstop service between New York and Hong Kong.

The air services agreement between the U.S. and Japan provides an unlimited number of frequencies to United and certain other carriers. United also holds significant traffic rights beyond Japan. These rights will allow United to add service from Japan to other Asian points as regulatory, competitive and economic conditions warrant.

In 2000, United was the leading U.S. carrier in the Pacific in terms of transpacific available seat miles and the most flights available. United's Pacific operations accounted for 16.4% of United's revenues in 2000.

Atlantic. During 2000, Washington-Dulles served as United's primary gateway to Europe, serving Amsterdam, Brussels, Frankfurt, London, Milan, Munich, and Paris. Chicago has become United's secondary European gateway, offering nonstop service in 2000 to each of Dusseldorf, Frankfurt, London and Paris. United also provides nonstop service between: London and Boston, Los Angeles, Newark, New York and San Francisco; Paris and each of Los Angeles and San Francisco; and between Frankfurt and San Francisco.

In February 2001, United inaugurated nonstop service between Chicago and Amsterdam. In April 2001, United plans to discontinue service between London and each of Amsterdam and Brussels, concurrent with the resumption of service between London and Delhi. In June 2001, United plans to add seasonal service between Denver and Frankfurt. In 2000, United's Atlantic operations accounted for 11.7% of United's operating revenues.

Latin America. During 2000, United's primary gateway to Latin America was Miami, providing passenger service between Miami and each of Buenos Aires, Caracas, Montevideo, Rio de Janeiro, Santiago and Sao Paulo. United also provided service between Los Angeles and each of Guatemala City, Mexico City, and San Salvador; between New York and each of Buenos Aires, Sao Paulo, and San Juan; between Chicago and each of Aruba, Buenos Aires, Mexico City, San Juan, St. Thomas, and Sao Paulo; between Mexico City and each of San Francisco and Washington Dulles; and between Washington-Dulles and St. Thomas. United also provides service between San Jose, Costa Rica and each of Mexico City and Guatemala City.

The newly amended air services agreement between the U.S. and Argentina provides for additional capacity in the U.S.-Argentina market and enables United to operate any size aircraft on any or all of its 21 weekly flights to Argentina without restriction. Prior to this amendment, United and American Airlines were the only U.S. passenger carriers operating between the U.S. and Argentina. Under the new agreement, Delta and Continental have each been awarded access to Argentina and will respectively commence daily service in April and December 2001. In 2000, United's Latin America operations accounted for 4.2% of United's revenues.

Financial information relative to the Company's operating segments can be found in Note 19 in the Notes to Consolidated Financial Statements in this Form 10-K.

US Airways Acquisition. During 2000, UAL announced plans to acquire US Airways Group, Inc. in an all-cash transaction for \$4.3 billion. The Company expects that the new network created by the acquisition will make travel more convenient for passengers, connecting US Airways eastern U.S. markets with United's extensive east-west and international networks, and create the nation's most comprehensive airline network. This transaction, which the Company anticipates closing in the second quarter of 2001, is still subject to regulatory clearance and other customary closing conditions.

In addition, UAL and AMR Corporation announced in January 2001 the approval of a binding memorandum of understanding, under which American Airlines will provide competitive service on key hub-to-hub routes where United and US Airways currently are the only competitors with non-stop flights. In addition, UAL will transfer assets that would have been surplus to the needs of the combined United/US Airways operations, consisting of gates, slots and up to 86 aircraft. AMR will pay UAL approximately \$1.2 billion in cash for this transaction and assume certain US Airways obligations.

For more information on the US Airways acquisition, see "US Airways Acquisition" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

United Cargo®. United Cargo generated over \$900 million in freight and mail revenue. As a part of United's decision to retire its remaining DC-10 passenger aircraft, United Cargo discontinued its international freighter operation on December 24, 2000. With United's growing fleet of cargo-friendly widebody aircraft, however, it is expected that revenues will continue to increase through time-sensitive delivery services, e-commerce initiatives and customer loyalty programs.

United Cargo's premium international time-definite service, TD.Guaranteed, was expanded to more U.S. destinations with intra-U.S. connections, which more than doubled TD.Guaranteed revenue since the product was introduced in 1999. In addition, another time-sensitive product, United Sameday, was introduced in 2000 for the small package, door-to-door delivery service, which may be booked via a toll-free number or the Internet (www.unitedsameday.com).

Fuel. Changes in fuel prices are industry-wide occurrences that benefit or harm United's competitors as well as United. Fuel-hedging activities may affect the degree to which fuel-price changes affect individual companies. To assure adequate supplies of fuel and to provide a measure of control over fuel costs, United ships fuel on major pipelines and stores fuel close to its major hub locations.

United's results of operations are significantly affected by the price and availability of jet fuel. It is estimated that, absent hedging, every \$.01 change in the average annual price-per-gallon of jet fuel causes a change of approximately \$31 million in United's annual fuel costs. United's average price per gallon of jet fuel in 2000 increased 40%, as compared to the previous year. However, the average price of spot jet fuel in the U.S. Gulf Coast increased 71% during that same period. United's price in 2000 was mitigated by a fuel hedging program that was primarily an options-based strategy, through which the upside was retained while the downside was eliminated.

Insurance. United carries liability insurance of a type customary in the air transportation industry, in amounts which it deems adequate, covering passenger liability, public liability, property damage liability, and physical damage insurance on United's aircraft and property.

Marketing Strategy

Besides offering convenient scheduling throughout its domestic and international segments, United seeks to attract high yield customers and create customer preference by providing a comprehensive network, an attractive frequent-flyer program, and enhanced service initiatives.

Alliances. United has formed bilateral alliances with other airlines to provide its customers more choices and to participate worldwide in markets that it cannot serve directly for commercial or governmental reasons. An alliance is a collaborative marketing arrangement between carriers, which can include joint frequent flyer participation, code-sharing of flight operations, coordination of reservations, baggage handling, and flight schedules, and other resource sharing activities. "Code-sharing" is an agreement under which a carrier's flights can be marketed under the two-letter airline designator code of another carrier. Through an alliance, carriers can provide their customers a seamless global travel network under their own airline code. United now participates in a multilateral alliance, the Star Alliance[®].

The Star Alliance is an integrated worldwide transport network, which provides customers with global recognition and a wide range of other benefits. Collectively, the Star Alliance carriers served more than 815 destinations in over 130 countries during 2000. The Star Alliance enables its member carriers to more effectively compete with other worldwide alliances. Founded in 1997 by United and five other carriers, the Star Alliance has grown to fifteen carriers. Besides United, the Star Alliance includes: Air Canada, Air New Zealand, All Nippon Airways, Ansett Australia, Austrian Airlines, British Midland, Lauda Air, Lufthansa, Mexicana, SAS, Singapore Airways, Thai International Airways, Tyrolean and Varig. United currently holds bilateral immunity with Air Canada and integrated antitrust immunity with Lufthansa, SAS, and the Austrian Group.

United has also formed independent alliances with other air carriers. Current agreements exist between United and each of Aeromar, ALM Antillean, Aloha, BWIA, Cayman Airways, Continental Connection, Emirates, Saudi Arabian Airlines, and Spanair.

In addition, United has a marketing program in North America known as United Express[®], under which independent regional carriers, utilizing turboprop equipment and regional jets, feed United's major airports and international gateways. The carriers in the United Express program serve small and medium-sized cities in the U.S., linking those cities to United's hubs. United Express carriers include Air Wisconsin Airlines Corporation, Atlantic Coast Airlines, Great Lakes Aviation and Sky West Airlines. Effective May 1, 2001, Great Lakes Aviation will no longer be a United Express carrier, but will continue its relationship with United as an alliance carrier.

Mileage Plus[®]. United established the frequent flyer program to develop and retain passenger loyalty by offering awards and services to frequent travelers. Over 40 million members have enrolled in Mileage Plus since it was started in 1981. Mileage Plus members earn mileage credit for flights on United, United Shuttle, United Express, the Star Alliance carriers and certain other airlines which participate in the program. Miles can also be earned by utilizing the goods and services of non-airline program participants, such as hotels, car rental companies, bank credit card issuers, and a variety of other businesses. Mileage credits can be redeemed for free, discounted or upgrade travel awards on United and other participating airlines, or, to a limited extent, other travel and non-travel industry awards.

Travel awards can be redeemed at the "Standard" level for any unsold seat on any United flight to every destination served by United. Redemption at the "Saver" award level, however, is restricted with blackout dates and capacity controlled inventory, thereby limiting the use of Saver awards on certain flights.

When a travel award level is attained, liability is recorded for the incremental costs of providing travel, based on expected redemptions. United's incremental costs include the additional costs of providing service to the award recipient, such as fuel, meal, personnel and ticketing costs, for what would otherwise be a vacant seat. The incremental costs do not include any contribution to overhead or profit. For mileage sold to other program participants prior to January 1, 2000, revenue was recognized when the miles were sold. Beginning January 1, 2000, a portion of revenue from the sale of mileage is deferred and recognized when the transportation is provided. (See Item 8, Note 1(i) "Summary of Significant Accounting Policies - Mileage Plus Awards" in the Notes to Consolidated Financial Statements.)

At December 31, 2000, the estimated number of outstanding awards was approximately 10.8 million, as compared with 7.0 million at the end of the prior year. United estimates that 8.9 million of such awards will ultimately be redeemed and, accordingly, has recorded a liability amounting to \$564 million, which includes the deferred revenue from the sale of miles to program participants. Based on historical data, the difference between the awards expected to be redeemed and the total awards outstanding arises because: (1) some awards will never be redeemed, (2) some will be redeemed for non-travel benefits, and (3) some will be redeemed on partner carriers.

In 2000, 1.97 million Mileage Plus travel awards were used on United. This number represents the number of awards for which travel was actually provided in 2000 and not the number of seats that were allocated to award travel. In 1999, 2.24 million awards were used, while 2.13 million awards were used in 1998. Such awards represented 7.2% of United's total revenue passenger miles in 2000, 8.7% in 1999, and 8.6% in 1998. Passenger preference for Saver awards, which have inventory controls, keep displacement of revenue passengers at a minimum. Travel award seats flown on United represent 72% of the total awards issued, of which 87% are used for travel within the U.S. and Canada. In addition to the awards issued for travel on United, approximately 10% of the total awards issued are used for travel on partner airlines.

Economy Plus[®]. In late 1999, United announced Economy Plus, which is a reconfiguration of the first six to eleven rows of the United Economy cabins on aircraft serving the North America market. This reconfigured area provides four to five additional inches of legroom for United's Premier[®] frequent-flyers and full-fare United Economy customers, many of whom often travel in the United Economy cabin. United was the first U.S. airline to offer additional legroom on its North America flights and completed the seat reconfiguration in early 2000.

In early 2001, United announced that it is reconfiguring its fleet of three-cabin international aircraft to create Economy Plus seating. In doing so, United becomes the first U.S. airline to offer premium seating area in the front of its economy cabin on both its North America and international flights. United also unveiled plans to enhance United Business class throughout its international fleet to offer customers an additional seven inches of legroom.

Distribution Channels. The overwhelming majority of United's airline inventory continues to be distributed through the traditional channels of travel agencies and computer reservation systems (CRS). United uses the Apollo reservation system, which is hosted by Galileo International, a CRS in which United holds approximately a 15% equity interest. The hosting agreement with Galileo continues through 2004.

Electronic Commerce. Consumers are increasingly turning to online avenues to meet their travel needs. United is using e-commerce capabilities to strengthen and enhance its market position, attract new customer segments, and reduce the overall costs of booking transportation. Additionally, United is utilizing e-commerce capabilities in initiatives addressing opportunities in the areas of cargo, process improvement and customer connectivity.

On October 3, 2000, UAL formed United NewVentures, a new subsidiary to provide innovative solutions for its customers, to strengthen United's airline business and to create incremental value for UAL Corporation's stockholders. United NewVentures, Inc. is a wholly owned subsidiary of UAL.

United NewVentures currently has two divisions, United NetVentures and United NetWorks. United NetWorks incorporates the E-Commerce Division created in January, 2000. The focus of United NetVentures is business development of non-United branded businesses, enhancing United's e-commerce partnerships and identifying new e-commerce opportunities with strategic partners. United's involvement in projects such as Orbitz, Hotwire and Cordiem, a business-to-business Internet exchange, are managed by United NetVentures.

United NetWorks is responsible for all United-branded e-commerce activities, such as strategy, operations, planning, and support of united.com, the airline's web site, as well as wireless initiatives, such as proactive customer notification of flight information. United NetWorks is also responsible for the Mileage Plus non-airline relationships, which currently include over ninety partners among car rental, hotel, telecommunications, shopping, dining and financial services companies.

Our United CommitmentSM. To renew its commitment to improve key areas of customer satisfaction and as part of an industry-wide, voluntary initiative, United implemented a comprehensive customer service plan, Our United Commitment, in late 1999 and fully deployed it in 2000. Our United Commitment addresses issues identified by United's frequent flyer customers as being most important to them, such as improved communication, increased information throughout the travel experience, more efficient baggage handling and greater responsiveness to customer inquiries.

On February 13, 2001, the Inspector General of the U.S. Department of Transportation released its full-year report on the effectiveness of the airline industry's voluntary initiatives. Although the report found that progress had been made in some areas, it stressed that the industry continues to fall short in notifying passengers about flight delays and cancellations. The report is based on a review of the voluntary programs of 17 carriers, including United.

Over the past year, United introduced new services aimed at helping customers avoid delays, keeping customers informed when delays and cancellations occur, and minimizing the impact of cancellations and delays upon customers. Examples of such new services include:

--Deploying an industry-leading proactive flight paging system;

--Installing United EasyCheck-InSM kiosks, allowing customers with E-tickets to bypass airport lines and check themselves in;

--Deploying state-of-the-art mobile "chariot" workstations in all hub airports, providing additional passenger check-in stations;

--Installing the United EasyInfoSM digital electronic information display systems, which give real-time information; and

--Launching the customer advocate center, which proactively accommodates customers in anticipation of irregular operations.

While the report identified where the airlines have been lacking, United received praise for measures that went beyond actions required by Our United Commitment. The report stated that initiatives such as more legroom between seats, expansion of overhead baggage compartments and providing chariots to reduce lines were additional efforts to make the travel experience better. Additionally, United was one of only three airlines to incorporate its customer service plan into its contract of carriage.

Industry Conditions

Operating Environment. The air travel business is subject to seasonal fluctuations. United's operations are often adversely impacted by winter weather and United's first- and fourth-quarter results normally reflect reduced travel demand. Operating results for the Company are generally better in the second and third quarters. In addition to weather conditions, air traffic control limitations and concerted employee job actions may from time-to-time cause disruptions in operations.

Competition. The airline industry is highly competitive. In domestic markets, new and existing carriers are free to initiate service on any route. United's domestic competitors include all of the other major U.S. airlines as well as regional carriers, some of which have lower cost structures than United.

In its international service, United competes not only with U.S. carriers but also with foreign carriers, including national flag carriers, which in certain instances enjoy forms of governmental support not available to U.S. carriers. Competition on certain international routes is subject to varying degrees of governmental regulations (see "Government Regulation"). United has advantages over foreign air carriers in the U.S. because of its ability to generate U.S. origin-destination traffic from its integrated domestic route systems, and because foreign carriers are prohibited by U.S. law from carrying local passengers between two points in the U.S. United experiences comparable restrictions in foreign countries.

In addition, U.S. carriers are often constrained from carrying passengers to points beyond designated international gateway cities due to limitations in air service agreements or restrictions imposed unilaterally by foreign governments. To compensate for these structural limitations, U.S. and foreign carriers have entered into alliances and marketing arrangements that allow the carriers to provide traffic feed to each other's flights. (See "Marketing Strategy - Alliances")

Government Regulation

General. All carriers engaged in air transportation in the U.S. are subject to regulation by the U.S. Department of Transportation ("DOT"). The DOT has authority to: issue certificates of public convenience and necessity for domestic air transportation and, through the Federal Aviation Administration ("FAA"), air-carrier operating certificates; authorize the provision of foreign air transportation by U.S. carriers; prohibit unjust discrimination; prescribe forms of accounts and require reports from air carriers; regulate methods of competition, including the provision and use of computerized reservation systems; and administer regulations providing for consumer protection, including regulations governing the accessibility of air transportation facilities for handicapped individuals. United holds certificates of public convenience and necessity, as well as air-carrier operating certificates, and therefore is subject to DOT regulations. The FAA also administers the U.S. air traffic control system and oversees aviation safety issues.

United's operations require licenses issued by the aviation authorities of the foreign countries that United serves. Foreign aviation authorities may from time to time impose a greater degree of economic regulation than exists with respect to United's North America operations. United's ability to serve some international markets and its expansion into many of these markets are presently restricted by a lack of aviation agreements to allow such service or, in some cases, by the restrictive terms of such agreements.

In connection with its international services, United is required to make regular filings with the DOT and to observe tariffs establishing the fares charged and the rules governing the transportation provided. In certain cases, fares and schedules require the approval of the relevant foreign governments. Shifts in U.S. or foreign government aviation policies can lead to the alteration or termination of existing air service agreements between the U.S. and other governments, and could diminish the value of United's international route authority. United's operating rights under the air services agreements might not be preserved in such cases.

Airport Access. Historically, take-off and landing rights ("slots") at Chicago O' Hare International, New York John F. Kennedy International, New York LaGuardia and Washington Reagan National airports have been limited by the "high density traffic rule." Under this rule, slots may be bought, sold or traded. In April 2000, the U.S. President signed the Wendell H. Ford Investment and Reform Act for the 21st Century ("AIR 21") which includes a phase-out of slots at Chicago' s O' Hare International Airport and New York' s LaGuardia and JFK airports. Starting in May 2000, AIR 21 has allowed carriers to operate foreign air service at Chicago O' Hare without slots, thereby eliminating the government' s need to withdraw slots from incumbent carriers.

As part of the phase-out of the high density traffic rule, slot exemptions were made available for new entrants, as well as for carriers providing service to small- to medium-sized and non-hub airports. This exemption, however, led to a significant increase of flights into and out of LaGuardia that far exceeded that airport' s capacity. As a result, all carriers operating at LaGuardia, including United, incurred a significant number of delays and cancellations during 2000.

To reduce the resulting traffic congestion problems, the FAA implemented a slot lottery system for determining the additional carriers that may operate from LaGuardia. The lottery system is currently in effect and has substantially reduced delays and cancellations. The slot lottery was designed as a temporary remedy; the FAA is currently considering a number of capacity management alternatives at LaGuardia for long-term improvement, including making slot lotteries permanent.

AIR 21 also provides that nearly \$40 billion from the U.S. Aviation Trust Fund is to be invested in aviation facilities, equipment and training, examples of which could be radar modernization, airport construction projects, and the hiring and training of air traffic controllers.

Across the Atlantic, the Commission of the European Union ("EU") has proposed a regulation that would, if enacted, dramatically alter the manner in which airport slots are held and allocated. The centerpiece of the proposal is that a slot at major airports would have a life-span of only ten years, at which time it would automatically revert to the airport slot controller. The proposal has been met with fierce opposition from airlines. The Commission will likely re-evaluate its original proposal and consider a milder form of slot reform.

United currently has a sufficient number of leased gates and other airport facilities, but expansion by United may be constrained at certain airports by insufficient availability of gates on attractive terms or other factors, such as noise restrictions.

Safety. The FAA has regulatory jurisdiction over flight operations generally, including equipment, ground facilities, maintenance, communications and other matters. United' s aircraft and engines are maintained in accordance with the standards and procedures recommended and approved by the manufacturers and the FAA.

From time to time, the FAA issues airworthiness directives ("ADs") which require air carriers to undertake inspections and to make unscheduled modifications and improvements on aircraft, engines and related components and parts. The ADs sometimes cause United to incur substantial, unplanned expense when aircraft or engines are removed from service prematurely in order to undergo mandated inspections or modifications. The issuance of any particular AD may have a greater or lesser impact on United, compared to its competitors, depending upon the equipment covered by the directive. Civil and criminal sanctions may be assessed for not complying with the ADs.

The Air Transport Association ("ATA"), an industry organization to which United belongs, and the Department of Defense ("DoD") have signed a memorandum of understanding, establishing procedures for auditing international code-share partners that carry DoD personnel. Based on the DOT/FAA Safety Program Guidelines issued to all U.S. carriers, United has also established a safety review plan for Star Alliance and code-share airlines. Audits are conducted on both prospective and existing code-share partners. The FAA reviews audit reports and makes code-share approval recommendations to the DOT.

Passenger Rights Legislation. Following the February 2001 report of the DOT Inspector General, several pieces of legislation were introduced by members of the U.S. Congress to implement a variety of changes in the airline industry, such as: requiring airlines to disclose all available fares; allowing consumers to purchase any published fare from an airline or a travel agent; requiring airlines to disclose the number of seats available for frequent flyer travelers; and granting authority to the DOT to intervene and roll back fares in certain markets.

In 2000, the EU' s transport commissioner proposed two legislative alternatives for limiting airlines' use of overbooking as a revenue management device. The first alternative would distinguish between an intention to fly and a confirmed booking. If the passenger has only indicated an intention to fly, the passenger would be allowed to cancel without penalty and the airline would be allowed to give away the seat. For a confirmed booking, however, an airline would have no choice but to provide a seat for a passenger with a confirmed booking. The

second alternative under consideration is to limit an airline's ability to overbook. The limitation would be combined with efforts to encourage airlines to stage auctions where the carrier improves its compensation offer until someone is tempted to surrender his or her seat.

It is not clear what form that any of the U.S. or European legislation might ultimately take.

Privacy Laws. An initiative of significant impact within the EU and elsewhere is the introduction of privacy standards that apply to companies transmitting private information from the EU to countries abroad. To comply with the privacy directives, the U.S. Commerce Department and the EU Commission have agreed to safe harbor principles. Although the safe harbor principles are voluntary at this point, United plans to comply with them. In mid-2001, the U.S. Commerce Department and the EU Commission will review the status of voluntary compliance.

Canada, Argentina and Australia have enacted new privacy laws covering the collection and disclosure of personally identifiable information. These laws have either gone into force or will go into force later this year, and may have an impact on the way United collects and transmits personal identifiable information in these jurisdictions.

Environmental Regulations. United operates a number of underground and above-ground storage tanks throughout its system. They are used for the storage of fuels and deicing fluids. United has been identified as a Potentially Responsible Party in some state and federal recovery actions involving soil and ground water contamination. The Company has been working with the relevant government agencies to resolve the issues and believes they will be resolved without material adverse effect on the Company.

Employees - Labor Matters

At December 31, 2000, the Company and its subsidiaries had more than 102,000 employees. Approximately 80 % of United's employees are represented by various labor organizations.

Collective bargaining agreements are negotiated under the Railway Labor Act, which governs labor relations in the transportation industry, and typically do not contain an expiration date. Instead, they specify a date called the amendable date, by which either party may notify the other of its desire to amend the agreement. Upon reaching the amendable date, the contract is considered "open for amendment." Prior to the amendable date, neither party is required to agree to modifications to the bargaining agreement. Nevertheless, nothing prevents the parties from agreeing to start negotiations or to modify the agreement in advance of the amendable date.

Contracts remain in effect while new agreements are negotiated. During the negotiating period, both the Company and the negotiating union are required to maintain the status quo. Recent operating disruptions suggest, however, that some members of the negotiating employee group may engage in activities designed to "slow down" the airline. These slowdown tactics may involve refusal to work overtime, increased sick leave usage and other disruptive behavior that could have an adverse impact on operations.

United's collective bargaining agreements with the International Association of Machinists and Aerospace Workers ("IAM") became amendable on July 12, 2000. United is currently in negotiations with the IAM, under the auspices of the National Mediation Board ("NMB"). Under the law, the parties are not allowed to resort to self-help, such as strikes or lock-outs, until they are released from mediation by the NMB, and then only after a 30 day cooling-off period. However, the NMB can request the U.S. president to create a Presidential Emergency Board, the creation of which imposes an additional 60-day bar against self-help remedies. If the parties fail to reach a resolution by the end of the 60 days, the U.S. Congress can impose a settlement. The Company cannot predict when the current negotiations will be resolved. For additional information on the status of negotiations, see "Labor Agreements" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The employee groups, number of employees, labor organization and current contract status for each of United's major collective bargaining groups in the U.S., as of December 31, 2000, are as follows:

<u>Employee Group</u>	<u>Number of Employees</u>	<u>Union</u>	<u>Contract Open for Amendment</u>
Pilots	10,045	ALPA	Sept. 1, 2004

Flight Attendants	24,199	AFA	March 1, 2006*
Mechanics/Ramp	15,706	IAM	July 12, 2000
Passenger Service	31,606	IAM	July 12, 2000

* The collective bargaining agreement between the Company and the AFA provides for mid-term wage adjustments.

Corporate Governance and the ESOPs

Background. In July 1994, the stockholders of UAL approved a plan of recapitalization that provided an approximately 55% equity and voting interest in UAL to certain employees of United, in exchange for wage concessions and work-rule changes. The employees' equity interest was allocated to individual employee accounts through the year 2000 under the Employee Stock Ownership Plans ("ESOPs") created as part of the recapitalization. The entire ESOP voting interest is voted by the ESOP trustee at the direction of, and on behalf of, the employees participating in the ESOPs.

As part of the recapitalization, the Company's stockholders approved an elaborate governance structure, which is contained principally in the Company's Restated Certificate of Incorporation ("UAL Charter") and the ESOPs. Among other matters, the UAL Charter provides that the Company's Board of Directors is to consist of five public directors, four independent directors, and three employee directors which are appointed by different classes of stockholders (see the Company's Proxy Statement for its Annual Meeting of Stockholders for information concerning the processes for electing the directors and for Board committee requirements). A number of special stockholder and Board voting requirements were also established, as summarized below.

Special Voting. In specified circumstances ("Extraordinary Matters"), actions by UAL or United Airlines require approval of either (a) 75% of the entire Board, including at least one union director, or (b) 75% of the voting stock present at a stockholder meeting. "Extraordinary Matters" include certain business transactions outside the ordinary course of business, significant asset dispositions, and most issuances of equity securities. Most issuances of equity securities are also subject to a first refusal agreement in favor of employees participating in the ESOPs.

Other special voting requirements apply to amendments to the UAL Charter and certain bylaws, repurchases of common stock, stock sales to employee benefit plans, and business transactions with labor. The special voting rights referred to in the previous paragraph will continue until "Sunset" (defined below), at which time the corporate governance section will convert to a more traditional form, providing for nine public directors and three employee directors.

In the case of a merger or Control Transaction (defined below) that involves an Uninstructed Trustee Action (defined below), any required stockholder approval must also include at least a majority of the votes represented by all outstanding shares of the Director Preferred Stocks (defined below), UAL common stock and such other classes and series of stock that vote together with the common stock as a single class ("Single Class Voting").

"Sunset." The Voting Preferred Stock (see Item 8, Note 13 of the Notes to Consolidated Financial Statements) outstanding at any time commands voting power for approximately 55% of the vote of all classes of capital stock in all matters requiring a stockholder vote, other than the election of members of the Board of Directors. The Voting Preferred Stock will generally continue to represent approximately 55% of the aggregate voting power until Sunset, even though the common stock issuable upon conversion of the ESOP stock may represent more or less than 55% of the fully diluted common stock of UAL. Sunset will occur when the common shares issuable upon conversion of Class 1 and Class 2 ESOP convertible preferred stock (see Item 8, Note 13 of the Notes to Consolidated Financial Statements), plus any common equity (generally common stock issued or issuable at the time of the recapitalization) held by any other Company sponsored employee benefit plans, plus any available unissued ESOP shares held in the ESOPs equal, in the aggregate, less than 20% of the common equity and available unissued ESOP shares of UAL. For purposes of measuring the Sunset, employee ownership was approximately 63.84% at December 31, 2000.

Control Transactions. A "Control Transaction" is a tender or exchange offer, or other opportunity to dispose of or convert at least 3% of UAL common stock, Class 1 and Class 2 ESOP convertible preferred stock into common stock, and Voting Preferred Stocks, or any transaction or series of related transactions in which any person or group acquires or seeks to acquire control of UAL or of all or substantially all of the assets of UAL and its subsidiaries. In a Control Transaction, ESOP participants are entitled to instruct the ESOP trustee as to whether to tender, sell, convert or otherwise dispose of shares allocated to their accounts under the ESOP, and current employees who are ESOP participants may give the same instructions for ESOP shares that have been issued, but not yet allocated to participants. Shares held by the Supplemental ESOP will be tendered or directed by the Supplemental ESOP Committee.

If a Control Transaction results in the sale or exchange of any shares held by the ESOPs, the proceeds will be used to acquire, to the extent possible, shares of common stock (or preferred stock which is convertible into common) that qualify as "employer securities" as defined in Internal Revenue Code Section 409(l). If UAL shares do not qualify as "employer securities," then the shares must be "employer securities" of a public company having a Moody's senior long-term debt rating at least as good as that of UAL and United at such time. If such securities cannot be acquired, then UAL, ALPA and the IAM will make appropriate arrangements reasonably satisfactory to the unions to protect the interests of the participants.

Uninstructed Trustee Actions. An uninstructed trustee action refers to situations in which the ESOP trustee adopts a course of action without obtaining instructions from the ESOP participants, or disregards their instructions, including situations involving Control Transactions. Under specific circumstances, this action can cause the Voting Preferred Stocks to be converted into UAL common stock, with the special voting rights of these shares transferring to the Director Preferred Stocks (defined as Class Pilot MEC, IAM, and SAM junior preferred stock -- see Item 8, Note 13 of the Notes to Consolidated Financial Statements) in the following approximate percentages: to the holder of the Class Pilot MEC Preferred Stock, 46.23%; to the holder of the Class IAM Preferred Stock, 37.13% ; and to the holders of the Class SAM Preferred Stock, 16.64%. The Director Preferred Stocks will continue to hold the Single Class Voting Rights until Sunset, or if Sunset occurs because of, or within one year of, an uninstructed trustee action, July 12, 2010.

Specific circumstances that give rise to a transfer of voting rights include:

(1) The ESOP trustee fails to solicit timely instructions or fails to act in accordance with such instructions (see below for reasons), with respect to the following:

(a) But for the transfer of voting rights, a stockholders vote would have been sufficient to approve a merger or Control Transaction involving UAL or United, or if no vote is required, the ESOP trustee enters into a binding commitment in connection with a Control Transaction; or

(b) the ESOP trustee disposes of 10% or more of the common equity represented by the Class 1 and Class 2 ESOP Preferred Stock (other than in connection with the usual distribution or diversification under the ESOP).

(2) In addition, one of the following circumstances must be present:

(a) such transaction would not have been approved if the trustee had solicited and/or followed the instructions;

(b) no timely solicitation of instructions occurs, and the matter would not have been approved had the ESOP trustee cast all its votes against the matter, or

(c) a matter that does not require a stockholder vote to approve such transaction.

An ESOP trustee's disregard of instructions gives rise to an uninstructed trustee action only when the failure to follow the instructions is attributable to (1) the trustee's conclusion that its fiduciary responsibilities require the trustee to not follow the instructions or (2) the ESOP provisions relating to soliciting are unenforceable.

This section is intended as a general summary and is qualified in its entirety by reference to the UAL Charter, the Stockholders' Agreements, the First Refusal Agreement, the ESOPs and the other exhibits to this Form 10-K.

ITEM 2. PROPERTIES.

Flight Equipment

As of December 31, 2000, United's operating aircraft fleet totaled 604 jet aircraft, of which 289 were owned and 315 were leased. These aircraft are listed below:

<u>Aircraft Type</u>	<u>Average No. of Seats</u>	<u>Owned</u>	<u>Leased*</u>	<u>Total</u>	<u>Average Age (Years)</u>
A319-100	120	14	18	32	2
A320-200	138	19	49	68	4
B727-200	141	67	8	75	22
B737-200	103	24	0	24	22
B737-300	120	10	91	101	12
B737-500	104	27	30	57	9
B747-400	368	23	21	44	6
B757-200	182	41	57	98	9
B767-200	168	19	0	19	18
B767-300	219	15	20	35	6
B777-200	288	30	18	48	3
DC10-30	298	0	3	3	23
TOTAL OPERATING FLEET		<u>289</u>	<u>315</u>	<u>604</u>	<u>10</u>

*United's aircraft leases have initial terms of 10 to 26 years, and expiration dates range from 2001 through 2020. Under the terms of all leases, United has the right to purchase the aircraft at the end of the lease term, in some cases at fair market value and in others, at fair market value or a percentage of cost.

As of December 31, 2000, 110 of the 289 aircraft owned by United were encumbered under debt agreements.

On February 1, 2001, United exercised options to acquire 15 additional aircraft. The following table sets forth United's firm aircraft orders and expected delivery schedules as of December 31, 2000, plus the additional 15 aircraft:

<u>Aircraft Type</u>	<u>Number</u>	<u>To Be Delivered</u>	<u>Delivery Rate</u>
A319-100	44	2001-2003	0-2 per month
A320-200	48	2001-2003	0-2 per month
B767-300	2	2001	

Total 107

Ground Facilities and Equipment

United has entered into various leases relating to its use of airport-landing areas, gates, hangar sites, terminal buildings and other airport facilities in most of the municipalities it serves. Major leases expire at Chicago O' Hare in 2018, Los Angeles in 2021, San Francisco in 2011, and Washington Dulles in 2014. United also has leased ticketing, sales and general office space in the downtown and outlying areas of most of the larger cities in its system. In suburban Chicago, United owns a 106-acre complex consisting of more than one million square feet of office space for its world headquarters, a computer facility and a training center.

United's Maintenance Operation Center ("MOC") at San Francisco International Airport occupies 129 acres of land, three-million square feet of floor space and 12 aircraft hangar docks under a lease expiring in 2003, with an option to extend for 10 years. United's Indianapolis Maintenance Center, a major aircraft maintenance and overhaul facility, is operated under a lease with the Indianapolis Airport Authority that expires in 2031. United also has a major facility at the Oakland, California airport, dedicated to widebody airframe maintenance.

At Denver International Airport, United operates under a lease and use agreement expiring in 2025, and occupies 52 gates and more than one million square feet of exclusive or preferential use terminal building space. United's flight training center, located in the City and County of Denver, can accommodate 36 flight simulators and more than 90 computer-based training stations.

In connection with the Company's planned acquisition of US Airways, the Company has announce plans to invest up to \$160 million in constructing a 300,000 to 360,000 square foot maintenance complex in Pittsburgh. The Commonwealth of Pennsylvania and Allegheny County have proposed to provide \$60 million in incentive assistance based, in part, on a job retention program.

ITEM 3. LEGAL PROCEEDINGS.

1. Frank, et al. v. United; EEOC v. United

As previously reported in our Form 10-Q for the quarter ended September 30, 2000, a class action lawsuit against United was filed February 7, 1992 in federal district court in California, alleging that United's former flight attendant weight program, in effect from 1989 to 1994, unlawfully discriminated against flight attendants on the grounds of sex, age and other factors, and seeking monetary relief. On April 29, 1994, the class was certified as to the sex and age claims. Following extensive motion practice, on March 10, 1998, the district court dismissed all the claims against United. Following an appeal to the Court of Appeals for the Ninth Circuit, a three judge panel of the Ninth Circuit, on June 21, 2000, overturned the ruling and held that United's former weight program violated the law. The court ruled that the plaintiffs were entitled to judgment as a matter of law on their claims for discrimination based on sex and that a trial was required for determination on their claims for age discrimination. In addition, the appellate court reversed the dismissal of all individual class representative claims of discrimination and the case was remanded to the district court for further proceedings. United's petition for en banc review by an 11-judge panel was denied on August 11, 2000. On December 8, 2000, United petitioned for a review of the Ninth Circuit decision by the U.S. Supreme Court, but that petition was denied on March 5, 2001. In accordance with the appellate court ruling, the case will go back to the district court for further proceedings with respect to the age discrimination claims and for a determination of damages with respect to the sex discrimination claims.

2. United v. Mesa Airlines, Inc. and WestAir Commuter Airlines, Inc.

As previously reported in our Form 10-Q for the quarter ended September 30, 2000, United sued Mesa Airlines, Inc. and its subsidiary, WestAir Commuter Airlines, Inc., on June 23, 1997, in the U.S. District Court for the Northern District of Illinois, seeking an order declaring

that United had the right to make certain market adjustments in markets served by WestAir's United Express service in California. On January 22, 1998, United notified Mesa that it was terminating Mesa's United Express contract and United amended its complaint to add claims against Mesa for failure to fly and for monetary damages. Mesa and WestAir filed claims against United alleging, among other things, wrongful termination of their contract and fraud, and seeking monetary damages. On July 5, 2000, the Seventh Circuit Court of Appeals affirmed the dismissal of Mesa's tort claims, including its claim alleging fraud on the ground that those claims are preempted by the Airline Deregulation Act. Mesa filed a petition for certiorari with the U.S. Supreme Court. That petition was denied, ending the appeals process for the tort claims. On March 5, 2001, the parties agreed to a settlement and have since dismissed the remaining claims.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders of the Company during the fourth quarter of 2000.

Executive Officers of the Registrant

Information regarding the executive officers of the Company is as follows:

James E. Goodwin. Age 56. Mr. Goodwin has been Chairman and Chief Executive Officer of the Company and United since July 1999. Prior to his current position, he was President and Chief Operating Officer of the Company and United from September 1998; from April 1995 until September 1998, he served as Senior Vice President - North America of United.

Rono Dutta. Age 49. Mr. Dutta has been President of the Company and United since July 1999. Prior to his current position, he served as Senior Vice President - Planning of United.

Douglas A. Hacker. Age 45. Mr. Hacker has been Executive Vice President and Chief Financial Officer of the Company and Executive Vice President - Finance & Planning and Chief Financial Officer of United since July 1999. Prior to his current position, he had served as Senior Vice President and Chief Financial Officer for the Company and United.

William P. Hobgood. Age 62. Mr. Hobgood has been Senior Vice President - People of United since March 1997 and Senior Vice President of the Company since September 1999. Prior to joining United, he was in private practice as an attorney specializing in mediation and arbitration, including labor-management issues.

Francesca M. Maher. Age 43. Ms. Maher has been Senior Vice President, General Counsel and Secretary of the Company and United since October 1998. From June 1997 until October 1998, she was Vice President, General Counsel and Secretary of the Company and United. Previously, she was Vice President - Law and Corporate Secretary of the Company and Vice President-Law, Deputy General Counsel and Corporate Secretary of United.

Andrew P. Studdert. Age 44. Mr. Studdert has been Executive Vice President and Chief Operating Officer of the Company and of United since July 1999. Prior to his current position, he served as Senior Vice President - Fleet Operations of United from September 1997. He served as Senior Vice President and Chief Information Officer of United from April 1995 to September 1997.

There are no family relationships among the executive officers of the Company. The executive officers of the Company serve at the discretion of the Board of Directors.

**ITEM 5. MARKET FOR REGISTRANT' S COMMON EQUITY AND RELATED
STOCKHOLDER MATTERS.**

The Company' s Common Stock, \$.01 par value (the "Common Stock"), is traded principally on the New York Stock Exchange (the "NYSE") under the symbol UAL, and is also listed on the Chicago Stock Exchange and the Pacific Stock Exchange. The following sets forth for the periods indicated the high and low sales prices and dividends paid per share of the Company' s Common Stock on the NYSE Composite Tape.

	<u>High</u>	<u>Low</u>	<u>Dividends Paid</u>
2000:			
1st quarter	\$ 79	\$ 45 3/4	
2nd quarter	65 1/8	49	\$0.3125
3rd quarter	61 5/8	40 1/4	\$0.3125
4th quarter	43 15/16	34 1/16	\$0.3125
1999:			
1st quarter	\$ 80 1/4	\$ 57 9/16	
2nd quarter	87 3/8	60 1/16	
3rd quarter	69 3/8	58 3/16	
4th quarter	78 3/4	60 1/8	

The Company initiated a quarterly dividend during the second quarter of 2000. The payment of any future dividends on the Common Stock and the amount thereof will be determined by the Board of Directors of the Company based on the financial condition of the Company and other relevant factors.

On March 14, 2001, based on reports by the Company' s transfer agent for the Common Stock, there were 23,542 common stockholders of record.

Item 6. Selected Financial Data and Operating Statistics

(In Millions, Except Per Share and Rates)

	<u>Year Ended December 31</u>				
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<u>Income Statement Data:</u>					
Operating revenues	\$ 19,352	\$ 18,027	\$ 17,561	\$ 17,378	\$ 16,362
Earnings before extraordinary item					
and cumulative effect	265	1,238	821	958	600
Net earnings	50	1,235	821	949	533

Per share amounts, diluted:

Earnings before extraordinary item					
and cumulative effect	1.89	9.97	6.83	9.04	5.85
Net earnings	0.04	9.94	6.83	8.95	5.06
Cash dividends declared per common share	1.25	-	-	-	-

Pro Forma Income Statement Data¹:

Earnings before extraordinary item	na	\$ 1,209	\$ 774	\$ 931	\$ 553
Net earnings	na	1,206	774	922	486
Per share amounts, diluted:					
Earnings before extraordinary item	na	9.71	6.38	8.76	5.29
Net earnings	na	9.68	6.38	8.67	4.50

Other Information:

Total assets at year-end	\$ 24,355	\$ 20,963	\$ 18,559	\$ 15,464	\$ 12,677
Long-term debt and capital lease obligations, including current portion, and redeemable preferred stock					
	7,487	5,369	5,345	4,278	3,385
Revenue passengers					
	85	87	87	84	82
Revenue passenger miles					
	126,933	125,465	124,609	121,426	116,697
Available seat miles					
	175,485	176,686	174,008	169,110	162,843
Passenger load factor					
	72.3%	71.0%	71.6%	71.8%	71.7%
Breakeven passenger load factor					
	69.4%	64.9%	64.9%	66.0%	66.0%
Passenger revenue per passenger mile (cents)					
	13.3	12.5	12.4	12.6	12.4
Operating revenue per available seat mile (cents)					
	11.0	10.2	10.1	10.3	10.0
Operating expense per available seat mile (cents)					
	10.6	9.4	9.2	9.5	9.3
Fuel gallons consumed					
	3,101	3,065	3,029	2,964	2,883
Average price per gallon of jet fuel (cents)					
	81.0	57.9	59.0	69.5	72.2

¹ The pro forma income statement amounts reflect adjustments to the historical income statement data assuming the Company had adopted the provisions of Staff Accounting Bulletin 101 ("SAB 101") in prior periods. (See Note 1i "Summary of Significant Accounting Policies - Mileage Plus Awards" in the Notes to Consolidated Financial Statements.)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are identified with an asterisk (*). Forward-looking statements represent the Company's expectations and beliefs concerning future events, based on information available to the Company on the date of the filing of this Form 10K. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could significantly impact the expected results referenced in the forward-looking statements are listed in the last paragraph of the section, "Outlook for 2001."

US Airways Acquisition

On May 24, 2000, UAL announced that it had entered into a definitive merger agreement with US Airways Group, Inc. ("US Airways") pursuant to which US Airways will be acquired by the Company in an all-cash transaction for \$4.3 billion. Additionally, UAL will assume approximately \$1.7 billion in US Airways net debt and \$6.3 billion in operating leases. On October 12, 2000, the stockholders of US Airways approved the merger. The transaction, which the Company anticipates closing in the second quarter of 2001, is still subject to regulatory clearance and other customary closing conditions. Definitive financing arrangements have not yet been determined although UAL expects to incur approximately \$4.5 billion in additional indebtedness, through a combination of bank and public financing, to cover the cost of the acquisition as well as additional costs related to the integration of the airlines.

Subject to regulatory approval of the transaction and the successful outcome of negotiations with local authorities, the Company announced its intentions to expand US Airways' maintenance facility in Pittsburgh at a total projected cost of \$160 million. Additionally, the Company recognizes that it will incur significant costs associated with the integration of US Airways in order to achieve the anticipated benefits to both the Company and the millions of passengers and hundreds of communities served by United throughout the United States. The Company expects that the new network will make traveling more convenient for passengers, connecting US Airways' eastern U.S. markets with United's east-west and international markets, thereby creating the nation's most comprehensive airline network. However, the Company recognizes that it may encounter difficulties in achieving these significant benefits. As part of the agreement with US Airways, UAL generally has agreed to pay US Airways a \$50 million termination fee in the event the merger does not take place.

In addition, UAL and US Airways entered into a binding memorandum of understanding with Robert Johnson, a member of the US Airways Group Board of Directors, under which Mr. Johnson would buy certain of US Airways' assets and create a new airline, to be called DC Air, which would compete on numerous routes currently served by US Airways in the Washington D.C. area.

In a transaction designed to enhance the competitive benefits of the proposed merger with US Airways and address regulatory concerns, UAL and AMR Corporation ("AMR") on January 9, 2001 announced the approval of a binding memorandum of understanding, under which AMR's American Airlines subsidiary ("American") will provide competitive service on key hub-to-hub routes where United and US Airways currently are the only competitors with non-stop flights. As part of the agreement, American will also enter into a 20-year joint venture with United to jointly provide service on routes currently served by the US Airways Shuttle between New York's LaGuardia Airport, Washington, D.C.'s Reagan National Airport and Boston's Logan Airport. In addition, United will transfer a number of gates, slots and up to 86 aircraft acquired in its merger with US Airways to American deemed to be surplus to the combined United and US Airways entity.

AMR will pay UAL up to \$1.2 billion in cash for this transaction. In addition, American will assume certain lease obligations and buy certain spare engines and other parts associated with the aircraft being transferred. The transaction will provide financial benefits to UAL by reducing the debt requirements related to the acquisition of US Airways.

On March 2, 2001, UAL announced that it had reached agreement with Atlantic Coast Airlines Holdings, Inc. ("ACAI"), for US Airways to sell its three wholly owned regional airlines to ACAI for an initial purchase price of \$200 million. UAL and ACAI will seek to agree upon the ultimate purchase price over an 18-month period. If an ultimate purchase price is not agreed as to a carrier, then the transaction as to that carrier is subject to being unwound. If ACAI is not the ultimate purchaser of at least one of the carriers, they will receive a fee of up to \$10 million. The transaction, which is contingent upon and will occur at the same time as closing of the proposed acquisition of US Airways, is subject to regulatory approvals and to certain termination rights by UAL. In addition, at closing, the three carriers (Allegheny Airlines, Piedmont Airlines and PSA Airlines) are expected to execute agreements to provide feeder service to the combined United and US Airways network.

Results of Operations

During 2000, the Company experienced significant operational disruptions, as a result of labor-related delays and cancellations, as well as weather and air traffic control limitations, which adversely affected both revenue and expense performance. The Company attempted to mitigate the impact of these operational difficulties by reducing capacity, particularly in the domestic markets, where most of the problems were concentrated. The Company estimates the revenue shortfall arising from these disruptions and associated schedule reductions and cancellations to be somewhere between \$700 and \$750 million for the year.

Summary of Results -

UAL's earnings from operations were \$654 million in 2000, compared to operating earnings of \$1.4 billion in 1999. UAL's net earnings in 2000 were \$50 million (\$0.04 per share, diluted), compared to net earnings of \$1.2 billion in 1999 (\$9.94 per share, diluted).

The 2000 earnings include an extraordinary loss of \$6 million, after tax, on early extinguishment of debt and the cumulative effect of a change in accounting principle of \$209 million, net of tax. The 2000 earnings also include an impairment loss of \$38 million, net of tax (\$0.33 per share, diluted), related to the Company's equity investment in Priceline.com, as well as a gain of \$69 million, net of tax (\$0.60 per share, diluted), on the sale of its investment in GetThere.com (see Note 6 "Investments" in the Notes to Consolidated Financial Statements).

The 1999 earnings include an extraordinary loss of \$3 million, after tax, on early extinguishment of debt and an after-tax gain of \$468 million (\$4.19 per share, diluted), on the sale of certain of the Company's investments, as further described in Note 6 "Investments" in the Notes to Consolidated Financial Statements.

2000 Compared with 1999 -

Operating Revenues. Operating revenues increased \$1.3 billion (7%) and United's revenue per available seat mile (unit revenue) increased 8% to 11.02 cents. Passenger revenues increased \$1.1 billion (7%) primarily due to a 6% increase in yield to 13.25 cents. United's revenue passenger miles increased 1%, while available seat miles decreased 1%, resulting in a passenger load factor increase of 1.3 points to 72.3%. The decrease in available seat miles reflects the Company's response to the operational difficulties as well as the impact of Economy Plus. The following analysis by market is based on information reported to the DOT:

	<u>Increase (Decrease)</u>		
	<u>Available Seat Miles (Capacity)</u>	<u>Revenue Passenger Miles (Traffic)</u>	<u>Revenue Per Revenue Passenger Mile (Yield)</u>
North America	(4%)	(3%)	7%
Pacific	10%	11%	7%
Atlantic	6%	6%	8%
Latin America	(10%)	(1%)	4%
System	(1%)	1%	6%

Cargo revenues increased \$25 million (3%) on increased freight ton miles of 3%, as freight yields remained constant and mail yields increased 1%. Other operating revenues increased \$152 million (19%) primarily due to increased fuel sales to third parties and additional revenues from operating agreements with Galileo International, Inc. ("Galileo"), offset by the decrease in other revenues related to the change in accounting for Mileage Plus sale of miles to third parties (see Note 11 "Summary of Significant Accounting Policies - Mileage Plus Awards" in the Notes to Consolidated Financial Statements).

Operating Expenses. Operating expenses increased \$2.1 billion (12%) and United's cost per available seat mile increased 13% from 9.41 to 10.63 cents. Salaries and related costs increased \$1.1 billion (19%) due to a new salary program implemented for non-contract employees, the impact of the new ALPA contract, and the estimated costs of IAM contracts which became amendable in July 2000 and are currently under negotiation. ESOP compensation expense decreased \$609 million (81%) as the Company discontinued recording ESOP compensation expense once the final ESOP shares were committed to be released in April 2000. Aircraft fuel increased \$735 million (41%) due to a 40% increase in the cost of fuel to 81.0 cents per gallon. Commissions decreased \$114 million (10%) due to a change in the commission structure implemented in the fourth quarter of 1999. Purchased services increased \$136 million (9%) due to increases in computer reservations fees and credit card discount fees. Depreciation and amortization increased \$138 million (16%) due to an increase in the number of owned aircraft and losses on disposition of aircraft and other equipment. Cost of sales increased \$436 million (72%) primarily due to costs associated with fuel sales to third parties.

Other Income and Expense. Other income (expense) amounted to \$223 million in expense in 2000 compared to \$551 million in income in 1999. Interest expense increased \$40 million (11%) due to increased debt issuances in 2000. Interest income increased \$33 million (49%) due to higher investment balances. In addition, 2000 included a \$109 million gain on the sale of GetThere.com stock and a \$61 million investment impairment related to warrants held in Priceline.com, while 1999 included a \$669 million gain on the sale of Galileo stock and a \$62 million gain on the sale of Equant N.V. ("Equant") stock.

1999 Compared with 1998 -

Operating Revenues. Operating revenues increased \$466 million (3%) and United's revenue per available seat mile (unit revenue) increased 1% to 10.17 cents. Passenger revenues increased \$264 million (2%) due to a 1% increase in United's revenue passenger miles and a 1% increase in yield to 12.48 cents. Available seat miles across the system were up 2% year over year; however, passenger load factor decreased 0.6 points to 71.0% as traffic only increased 1% system-wide. The following analysis by market is based on information reported to the DOT:

	<u>Increase (Decrease)</u>		
	Available Seat <u>Miles (Capacity)</u>	Revenue Passenger Miles <u>(Traffic)</u>	Revenue Per Revenue <u>Passenger Mile (Yield)</u>
North America	4%	2%	1%
Pacific	(12%)	(11%)	3%
Atlantic	14%	14%	(7%)
Latin America	(7%)	(3%)	(3%)
System	2%	1%	1%

Cargo revenues decreased \$7 million (1%) despite increased freight ton miles of 5%, as a 4% decline in freight yield combined with a 3% decline in mail yield. Other operating revenues increased \$209 million (19%) due to increases in frequent flyer program partner related revenues and fuel sales to third parties.

Operating Expenses. Operating expenses increased \$553 million (3%) and United's cost per available seat mile increased 2% from 9.24 to 9.41 cents. ESOP compensation expense decreased \$73 million (9%), reflecting the decrease in the estimated average fair value of ESOP stock committed to be released to employees as a result of UAL's lower common stock price. Salaries and related costs increased \$329 million (6%) as a result of increased staffing in customer-contact positions, as well as salary increases for most labor groups which took effect July 1, 1998. Commissions decreased \$186 million (14%) due to a change in the commission structure implemented in the third quarter 1998 as well as a slight decrease in commissionable revenues. In addition, in October 1999, the Company reduced the base commissions for tickets purchased in the U.S. and Canada to 5%, subject to roundtrip caps of \$50 and \$100 for domestic and international tickets, respectively. Purchased services increased \$70 million (5%) due to increases in computer reservations fees and year 2000-related expenses. Depreciation and amortization increased \$74 million (9%) due to an increase in the number of owned aircraft and losses on disposition of aircraft partially offset by changes in depreciable lives of certain aircraft. In addition, United wrote-down two non-operating B747-200 aircraft to net realizable value. Cost of sales increased \$128 million (27%) primarily due to costs associated with fuel sales to third parties. Aircraft maintenance increased \$65 million (10%) due to an increase in heavy maintenance visits.

Other Income and Expense. Other income (expense) amounted to \$551 million in income in 1999 compared to \$222 million in expense in 1998. Interest capitalized, primarily on aircraft advance payments, decreased \$30 million (29%). Interest income increased \$9 million (15%) due to higher investment balances. In addition, 1999 included a \$669 million gain on the sale of Galileo stock and a \$62 million gain on the sale of Equant stock.

Liquidity and Capital Resources

Liquidity -

UAL's total of cash and cash equivalents and short-term investments was \$2.3 billion at December 31, 2000, compared to \$689 million at December 31, 1999. Operating activities during the year generated \$2.5 billion.

Property additions, including aircraft, aircraft spare parts, facilities and ground equipment, amounted to \$2.5 billion, while property dispositions resulted in proceeds of \$324 million. In 2000, United took delivery of four A319, twelve A320, one B747, three B767 and eight B777 aircraft. Twenty-six of these aircraft were purchased and two were acquired under capital leases. Five of the aircraft purchased during the year were later sold and then leased back under capital leases. In addition, United retired three DC10-10, four DC10-30F and seven B747 aircraft.

During 2000, the Company made payments of \$81 million for the repurchase of 1.3 million shares of common stock. Financing activities included the issuance of \$2.4 billion in equipment trust certificates, as well as principal payments under debt and capital lease obligations of \$441 million and \$283 million, respectively. Included in the debt payments was the retirement of \$116 million of long-term debt prior to maturity. Additionally, UAL issued, and subsequently retired, \$200 million in long-term debt during the period to finance the acquisition of aircraft. UAL may also from time to time repurchase on the open market, in privately negotiated purchases or otherwise, its debt and equity securities.

Included in cash and cash equivalents at December 31, 2000 were \$39 million of securities held by third parties under securities lending agreements, as well as collateral in the amount of 102% of the value of the securities lent. United is obligated to reacquire the securities at the end of the contract.

As of December 31, 2000, UAL had a working capital deficit of \$2.0 billion as compared to \$2.5 billion at December 31, 1999. Historically, UAL has operated with a working capital deficit and, as in the past, UAL expects to meet all of its obligations as they become due.

Prior Years. Operating activities in 1999 generated cash flows of \$2.4 billion and the Company's sale of part of its investments in Galileo and Equant provided \$828 million in cash. Cash was used primarily to fund net additions to property and equipment (\$2.2 billion) and to repurchase common stock (\$261 million). Financing activities also included principal payments under debt and capital lease obligations of \$513 million and \$248 million, respectively.

Operating activities in 1998 generated cash flows of \$3.2 billion. Cash was used primarily to fund net additions to property and equipment (\$2.4 billion) and to repurchase common stock (\$459 million). Financing activities also included repayments of long-term debt totaling \$271 million and payments under capital leases of \$322 million, as well as aircraft lease deposits of \$154 million. Additionally, the Company issued \$928 million in debt and used part of the proceeds to purchase \$693 million in equipment certificates under Company operating leases.

Capital Commitments -

At December 31, 2000, commitments for the purchase of property and equipment, principally aircraft, approximated \$4.7 billion, after deducting advance payments. Of this amount, an estimated \$2.5 billion is due to be spent in 2001. For further details, see Note 18 "Commitments, Contingent Liabilities and Uncertainties" in the Notes to Consolidated Financial Statements.

Capital Resources -

Funds necessary to finance aircraft acquisitions are expected to be obtained from internally generated funds, external financing arrangements or other external sources. Additionally, during 2001, UAL anticipates requiring additional financing for its planned acquisition of US Airways.

At December 31, 2000, UAL and United had an effective shelf registration statement on file with the Securities and Exchange Commission to offer up to \$2.5 billion of securities, including secured and unsecured debt, equipment trust and pass through certificates or a combination thereof. United also has available approximately \$1.7 billion in short-term revolving credit facilities, as well as a separate \$227 million short-term borrowing facility, as described in Note 8 "Short-Term Borrowings" in the Notes to Consolidated Financial Statements.

At December 31, 2000, United's senior unsecured debt was rated BB+ by Standard and Poor's ("S&P") and Baa3 by Moody's Investors Service Inc. ("Moody's"). UAL's Series B preferred stock and redeemable preferred securities were rated B+ by S&P and Ba3 by Moody's. Immediately following UAL's announcement of the planned acquisition of US Airways, S&P placed UAL and United securities on CreditWatch with negative implications.

Other Information

Labor Agreements -

On April 12, 2000, the Company's contract with ALPA became amendable and in October 2000, the parties signed a new contract. The agreement, which will become amendable September 1, 2004, includes provisions for an immediate increase in wages of 21.5% to 28.7%, retroactive to April 12, as well as additional annual increases of 4.5% to 5.6% for the duration of the contract. Additionally, the contract allows United Express carriers to increase the number of small jets beyond the current 65-jet limit up to an additional 150 immediately as replacements for existing turboprops, with additional increases in small jets as United's fleet grows. United may also share in profits and losses of revenues with foreign carriers with whom United has antitrust immunity, provided United gets its proportionate share of the flying. In addition, the Company has reached agreement with ALPA to provide United pilots with protections that are realistically representative of their pre-merger expectations.

On July 12, 2000, the Company's contracts with the IAM became amendable. The Company has been in negotiations with the IAM since January 2000 for new contracts. Since September 2000, the negotiations have been conducted with the assistance of the National Mediation Board. Under the terms of the Railway Labor Act, United's current agreements with the IAM will remain in effect while negotiations continue. The Company has agreed that wage increases under the new IAM contracts will be retroactive to July 12, 2000 and the estimated costs of those contracts have been included in the Company's results for 2000. The Company and the IAM had also initialed an agreement on December 12, 2000 that would have provided for job protection benefits to most mechanics, including relocation protection in the case of displacement due to the merger transaction. The IAM has recently notified the Company that they consider that agreement to be rescinded. Talks are ongoing and United hopes to reach agreement with the IAM on these issues.

The Company's contract with the AFA, which becomes amendable in 2006, provides for a mid-term wage conference in the first quarter of 2001. However, in September 2000, United and the AFA began wage discussions unrelated to the contract that would have avoided the need for this wage conference. The parties also began addressing integration issues related to United's acquisition of US Airways at this time. The Company and the AFA have not reached agreement on these issues to date and the Company began wage conference negotiations per the contract in February 2001. The Company is continuing to seek to resolve all outstanding issues with the AFA, although arbitration may be required per the collective bargaining agreement, if an agreement cannot be reached on wages. It is the Company's desire through these discussions to avoid any AFA operational action that would significantly inconvenience its customers or disrupt schedules. However, should such action occur, the Company will take appropriate steps to minimize the impact to the Company and its customers.

E-Commerce -

In October 2000, UAL announced the formation of United NewVentures, Inc., a wholly owned subsidiary which will create businesses to provide innovative solutions for its customers, strengthen United's airline business and create incremental value for UAL's stockholders. The subsidiary employs about 100 people, primarily from the Company's former e-commerce organization and consists of two divisions, United NetWorks and United NetVentures.

United NetWorks focuses on expanding United-branded e-commerce and wireless activities, including the recently redesigned united.com web site, as well as assuming responsibility for marketing the sale of Mileage Plus miles to third parties. Gross air bookings on united.com in 2000 grew more than 101% over last year. Total passenger revenue from sales over the Internet reached \$755 million for the year compared to \$400 million for 1999, an 89% increase.

United NetVentures will manage United's investments in other Internet ventures, including two new multi-airline travel-oriented web sites, Orbitz and Hotwire, and identify new business opportunities in e-commerce.

Foreign Operations -

United generates revenues and incurs expenses in numerous foreign currencies. These expenses include aircraft leases, commissions, catering, personnel expense, advertising and distribution costs, customer service expenses and aircraft maintenance. Changes in foreign currency exchange rates impact operating income through changes in foreign currency-denominated operating revenues and expenses. Despite the adverse (favorable) effects a strengthening (weakening) foreign currency may have on U.S. originating traffic, a strengthening (weakening) of foreign currencies tends to increase (decrease) reported revenue and operating income because United's foreign currency-denominated operating revenue generally exceeds its foreign currency-denominated operating expense for each currency.

With a worldwide network and significant sales and marketing efforts in the U.S. as well as every major economic region in the world, United is able to mitigate its exposure to fluctuations in any single foreign currency. The Company's biggest net exposures are typically for Japanese yen, Hong Kong dollars, Australian dollars, British pounds and the euro. During 2000, yen-denominated operating revenue net of yen-denominated operating expense was approximately 21 billion yen (approximately \$195 million), Hong Kong dollar-denominated operating revenue net of Hong Kong dollar-denominated operating expense was approximately 1,397 million Hong Kong dollars (approximately \$179 million), British pound-denominated operating revenue net of British pound-denominated operating expense was approximately 97 million British pounds (approximately \$142 million), Australian dollar-denominated operating revenue net of Australian dollar-denominated operating expense was approximately 154 million Australian dollars (approximately \$90 million), and euro-denominated operating revenue net of euro-denominated operating expense was approximately 34 million euro (approximately \$33 million).

To reduce the impact of exchange rate fluctuations on United's financial results, the Company hedged some of the risk of exchange rate volatility on its anticipated future foreign currency revenues by purchasing put options (consisting of Japanese yen, euro, Australian dollars and British pounds) and selling Hong Kong dollar forwards. To reduce hedging costs, the Company sells a correlation option in the first four currencies referred to above. United also attempts to reduce its exposure to transaction gains and losses by converting excess local currencies generated to U.S. dollars on a timely basis and by entering into currency forward or exchange contracts. The total notional amount of outstanding currency options and forward exchange contracts, and their respective fair market values as of December 31, 2000, are summarized in Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

United's foreign operations involve insignificant amounts of physical assets; however, the Company does have sizable intangible assets related to acquisitions of Atlantic and Latin America route authorities. Operating authorities in international markets are governed by bilateral aviation agreements between the United States and foreign countries. Changes in U.S. or foreign government aviation policies can lead to the alteration or termination of existing air service agreements that could adversely impact the value of United's international route authority. Significant changes in such policies could also have a material impact on UAL's operating revenues and results of operations. In addition, the Financial Accounting Standards Board ("FASB") has issued an Exposure Draft, "Business Combinations and Intangible Assets - Accounting for Goodwill," which could impact the Company's accounting for these assets. For further details, see "New Accounting Pronouncements" below.

Airport Rents and Landing Fees -

United is charged facility rental and landing fees at virtually every airport at which it operates. In recent years, many airports have increased or sought to increase rates charged to airlines as a means of compensating for increasing demands upon airport revenues. Airlines have challenged certain of these increases through litigation and in some cases have not been successful. The FAA and the DOT have instituted an administrative hearing process to judge whether rate increases are legal and valid. However, to the extent the limitations on such charges are relaxed or the ability of airlines to challenge such charges is restricted, the rates charged by airports may increase substantially. Management cannot predict either the likelihood or the magnitude of any such increase.

Environmental and Legal Contingencies -

United has been named as a Potentially Responsible Party at certain Environmental Protection Agency ("EPA") cleanup sites which have been designated as Superfund Sites. United's alleged proportionate contributions at the sites are minimal; however, at sites where the EPA has commenced litigation, potential liability is joint and several. Additionally, United has participated and is participating in remediation actions at certain other sites, primarily airports. The estimated cost of these actions is accrued when it is determined that it is probable that United is liable. Environmental regulations and remediation processes are subject to future change, and determining the actual cost of remediation will require further investigation and remediation experience. Therefore, the ultimate cost cannot be determined at this time. However, while such cost may vary from United's current estimate, United believes the difference between its accrued reserve and the ultimate liability will not be material.*

UAL has certain other contingencies resulting from this and other litigation and claims 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 such contingencies and prior experience, that the ultimate disposition of these contingencies is not likely to materially affect UAL's financial condition, operating results or liquidity.*

Common Stock Dividends -

During 2000, UAL instituted an annual dividend of \$1.25 per share on UAL common stock. Accordingly, UAL paid \$36 million (\$0.3125 per share) in common dividends in each of the second, third and fourth quarters of 2000. In addition, on December 14, UAL's Board of Directors declared a dividend of \$0.3125 per share payable on February 1, 2001 to stockholders of record January 16, 2001.

New Accounting Pronouncements - -

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The effective date of SFAS No. 133 was delayed one year, to fiscal years beginning after June 15, 2000. The Company plans to adopt SFAS No. 133, which was subsequently amended by SFAS No. 138, in the first quarter of 2001. United has reviewed its various contracts to determine which contracts meet the requirements of SFAS No. 133, as amended, and need to be reflected as derivatives under the standard and accounted for at fair value. Accordingly, the Company will recognize a charge for the cumulative effect of a change in accounting principle of \$8 million, net of tax, in the first quarter 2001. In addition, the Company believes the adoption of SFAS 133 will increase volatility in earnings and other comprehensive income.

On February 14, 2001, the FASB issued an Exposure Draft "Business Combinations and Intangible Assets - Accounting for Goodwill." The Exposure Draft requires the use of a non-amortization approach to account for purchased goodwill and for separately recognized (non-goodwill) intangible assets that have an indefinite useful economic life. Under this approach, goodwill and certain intangibles would not be amortized, but would be written down and expensed against earnings only in periods in which the recorded value is more than the fair value. The Company has not yet quantified the impacts of adopting the new Exposure Draft, but it could result in significant changes to the classification and recording of intangibles and amortization expense currently on the books, as well as the accounting for the planned acquisition of US Airways.

Fixed rate	\$1,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,674	\$1,674	\$ 231	\$ 231
Avg. interest rate	6.68%	-	-	-	-	-	6.68%		5.27%	
Variable rate	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ 79	\$ 79
Avg. interest rate	6.96%	-	-	-	-	-	6.96%		6.23%	
Short term investments										
Fixed rate	\$ 590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 590	\$ 590	\$ 298	\$ 298
Avg. interest rate	6.96%	-	-	-	-	-	6.96%		5.96%	
Variable rate	\$ 75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 75	\$ 81	\$ 81
Avg. interest rate	6.77%	-	-	-	-	-	6.77%		6.42%	
Lease deposits										
Fixed rate - yen deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 348	\$ 348	\$ 394	\$ 378	\$ 423
Avg. interest rate	-	-	-	-	-	3.06%	3.06%		3.07%	
Fixed rate - FF deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 10	\$ 9	\$ 10	\$ 9
Avg. interest rate	-	-	-	-	-	5.61%	5.61%		5.61%	
Fixed rate - DM deposits	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 304	\$ 314	\$ 354	\$ 167	\$ 177
Avg. interest rate	4.57%	4.53%	4.57%	4.60%	4.63%	6.79%	6.72%		6.49%	
Fixed rate - EUR deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ 26	\$ 24	\$ 27	\$ 23
Avg. interest rate	-	-	-	-	-	4.14%	4.14%		4.14%	
Fixed rate- USD deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ 12	\$ 13	\$ 11	\$ 10
Avg. interest rate	-	-	-	-	-	6.49%	6.49%		6.49%	

LONG-TERM DEBT

U. S. Dollar denominated

Fixed rate debt	\$ 87	\$ 86	\$ 218	\$ 333	\$ 246	\$ 2,514	\$3,484	\$3,617	\$1,433	\$1,542
Avg. interest rate	7.62%	7.63%	8.43%	9.85%	7.73%	7.64%	7.90%		8.26%	
Variable rate debt	\$ 83	\$ 569	\$ 523	\$ 17	\$ 17	\$ 174	\$1,383	\$1,383	\$1,307	\$1,307
Avg. interest rate	6.23%	5.91%	6.70%	6.34%	6.34%	6.43%	6.30%		6.26%	

December 31, 2000

(In millions, except average contract rates)

	Notional Amount	Average Contract Rate	Estimated Fair Value
Forward exchange contracts			(Pay)/Receive*
Japanese Yen - Purchased forwards	\$ 141	112.33	\$ (3)
- - Sold forwards	\$ 66	114.71	\$ -
Hong Kong Dollar - Sold forwards	\$ 23	7.79	\$ -
French Franc - Purchased forwards	\$ 50	5.05	\$ (5)
Euro - Purchased forwards	\$ 140	1.30	\$ (14)

Foreign Currency Risk - - United has established a foreign currency hedging program using currency forwards and options (purchasing put options and selling correlation options) to hedge exposure to the Japanese yen, Hong Kong dollar, British pound, Australian dollar and the euro. The goal of the hedging program is to effectively manage risk associated with fluctuations in the value of the foreign currency, thereby making financial results more stable and predictable. United does not use currency forwards or currency options for trading purposes.

As of December 31, 1999, United had \$144 million of Japanese yen purchased forwards outstanding with a fair value of \$(1) million, \$62 million yen sold forwards with a fair value of \$0 and \$402 million yen put options with a fair value of \$7 million.

Price Risk (Aircraft Fuel) - - When market conditions indicate risk reduction is achievable, United enters into fuel option contracts to reduce its price risk exposure to jet fuel. The option contracts are designed to provide protection against sharp increases in the price of aircraft fuel. Based on current market conditions, United does not believe risk reduction is achievable and is no longer entering into new option contracts. As market conditions change, so may United's hedging program. In addition, to a limited extent, United trades short-term heating oil futures and option contracts, which are immaterial.

At December 31, 1999, United had \$1.1 billion in purchased call option contracts for crude oil with an estimated fair value of \$120 million.

*Estimated fair values represent the amount United would pay/receive on December 31, 2000 to terminate the contracts.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and

Board of Directors, UAL Corporation:

We have audited the accompanying statements of consolidated financial position of UAL Corporation (a Delaware corporation) and subsidiary companies as of December 31, 2000 and 1999, and the related statements of consolidated operations, consolidated cash flows and consolidated stockholders' equity for each of the three years in the period ended December 31, 2000. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UAL Corporation and subsidiary companies as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 of the Notes to Consolidated Financial Statements, effective January 1, 2000, the Company changed certain of its accounting principles for revenue recognition as a result of the adoption of Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements."

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule referenced in Item 14(a) 2 herein is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois

February 22, 2001

UAL Corporation and Subsidiary Companies

Statements of Consolidated Operations

(In millions, except per share)

	<u>Year Ended December 31</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Operating revenues:			
Passenger	\$ 16,932	\$ 15,784	\$ 15,520
Cargo	931	906	913
Other operating revenues	<u>1,489</u>	<u>1,337</u>	<u>1,128</u>
	<u>19,352</u>	<u>18,027</u>	<u>17,561</u>
Operating expenses:			
Salaries and related costs	6,730	5,670	5,341
ESOP compensation expense	147	756	829
Aircraft fuel	2,511	1,776	1,788
Commissions	1,025	1,139	1,325
Purchased services	1,711	1,575	1,505
Aircraft rent	919	876	893
Landing fees and other rent	959	949	881
Depreciation and amortization	1,058	867	793
Cost of sales	1,038	602	474
Aircraft maintenance	698	689	624
Other operating expenses	<u>1,902</u>	<u>1,737</u>	<u>1,630</u>
	<u>18,698</u>	<u>16,636</u>	<u>16,083</u>
Earnings from operations	<u>654</u>	<u>1,391</u>	<u>1,478</u>
Other income (expense):			
Interest expense	(402)	(362)	(355)
Interest capitalized	77	75	105
Interest income	101	68	59
Equity in earnings (losses) of affiliates	(12)	37	72
Gain on sale of investments	109	731	-
Investment impairment	(61)	-	-
Miscellaneous, net	<u>(35)</u>	<u>2</u>	<u>(103)</u>

	<u>-(223)</u>	<u>551</u>	<u>-(222)</u>
Earnings before income taxes, distributions on preferred securities, extraordinary item and cumulative effect	431	1,942	1,256
Provision for income taxes	<u>160</u>	<u>699</u>	<u>429</u>
Earnings before distributions on preferred securities, extraordinary item and cumulative effect	271	1,243	827
Distributions on preferred securities, net of tax	<u>-(6)</u>	<u>-(5)</u>	<u>-(6)</u>
Earnings before extraordinary item and cumulative effect	265	1,238	821
Extraordinary loss on early extinguishment of debt, net of tax	(6)	(3)	--
Cumulative effect of accounting change, net of tax	<u>-(209)</u>	<u>--</u>	<u>--</u>
Net earnings	\$ 50	\$ 1,235	\$ 821
	=====	=====	=====
Per share, basic:			
Earnings before extraordinary item and cumulative effect	\$ 4.29	\$ 21.26	\$ 12.71
Extraordinary loss on early extinguishment of debt, net of tax	(0.13)	(0.06)	--
Cumulative effect of accounting change, net of tax	<u>-(4.08)</u>	<u>--</u>	<u>--</u>
Net earnings	\$ 0.08	\$ 21.20	\$ 12.71
	=====	=====	=====
Per share, diluted:			
Earnings before extraordinary item and cumulative effect	\$ 1.89	\$ 9.97	\$ 6.83
Extraordinary loss on early extinguishment of debt, net of tax	(0.06)	(0.03)	--
Cumulative effect of accounting change, net of tax	<u>-(1.79)</u>	<u>--</u>	<u>--</u>
Net earnings	\$ 0.04	\$ 9.94	\$ 6.83
	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies
Statements of Consolidated Financial Position
(In Millions)

	<u>December 31</u>	
<u>Assets</u>	<u>2000</u>	<u>1999</u>
Current assets:		
Cash and cash equivalents	\$ 1,679	\$ 310
Short-term investments	665	379
Receivables, less allowance for doubtful accounts (2000 - - \$14; 1999 - \$13)	1,216	1,284
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2000 - \$55; 1999 - \$45)	424	340
Income tax receivables	110	32
Deferred income taxes	225	222

Prepaid expenses and other	<u>460</u>	<u>368</u>
	<u>4,779</u>	<u>2,935</u>
Operating property and equipment:		
Owned -		
Flight equipment	14,888	13,518
Advances on flight equipment	810	809
Other property and equipment	<u>3,714</u>	<u>3,368</u>
	19,412	17,695
Less - Accumulated depreciation and amortization	<u>5,583</u>	<u>5,207</u>
	<u>13,829</u>	<u>12,488</u>
Capital leases -		
Flight equipment	3,055	2,929
Other property and equipment	<u>99</u>	<u>93</u>
	3,154	3,022
Less - Accumulated amortization	<u>640</u>	<u>645</u>
	<u>2,514</u>	<u>2,377</u>
	<u>16,343</u>	<u>14,865</u>
Other assets:		
Investments	435	750
Intangibles, less accumulated amortization (2000 - \$306; 1999 - \$279)	671	568
Aircraft lease deposits	710	594
Prepaid rent	567	585
Other	<u>850</u>	<u>666</u>
	<u>3,233</u>	<u>3,163</u>
	\$ 24,355	\$ 20,963
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies

Statements of Consolidated Financial Position

(In millions, except share data)

	<u>December 31</u>	
<u>Liabilities and Stockholders' Equity</u>	<u>2000</u>	<u>1999</u>
Current liabilities:		
Notes payable	\$ --	\$ 61
Long-term debt maturing within one year	170	92
Current obligations under capital leases	269	190

Advance ticket sales	1,454	1,412
Accounts payable	1,188	967
Accrued salaries, wages and benefits	1,508	1,002
Accrued aircraft rent	840	783
Other accrued liabilities	<u>1,352</u>	<u>904</u>
	<u>6,781</u>	<u>5,411</u>
Long-term debt	<u>4,688</u>	<u>2,650</u>
Long-term obligations under capital leases	<u>2,261</u>	<u>2,337</u>
Other liabilities and deferred credits:		
Deferred pension liability	136	70
Postretirement benefit liability	1,557	1,489
Deferred gains	912	986
Accrued aircraft rent	408	390
Deferred income taxes	1,241	1,147
Other	<u>511</u>	<u>339</u>
	<u>4,765</u>	<u>4,421</u>
Commitments and contingent liabilities (Note 18)		
Company-obligated mandatorily redeemable		
preferred securities of a subsidiary trust	<u>99</u>	<u>100</u>
Preferred stock committed to Supplemental ESOP	<u>571</u>	<u>893</u>
Stockholders' equity:		
Serial preferred stock (Note 12)	-	-
ESOP preferred stock (Note 13)	-	-
Common stock at par, \$0.01 par value; authorized 200,000,000		
shares; issued 68,834,167 shares at December 31, 2000 and		
65,771,802 shares at December 31, 1999	1	1
Additional capital invested	4,530	4,099
Retained earnings	1,998	2,138
Unearned ESOP preferred stock	-	(28)
Stock held in treasury, at cost -		
Preferred, 10,213,519 depository shares at December 31,		
2000 and 1999 (Note 12)	(305)	(305)
Common, 16,295,475 shares at December 31, 2000 and		
14,995,219 shares at December 31, 1999	(1,179)	(1,097)
Accumulated other comprehensive income	152	352
Other	<u>(7)</u>	<u>(9)</u>
	<u>5,190</u>	<u>5,151</u>
	\$ 24,355	\$ 20,963

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies

Statements of Consolidated Cash Flows

(In Millions)

	<u>Year Ended December 31</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Cash and cash equivalents at beginning of year	<u>\$ 310</u>	<u>\$ 390</u>	<u>\$ 295</u>
Cash flows from operating activities:			
Net earnings	50	1,235	821
Adjustments to reconcile to net cash provided by operating activities -			
ESOP compensation expense	147	756	829
Cumulative effect of accounting change, net of tax	209	-	-
Extraordinary loss on debt extinguishment, net of tax	6	3	-
Gain on sale of investments	(109)	(731)	-
Investment impairment	61	-	-
Pension funding less than (greater than) expense	(21)	94	101
Deferred postretirement benefit expense	153	65	149
Depreciation and amortization	1,058	867	793
Provision for deferred income taxes	317	590	307
Undistributed (earnings) losses of affiliates	13	(20)	(62)
Decrease (increase) in receivables	68	(146)	(97)
Decrease (increase) in other current assets	(208)	2	105
Increase (decrease) in advance ticket sales	42	(17)	162
Increase (decrease) in accrued income taxes	(77)	(76)	38
Increase (decrease) in accounts payable and accrued liabilities	761	(86)	69
Amortization of deferred gains	(66)	(66)	(64)
Other, net	<u>68</u>	<u>(49)</u>	<u>43</u>
	<u>2,472</u>	<u>2,421</u>	<u>3,194</u>
Cash flows from investing activities:			
Additions to property and equipment	(2,538)	(2,389)	(2,832)
Proceeds on disposition of property and equipment	324	154	452
Proceeds on sale of investments	147	828	-
Decrease (increase) in short-term investments	(286)	46	125
Other, net	<u>(168)</u>	<u>(263)</u>	<u>(63)</u>
	<u>(2,521)</u>	<u>(1,624)</u>	<u>(2,318)</u>
Cash flows from financing activities:			
Reacquisition of preferred stock	-	-	(3)
Repurchase of common stock	(81)	(261)	(459)
Proceeds from issuance of long-term debt	2,515	286	928

Repayment of long-term debt	(441)	(513)	(271)
Principal payments under capital leases	(283)	(248)	(322)
Purchase of equipment certificates under Company leases	(208)	(47)	(693)
Decrease in equipment certificates under Company leases	228	33	22
Increase (decrease) in short-term borrowings	(61)	(123)	184
Aircraft lease deposits	(138)	(20)	(154)
Cash dividends	(118)	(10)	(10)
Other, net	<u>5</u>	<u>26</u>	<u>(3)</u>
	<u>1,418</u>	<u>(877)</u>	<u>(781)</u>
Increase (decrease) in cash and cash equivalents during the year	<u>1,369</u>	<u>(80)</u>	<u>95</u>
Cash and cash equivalents at end of year	\$ 1,679	\$ 310	\$ 390
	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies

Statements of Consolidated Stockholders' Equity

(In millions, except per share)

	Preferred	Common	Additional Capital	Retained Earnings	Unearned	Accumulated		Total	
					ESOP Preferred	Treasury Stock	Other Comp. Income		Other
	<u>Stock</u>	<u>Stock</u>	<u>Invested</u>	<u>Earnings</u>	<u>Stock</u>	<u>Stock</u>	<u>Income</u>	<u>Other</u>	<u>Total</u>
Balance at December 31, 1997	\$ -	\$ 1	\$ 2,876	\$ 309	\$ (177)	\$ (663)	\$ (2)	\$ (7)	\$ 2,337
Year ended December 31, 1998:									
Net earnings	-	-	-	821	-	-	-	-	821
Other comprehensive income, net:									
Unrealized gains on securities, net	-	-	-	-	-	-	1	-	1
Minimum pension liability adj.	-	-	-	--	-	-	(1)	-	(1)
Total comprehensive income	-	-	-	821	-	-	--	-	821
Cash dividends on preferred									
stock (\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
Common stock repurchases	-	-	-	-	-	(459)	-	-	(459)
Issuance and amortization of									
ESOP preferred stock	-	-	823	-	6	-	-	-	829
ESOP dividend (\$8.89 per share)	-	-	42	(92)	50	-	-	-	-
Preferred stock committed to									
Supplemental ESOP	-	-	(177)	-	-	-	-	-	(177)
Other	--	--	(47)	--	--	(18)	--	5	(60)
Balance at December 31, 1998	--	1	3,517	1,028	(121)	(1,140)	(2)	(2)	3,281
Year ended December 31, 1999:									
Net earnings	-	-	-	1,235	-	-	-	-	1,235
Other comprehensive income, net:									

Unrealized gains on securities, net	-	-	-	<u>-</u>	-	-	<u>354</u>	-	<u>354</u>
Total comprehensive income	-	-	-	<u>1,235</u>	-	-	<u>354</u>	-	<u>1,589</u>
Cash dividends on preferred									
stock (\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
Common stock repurchases	-	-	-	-	-	(261)	-	-	(261)
Issuance and amortization of									
ESOP preferred stock	-	-	740	-	16	-	-	-	756
ESOP dividend (\$8.89 per share)	-	-	38	(115)	77	-	-	-	-
Preferred stock committed to									
Supplemental ESOP	-	-	(201)	-	-	-	-	-	(201)
Other	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(2)</u>	<u>(3)</u>
Balance at December 31, 1999	<u>-</u>	<u>1</u>	<u>4,099</u>	<u>2,138</u>	<u>(28)</u>	<u>(1,402)</u>	<u>352</u>	<u>(9)</u>	<u>5,151</u>
Year ended December 31, 2000:									
Net earnings	-	-	-	50	-	-	-	-	50
Other comprehensive income, net:									
Unrealized losses on securities, net	-	-	-	-	-	-	(196)	-	(196)
Minimum pension liability adj.	-	-	-	<u>-</u>	-	-	<u>(4)</u>	-	<u>(4)</u>
Total comprehensive income	-	-	-	<u>50</u>	-	-	<u>(200)</u>	-	<u>(150)</u>
Cash dividends on preferred									
stock (\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
Cash dividends on common									
stock (\$1.25 per share)	-	-	-	(144)	-	-	-	-	(144)
Common stock repurchases	-	-	-	-	-	(81)	-	-	(81)
Issuance and amortization of									
ESOP preferred stock	-	-	147	-	-	-	-	-	147
ESOP dividend (\$8.89 per share)	-	-	8	(36)	28	-	-	-	-
Preferred stock committed to									
Supplemental ESOP	-	-	322	-	-	-	-	-	322
Other	<u>-</u>	<u>-</u>	<u>(46)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>2</u>	<u>(45)</u>
Balance at December 31, 2000	\$ -	\$ 1	\$ 4,530	\$ 1,998	\$ -	\$ (1,484)	\$ 152	\$ (7)	\$ 5,190
	====	====	=====	=====	=====	=====	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation - UAL Corporation ("UAL") is a holding company whose principal subsidiary is United Air Lines, Inc. ("United"). The consolidated financial statements include the accounts of UAL and all of its majority-owned affiliates (collectively "the Company"). All significant intercompany transactions are eliminated. Certain prior-year financial statement items have been reclassified to conform to the current year's presentation.

(b) Use of Estimates - - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Airline Revenues - - Passenger fares and cargo revenues are recorded as operating revenues when the transportation is furnished. The value of unused passenger tickets is included in current liabilities.

(d) Cash and Cash Equivalents and Short-term Investments - Cash in excess of operating requirements is invested in short-term, highly liquid, income-producing investments. Investments with a maturity of three months or less on their acquisition date are classified as cash and cash equivalents. Other investments are classified as short-term investments.

From time to time, United lends certain of its securities classified as cash and cash equivalents and short-term investments to third parties. United requires collateral in an amount exceeding the value of the securities and is obligated to reacquire the securities at the end of the contract. United accounts for these transactions as secured borrowings rather than sales and does not remove the securities from the balance sheet. At December 31, 2000, United was obligated to repurchase \$39 million of securities lent to third parties.

At December 31, 2000 and 1999, \$598 million and \$406 million, respectively, of investments in debt securities included in cash and cash equivalents and short-term investments were classified as available-for-sale, and \$1.7 billion and \$177 million, respectively, were classified as held-to-maturity. Investments in debt securities classified as available-for-sale are stated at fair value based on the quoted market prices for the securities, which does not differ significantly from their cost basis. Investments classified as held-to-maturity are stated at cost which approximates market due to their short-term maturities. The gains or losses from sales of available-for-sale securities are included in interest income for each respective year.

(e) Derivative Financial Instruments -

Foreign Currency - - From time to time, United enters into Japanese yen forward exchange contracts to minimize gains and losses on the revaluation of short-term yen-denominated liabilities. The yen forwards typically have short-term maturities and are marked to fair value at the end of each accounting period. The unrealized mark-to-market gains and losses on the yen forwards generally offset the losses and gains recorded on the yen liabilities.

United has also entered into forwards and swaps to reduce exposure to currency fluctuations on Japanese yen-, euro- and French franc-denominated capital lease obligations. The cash flows of the forwards and swaps mirror those of the capital leases. The premiums on the forwards and swaps, as measured at inception, are being amortized over their respective lives as components of interest expense. Any gains or losses realized upon early termination of these forwards and swaps are deferred and recognized in income over the remaining life of the underlying exposure.

The Company hedges some of the risks of exchange rate volatility on its anticipated future Japanese yen, euro, Australian dollar and British pound revenues by purchasing put options with little or no intrinsic value and on Hong Kong dollar revenues by entering into forward contracts. The amount and duration of these options are synchronized with the expected revenues, and thus, the put options have been designated as a hedge. The premiums on purchased option contracts are amortized over the lives of the contracts. Unrealized gains on purchased put option contracts are deferred until contract expiration and then recognized as a component of passenger revenue. To reduce hedging costs, the Company sells a correlation option in the first four currencies referred to above. The unrealized mark-to-market gains and losses on the correlation options are included in Miscellaneous, net, of premiums received.

Interest Rates - - United may from time to time, enter into swaps to reduce exposure to interest rate fluctuations in connection with certain debt, capital leases and operating leases. The cash flows of the swaps mirror those of the underlying exposures. The premiums on the swaps, as measured at inception, are amortized over their respective lives as components of interest expense. Any gains or losses realized upon the early termination of these swaps are deferred and recognized in income over the remaining life of the underlying exposure.

Aircraft Fuel - - Under favorable market conditions, United uses purchased call options to hedge a portion of its price risk related to aircraft fuel purchases. The purchased call options have been designated as a hedge. Gains or losses on hedge positions, net of premiums paid, are recognized upon contract expiration as a component of aircraft fuel inventory. In addition, to a limited extent, United trades short-term heating oil futures contracts. Unrealized losses on these contracts are recorded currently in income while unrealized gains are deferred until contract expiration. Both gains and losses are recorded as a component of aircraft fuel expense.

(f) Aircraft Fuel, Spare Parts and Supplies - Aircraft fuel and maintenance and operating supplies are stated at average cost. Flight equipment spare parts are stated at average cost less an obsolescence allowance.

(g) Operating Property and Equipment - Owned operating property and equipment is stated at cost. Property under capital leases, and the related obligation for future lease payments, are initially recorded at an amount equal to the then present value of those lease payments.

Depreciation and amortization of owned depreciable assets is based on the straight-line method over their estimated service lives. Leasehold improvements are amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less. Aircraft are depreciated to estimated salvage values, generally over lives of 4 to 30 years; buildings are depreciated over lives of 25 to 45 years; and other property and equipment are depreciated over lives of 3 to 15 years.

Properties under capital leases are amortized on the straight-line method over the life of the lease, or in the case of certain aircraft, over their estimated service lives. Lease terms are 10 to 30 years for aircraft and flight simulators and 25 years for buildings. Amortization of capital leases is included in depreciation and amortization expense.

Maintenance and repairs, including the cost of minor replacements, are charged to maintenance expense accounts. Costs of additions to and renewals of units of property are charged to property and equipment accounts.

(h) Intangibles - - Intangibles consist primarily of route acquisition costs and intangible pension assets (see Note 16 "Retirement and Postretirement Plans"). Route acquisition costs are amortized over 40 years. During 2001, the FASB issued an Exposure Draft "Business Combinations and Intangible Assets - Accounting for Goodwill" which could impact the Company's accounting for intangible assets. See *Other Information*, "New Accounting Pronouncements" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(i) Mileage Plus Awards - United accrues the estimated incremental cost of providing free travel awards earned under its Mileage Plus frequent flyer program when such award levels are reached. United, through its wholly owned subsidiary, Mileage Plus Holdings, Inc., sells mileage credits to participating partners in the Mileage Plus program.

Effective January 1, 2000, the Company changed its method of accounting for the sale of mileage to participating partners in its Mileage Plus program, in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Under the new accounting method, a portion of revenue from the sale of mileage (previously recognized in other revenue) is deferred and recognized as passenger revenue when the transportation is provided. Accordingly, UAL has recorded a charge of \$209 million, net of tax, for the cumulative effect of a change in accounting principle to reflect the application of the accounting method to prior years. This change resulted in a reduction to revenues of approximately \$38 million for 2000 and would have reduced 1999 revenues by \$45 million.

The pro forma effect of the accounting change on net income and earnings per share as previously reported for 1999 and prior years is as follows:

		<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Earnings before extraordinary						
items (in millions)	As reported	\$ 1,238	\$ 821	\$ 958	\$ 600	\$ 378
	Pro forma	\$ 1,209	\$ 774	\$ 931	\$ 553	\$ 348
Earnings per share before						
extraordinary items						
Basic	As reported	\$ 21.26	\$ 12.71	\$ 14.98	\$ 8.76	\$ 6.98
	Pro forma	\$ 20.71	\$ 11.87	\$ 14.52	\$ 7.92	\$ 6.37
Diluted	As reported	\$ 9.97	\$ 6.83	\$ 9.04	\$ 5.85	\$ 5.23
	Pro forma	\$ 9.71	\$ 6.38	\$ 8.76	\$ 5.29	\$ 4.81
Net earnings (in millions)	As reported	\$ 1,235	\$ 821	\$ 949	\$ 533	\$ 349
	Pro forma	\$ 1,206	\$ 774	\$ 922	\$ 486	\$ 319

Net earnings per share

Basic	As reported	\$ 21.20	\$12.71	\$14.83	\$ 7.57	\$ 6.39
	Pro forma	\$ 20.65	\$11.87	\$14.37	\$ 6.73	\$ 5.78
Diluted	As reported	\$ 9.94	\$ 6.83	\$ 8.95	\$ 5.06	\$ 4.82
	Pro forma	\$ 9.68	\$ 6.38	\$ 8.67	\$ 4.50	\$ 4.40

(j) Deferred Gains - Gains on aircraft sale and leaseback transactions are deferred and amortized over the lives of the leases as a reduction of rental expense.

(k) Advertising- Advertising costs, which are included in other operating expenses, are expensed as incurred. Advertising expense was \$269 million, \$232 million and \$213 million for the years ended December 31, 2000, 1999 and 1998, respectively.

(2) Employee Stock Ownership Plans and Recapitalization

On July 12, 1994, the stockholders of UAL approved a plan of recapitalization to provide an approximately 55% equity interest in UAL to certain employees of United in exchange for wage concessions and work-rule changes. The employees' equity interest was allocated to individual employees through the year 2000 under Employee Stock Ownership Plans ("ESOPs") which were created as a part of the recapitalization.

The ESOPs cover employees represented by ALPA, the IAM and U.S. management and salaried employees. The ESOPs include a "Leveraged ESOP," a "Non-Leveraged ESOP" and a "Supplemental ESOP." Both the Leveraged ESOP and the Non-Leveraged ESOP are tax-qualified plans while the Supplemental ESOP is not a tax-qualified plan. Shares are delivered to employees primarily through the Leveraged ESOP, then through the Non-Leveraged ESOP, and finally, through the Supplemental ESOP.

The equity interests were delivered to employees through two classes of preferred stock (Class 1 and Class 2 ESOP Preferred Stock, collectively "ESOP Preferred Stock"), and the voting interests were delivered through three separate classes of preferred stocks (Class P, M and S Voting Preferred Stock, collectively, "Voting Preferred Stock"). The Class 1 ESOP Preferred Stock was delivered to an ESOP trust in seven separate sales under the Leveraged ESOP, the last of which occurred on January 5, 2000. Based on Internal Revenue Code Limitations, shares of the Class 2 ESOP Preferred Stock are either contributed to the Non-Leveraged ESOP or allocated as "book entry" shares to the Supplemental ESOP annually through the year 2000. The classes of preferred stock are described more fully in Note 13, "ESOP Preferred Stock."

The Leveraged ESOP and Non-Leveraged ESOP are being accounted for under AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." For the Leveraged ESOP, as shares of Class 1 ESOP Preferred Stock are sold to an ESOP trust, the Company reports the issuance as a credit to additional capital invested and records a corresponding charge to unearned ESOP preferred stock. ESOP compensation expense is recorded for the average fair value of the shares committed to be released during the period with a corresponding credit to unearned ESOP preferred stock for the cost of the shares. Any difference between the fair value of the shares and the cost of the shares is charged or credited to additional capital invested. For the Non-Leveraged ESOP, the Class 2 ESOP Preferred Stock is recorded as additional capital invested as the shares are committed to be contributed, with the offsetting charge to ESOP compensation expense. The ESOP compensation expense is based on the average fair value of the shares committed to be contributed. The Supplemental ESOP is being accounted for under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25").

Shares of ESOP Preferred Stock are legally released or allocated to employee accounts as of year-end. Dividends on the ESOP Preferred Stock are also paid at the end of the year. Dividends on unallocated shares are used by the ESOP to pay down the loan from UAL and are not considered dividends for financial reporting purposes. Dividends on allocated shares are satisfied by releasing shares from the ESOP's suspense account to the employee accounts and are charged to equity.

During 2000, 2,390,931 shares of Class 1 ESOP Preferred Stock, 434,465 shares of Class 2 ESOP Preferred Stock and 2,819,479 shares of Voting Preferred Stock were allocated to employee accounts, and another 248,572 shares of Class 2 ESOP Preferred Stock were allocated in the form of "book entry" shares, effective December 31, 1999. Another 198,629 shares of Class 2 ESOP Preferred Stock previously allocated in book entry form were issued and either contributed to the qualified plan or converted and sold on behalf of terminating employees. At December 31, 2000, the year-end allocation of Class 1 ESOP Preferred Stock to employee accounts had not yet been completed; however,

there were 669,820 shares of Class 1 ESOP Preferred Stock committed to be released. For the Class 2 ESOP Preferred Stock, 187,276 shares were committed to be contributed to employees at December 31, 2000. The fair value of the unearned ESOP shares recorded on the balance sheet at December 31, 1999 was \$41 million.

For the Class 2 ESOP Preferred Stock committed to be contributed to employees under the Supplemental ESOP, employees can elect to receive their "book entry" shares in cash upon termination of employment. The estimated fair value of such shares at December 31, 2000 and 1999 was \$304 million and \$954 million, respectively.

(3) Other Income (Expense) - Miscellaneous

Included in Other income (expense) - "Miscellaneous, net" was \$(22) million, \$4 million and \$(84) million in foreign exchange gains (losses) in 2000, 1999 and 1998, respectively.

(4) Other Comprehensive Income

The following table presents the tax effect of those items included in other comprehensive income:

(In Millions)	Year Ended December 31								
	2000			1999			1998		
	Tax		Net of	Tax		Net of	Tax		Net of
	Pre-Tax	Effect	Tax	Pre-Tax	Effect	Tax	Pre-Tax	Effect	Tax
Unrealized holding gains (losses)									
arising during period	\$ (297)	\$ 101	\$ (196)	\$ 547	\$ (193)	\$ 354	\$ 1	\$ -	\$ 1
Minimum pension liability	_(6)	2	_(4)	-	-	-	_(1)	-	_(1)
Total other comprehensive income	\$ (303)	\$ 103	\$ (200)	\$ 547	\$ (193)	\$ 354	\$ -	\$ -	\$ -
	===	===	===	===	===	===	===	===	===

Unrealized gains (losses) on securities primarily represent gains (losses) on the Company's investments in Galileo and Equant as discussed in Note 6 "Investments."

(5) Per Share Amounts

Basic earnings per share were computed by dividing net income before extraordinary item and cumulative effect by the weighted-average number of shares of common stock outstanding during the year. In addition, diluted earnings per share amounts include potential common shares, including common shares issuable upon conversion of ESOP shares committed to be released.

<u>Earnings Attributable to Common Stockholders (in millions)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net income before extraordinary item and cumulative effect	\$ 265	\$ 1,238	\$ 821
Preferred stock dividends	_(46)	_(125)	_(102)
Earnings attributable to common stockholders (Basic and Diluted)	\$ 219	\$ 1,113	\$ 719
	=====	=====	=====

Shares (in millions)

Weighted average shares outstanding (Basic)	51.3	52.3	56.5
Convertible ESOP preferred stock	64.5	58.0	47.1
Other	<u>0.7</u>	<u>1.3</u>	<u>1.6</u>
Weighted average number of shares (Diluted)	116.5	111.6	105.2
	====	====	====

Earnings Per Share

Basic	\$ 4.29	\$21.26	\$12.71
Diluted	\$ 1.89	\$ 9.97	\$ 6.83

At December 31, 2000, stock options to purchase 5,646,557 shares of common stock were outstanding, but were not included in the computation of diluted earnings per share, because the exercise price of these options was greater than the average market price of the common shares.

(6) Investments

During 2000, UAL invested approximately \$24 million in Orbitz, an entity which is developing an Internet travel web site. UAL owns approximately 25% of Orbitz and accounts for this investment using the equity method of accounting.

During 1998 and 1999, United invested approximately \$51 million in GetThere.com (a leading provider of Internet-based travel planning products tailored to individual, corporate, travel supplier and travel agency customers) resulting in a 28% minority interest consisting of common stock, warrants and options. United accounted for its investment in GetThere.com using the equity method of accounting.

On October 6, 2000, Sabre Holdings Corporation acquired all of the outstanding common stock of GetThere.com for \$17.75 per share. Accordingly, after converting its options and warrants, United tendered all of its shares for net proceeds of \$147 million, resulting in a gain of approximately \$69 million, net of tax.

During 2000, United recorded an impairment loss of \$38 million, net of tax, related to its warrants held in Priceline.com.

In June 1999, United sold 17,500,000 common shares of Galileo in a secondary offering for \$766 million, resulting in a gain of approximately \$428 million, net of tax. This sale reduced United's holdings in Galileo from 32 percent to approximately 15 percent, requiring United to discontinue the equity method of accounting for its investment in Galileo. United has classified its remaining 15,940,000 shares of Galileo common stock as available-for-sale. The market value of these shares at December 31, 2000 (\$319 million) is reflected in investments on the balance sheet and the market value in excess of United's investment is classified net-of-tax (\$144 million) in accumulated other comprehensive income. The market value of United's investment in Galileo at December 31, 1999 was \$477 million. Included in the Company's retained earnings is approximately \$248 million of undistributed earnings of Galileo and its predecessor companies.

United owns 1,391,791 depositary certificates in Equant, a provider of international data network services to multinational businesses and a single source for global desktop communications. Each depositary certificate represents a beneficial interest in an Equant common share and the investment is classified as available-for-sale. The market value in excess of United's investment is classified net-of-tax (\$24 million) in accumulated other comprehensive income. In December 1999, United sold 709,000 shares of common stock in Equant in a secondary offering by Equant for \$62 million. At December 31, 2000 and 1999, the estimated fair value of United's remaining investment in Equant was approximately \$36 million and \$156 million, respectively.

(7) Income Taxes

In 2000, UAL incurred both a regular and an alternative minimum tax ("AMT") loss. The carryback of the regular tax loss to 1999 and 1998 and the carryback loss of the AMT loss to 1998 will produce both federal and state refunds and generate additional AMT credits. The primary differences between UAL's regular tax loss and AMT loss are the depreciation adjustments and preferences.

The provision for income taxes is summarized as follows:

<u>(In Millions)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Current -			
Federal	\$ (133)	\$ 93	\$ 113
State	<u>_(24)</u>	<u>16</u>	<u>9</u>
	<u>_(157)</u>	<u>109</u>	<u>122</u>
Deferred -			
Federal	278	536	270
State	<u>39</u>	<u>54</u>	<u>37</u>
	<u>317</u>	<u>590</u>	<u>307</u>
	\$ 160	\$ 699	\$ 429
	====	====	====

The income tax provision differed from amounts computed at the statutory federal income tax rate, as follows:

<u>(In Millions)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Income tax provision at statutory rate	\$ 151	\$ 680	\$ 440
State income taxes, net of federal income tax benefit	10	46	30
ESOP dividends	(32)	(40)	(33)
Nondeductible employee meals	24	24	24
Tax credits	-	-	(7)
Other, net	<u>7</u>	<u>(11)</u>	<u>(25)</u>
	\$ 160	\$ 699	\$ 429
	====	====	====

Temporary differences and carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2000 and 1999 are as follows:

<u>(In Millions)</u>	<u>2000</u>		<u>1999</u>	
	Deferred Tax	Deferred Tax	Deferred Tax	Deferred Tax
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Employee benefits, including				
postretirement medical and ESOP	\$ 1,076	\$ 214	\$ 990	\$ 135
Depreciation, capitalized interest				
and transfers of tax benefits	-	3,009	-	2,489
Gains on sale and leasebacks	307	-	335	-
Rent expense	461	-	435	-
AMT credit carryforwards	371	-	210	-
Other	<u>1,012</u>	<u>1,020</u>	<u>758</u>	<u>1,029</u>

\$3,227 \$ 4,243 \$ 2,728 \$ 3,653

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At December 31, 2000, UAL and its subsidiaries had \$371 million of federal AMT credits and \$43 million of federal and state net operating losses which may be carried forward to reduce the tax liabilities of future years.

8. Short-Term Borrowings

United has an agreement with a syndicate of banks for a \$750 million revolving credit facility expiring in 2002. Interest on drawn amounts under the facility is calculated at floating rates based on the London interbank offered rate ("LIBOR") plus a margin which is subject to adjustment based on certain changes in the credit ratings of United's long-term senior unsecured debt. Among other restrictions, the credit facility contains a covenant that restricts United's ability to grant liens on or otherwise encumber certain identified assets with a market value of approximately \$1.1 billion.

Additionally, United has available \$900 million in short-term secured aircraft financing facilities. Interest on drawn amounts under the facilities is calculated at floating rates based on LIBOR plus a margin.

At December 31, 1999, United had outstanding \$61 million under a separate short-term borrowing facility, bearing an average interest rate of 5.72%. Receivables amounting to \$233 million were pledged by United to secure repayment of such outstanding borrowings. The maximum available borrowing amount under this arrangement is \$227 million. There were no borrowings outstanding under this arrangement at December 31, 2000.

(9) Long-Term Debt

A summary of long-term debt, including current maturities, as of December 31 is as follows (interest rates are as of December 31, 2000):

(In Millions)	<u>2000</u>	<u>1999</u>
Secured notes, 5.97% to 8.99%, averaging		
7.33%, due through 2014	\$ 3,417	\$ 1,229
Debentures, 9.00% to 11.21%, averaging		
9.89%, due through 2021	646	762
Promissory notes, 11.00%, due 2000	-	1
Commercial paper, 6.71%, due through 2003	549	571
Special facility bonds, 5.63% to 6.25%, averaging 5.71%, due through 2034	<u>255</u>	<u>190</u>
	<u>4,867</u>	<u>2,753</u>
Less: Unamortized discount on debt	(9)	(11)
Current maturities	<u>(170)</u>	<u>(92)</u>
	\$ 4,688	\$ 2,650
	=====	=====

See Item 7a "Quantitative and Qualitative Disclosures About Market Risk" for disclosures regarding the fair values of debt.

In addition to scheduled principal payments, in 2000 and 1999 the Company repaid \$116 million and \$23 million, respectively, in principal amount of debentures prior to maturity. The debentures were scheduled to mature at various times through 2021. Extraordinary losses of \$6 million and \$3 million, respectively, net of tax benefits of \$4 million and \$2 million, respectively, was recorded reflecting amounts

paid in excess of the debt carrying value.

The Company, through a special-purpose financing entity that is consolidated, has issued commercial paper to refinance certain lease commitments. Although the issued commercial paper has short maturities, the Company expects to continually rollover this obligation throughout the 5-year life of its supporting liquidity facility or bank standby facility. As such, the commercial paper is classified as a long-term obligation in the Company's statement of financial position.

In July 2000, the Company issued \$921 billion in enhanced equipment trust certificates to refinance certain owned aircraft and aircraft under operating leases. Net proceeds after refinancing the operating leases was \$622 million. In December 2000, the Company issued an additional \$1.5 billion in enhanced equipment trust certificates to refinance certain owned aircraft.

At December 31, 2000, United had recorded \$255 million in special facilities revenue bonds to finance the acquisition and construction of certain facilities at Los Angeles, San Francisco and Miami. United guarantees the payment of these bonds under various payment and loan agreements. The bond proceeds are restricted to expenditures on the facilities and unspent amounts are classified as other assets in the balance sheet.

In February 2001, United recorded an additional \$200 million in special facility bonds to finance the acquisition and construction of certain facilities at Chicago.

At December 31, 2000, United had outstanding a total of \$1.4 billion of long-term debt bearing interest rates at 22.5 to 60.0 basis points over LIBOR.

Maturities of long-term debt for each of the four years after 2001 are: 2002 - \$655 million; 2003 - \$741 million; 2004 - \$350 million; and 2005 - \$264 million. Various assets, principally aircraft, having an aggregate book value of \$4.1 billion at December 31, 2000, were pledged as security under various loan agreements.

(10) Lease Obligations

The Company leases aircraft, airport passenger terminal space, aircraft hangars and related maintenance facilities, cargo terminals, other airport facilities, real estate, office and computer equipment and vehicles.

Future minimum lease payments as of December 31, 2000, under capital leases (substantially all of which are for aircraft) and operating leases having initial or remaining noncancelable lease terms of more than one year are as follows:

<u>(In Millions)</u>	Operating Leases		Capital
	<u>Aircraft</u>	<u>Non-aircraft</u>	<u>Leases</u>
Payable during -			
2001	\$ 941	\$ 612	\$ 472
2002	922	574	415
2003	972	541	316
2004	1,008	514	325
2005	1,022	504	293
After 2005	<u>9,445</u>	<u>7,279</u>	<u>1,867</u>
Total minimum lease payments	\$14,310	\$10,024	3,688
Imputed interest (at rates of 5.3% to 12.2%)	=====	=====	(1,158)
Present value of minimum lease payments			2,530

Current portion	—(269).
Long-term obligations under capital leases	\$ 2,261
	=====

As of December 31, 2000, United leased 315 aircraft, 82 of which were under capital leases. These leases have terms of 10 to 26 years, and expiration dates range from 2001 through 2020.

In connection with the financing of certain aircraft accounted for as capital leases, United had on deposit at December 31, 2000 an aggregate 40 billion yen (\$348 million), 661 million German marks (\$314 million), 67 million French francs (\$10 million), 28 million Euro (\$26 million) and \$12 million in certain banks and had pledged an irrevocable security interest in such deposits to certain of the aircraft lessors. These deposits will be used to pay off an equivalent amount of recorded capital lease obligations.

Amounts charged to rent expense, net of minor amounts of sublease rentals, were \$1.5 billion in 2000, \$1.4 billion in 1999 and \$1.4 billion in 1998. Included in 2000 rental expense was \$21 million in contingent rentals, resulting from changes in interest rates for operating leases under which the rent payments are based on variable interest rates.

**(11) Company-Obligated Mandatorily Redeemable Preferred Securities of a
Subsidiary Trust**

In December 1996, UAL Corporation Capital Trust I (the "Trust") issued \$75 million of its 13 1/4% Trust Originated Preferred Securities (the "Preferred Securities") in exchange for 2,999,304 depositary shares, each representing 1/1000 of one share of Series B 12 1/4% preferred stock (see Note 12 "Serial Preferred Stock"). Concurrent with the issuance of the Preferred Securities and the related purchase by UAL of the Trust's common securities, the Company issued to the Trust \$77 million aggregate principal amount of its 13 1/4% Junior Subordinated Debentures (the "Debentures") due 2026. The Debentures are and will be the sole assets of the Trust. The interest and other payment dates on the Debentures correspond to the distribution and other payment dates on the Preferred Securities. Upon maturity or redemption of the Debentures, the Preferred Securities will be mandatorily redeemed. The Debentures are redeemable at UAL's option, in whole or in part, on or after July 12, 2004, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to the redemption date. Upon the repayment of the Debentures, the proceeds thereof will be applied to redeem the Preferred Securities.

There is a full and unconditional guarantee by UAL of the Trust's obligations under the securities issued by the Trust. However, the Company's obligations are subordinate and junior in right of payment to certain other of its indebtedness. UAL has the right to defer payments of interest on the Debentures by extending the interest payment period, at any time, for up to 20 consecutive quarters. If interest payments on the Debentures are so deferred, distributions on the Preferred Securities will also be deferred. During any deferral, distributions will continue to accrue with interest thereon. In addition, during any such deferral, UAL may not declare or pay any dividend or other distribution on, or redeem or purchase, any of its capital stock.

The fair value of the Preferred Securities at December 31, 2000 and 1999 was \$85 million and \$83 million, respectively.

(12) Serial Preferred Stock

At December 31, 2000, UAL had outstanding 3,203,177 depositary shares, each representing 1/1000 of one share of Series B 12 1/4% preferred stock, with a liquidation preference of \$25 per depositary share (\$25,000 per Series B preferred share) and a stated capital of \$0.01 per Series B preferred share. Under its terms, any portion of the Series B preferred stock or the depositary shares is redeemable for cash after July 11, 2004, at UAL's option, at the equivalent of \$25 per depositary share, plus accrued dividends. The Series B preferred stock is not convertible into any other securities, has no stated maturity and is not subject to mandatory redemption.

The Series B preferred stock ranks senior to all other preferred and common stock, except the Preferred Securities, as to receipt of dividends and amounts distributed upon liquidation. The Series B preferred stock has voting rights only to the extent required by law and with respect to charter amendments that adversely affect the preferred stock or the creation or issuance of any security ranking senior to the preferred stock. Additionally, if dividends are not paid for six cumulative quarters, the Series B preferred stockholders are entitled to elect two additional members to the UAL Board of Directors until all dividends are paid in full. Pursuant to UAL's restated certificate of incorporation, UAL is authorized to issue a total of 50,000 shares of Series B preferred stock.

During 1998, UAL repurchased 64,300 depository shares, at an aggregate cost of \$3 million, to be held in treasury.

UAL is authorized to issue up to 15,986,584 additional shares of serial preferred stock.

(13) ESOP Preferred Stock

The following activity related to UAL's outstanding ESOP preferred stocks (see Note 2 for a description of the ESOPs):

	<u>Class 1 ESOP</u>	<u>Class 2 ESOP</u>	<u>ESOP Voting</u>
Balance December 31, 1997	<u>8,652,618</u>	<u>806,260</u>	<u>7,266,406</u>
Shares issued	2,011,812	177,166	3,073,969
Converted to common	<u>(213,061)</u>	<u>(116,104)</u>	<u>(331,620)</u>
Balance December 31, 1998	<u>10,451,369</u>	<u>867,322</u>	<u>10,008,755</u>
Shares issued	1,955,756	227,689	3,073,969
Converted to common	<u>(306,662)</u>	<u>(146,975)</u>	<u>(457,401)</u>
Balance December 31, 1999	<u>12,100,463</u>	<u>948,036</u>	<u>12,625,323</u>
Shares issued	539,177	855,998	3,073,968
Converted to common	<u>(420,958)</u>	<u>(283,428)</u>	<u>(710,056)</u>
Balance December 31, 2000	<u>12,218,682</u>	<u>1,520,606</u>	<u>14,989,235</u>
	=====	=====	=====

An aggregate of 17,675,345 shares of Class 1 and Class 2 ESOP Preferred Stock was issued to employees under the ESOPs. Each share of ESOP Preferred Stock is convertible into four shares of UAL common stock. Shares typically are converted to common as employees retire or otherwise leave the Company. The stock has a par value of \$0.01 per share and is nonvoting. The Class 1 ESOP Preferred Stock has a liquidation value of \$126.96 per share plus all accrued and unpaid dividends; the Class 2 does not have a liquidation value. The Class 1 ESOP Preferred Stock provided a fixed annual dividend of \$8.8872 per share, which ceased on March 31, 2000; the Class 2 does not pay a fixed dividend.

Class P, M and S Voting Preferred Stocks were established to provide the voting power to the employee groups participating in the ESOPs. Additional Voting Preferred Stock was issued as shares of the Class 1 and Class 2 ESOP Preferred Stock were allocated to employees. In the aggregate, 17,675,345 shares of Voting Preferred Stock were issued through the year 2000. The Voting Preferred Stock outstanding at any time commands voting power for approximately 55% of the vote of all classes of capital stock in all matters requiring a stockholder vote, other than for the election of members of the Board of Directors. The Voting Preferred Stock has a par value and liquidation preference of \$0.01 per share. The stock is not entitled to receive any dividends and is convertible into .0004 shares of UAL common stock.

Class Pilot MEC, IAM, SAM and I junior preferred stock (collectively "Director Preferred Stocks") were established to effectuate the election of one or more members to UAL's Board of Directors. One share each of Class Pilot MEC and Class IAM junior preferred stock is authorized and issued. The Company is authorized to issue ten shares each of Class SAM and Class I junior preferred stock. There are three shares of Class SAM and four shares of Class I issued. Each of the Director Preferred Stocks has a par value and liquidation preference of \$0.01 per share. The stock is not entitled to receive any dividends and Class I will be redeemed automatically upon the transfer of the shares to any person not elected to the Board of Directors or upon the occurrence of the "Sunset." (See "Corporate Governance and the ESOPs" in Item 1. Business.)

(14) Common Stockholders' Equity

Changes in the number of shares of UAL common stock outstanding during the years ended December 31 were as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Shares outstanding at beginning of year	50,776,583	51,804,653	57,320,486
Stock options exercised	187,400	939,262	382,136
Shares issued from treasury under			
compensation arrangements	32,458	89,745	11,944
Shares acquired for treasury	(1,326,877)	(3,877,912)	(7,237,975)
Forfeiture of restricted stock	(5,800)	(5,800)	(7,600)
Conversion of ESOP preferred stock	2,817,829	1,814,731	1,316,786
Other	<u>57,099</u>	<u>11,904</u>	<u>18,876</u>
Shares outstanding at end of year	52,538,692	50,776,583	51,804,653
	=====	=====	=====

During 2000, 1999 and 1998, the Company repurchased 1,258,263, 3,754,802 and 7,061,109 shares of common stock, respectively, at a total purchase price of \$81 million, \$261 million and \$459 million, respectively.

(15) Stock Options and Awards

The Company has granted options to purchase common stock to various officers and employees. The option price for all stock options is at least 100% of the fair market value of UAL common stock at the date of grant. Options generally vest and become exercisable in four equal, annual installments beginning one year after the date of grant, and generally expire in ten years.

As a result of the 1994 recapitalization, all outstanding options became fully vested at the time of the transaction and those options are exercisable for shares of old common stock, each of which is in turn converted into two shares of new common stock and \$84.81 in cash upon exercise. Subsequent to the recapitalization, the Company granted stock options which are exercisable for shares of new common stock.

The Company has also awarded shares of restricted stock to officers and key employees. These shares generally vest over a five-year period and are subject to certain transfer restrictions and forfeiture under certain circumstances prior to vesting. Unearned compensation, representing the fair market value of the stock at the measurement date for the award, is amortized to salaries and related costs over the vesting period. During 2000 and 1999, respectively, 23,000 and 75,000 shares of restricted stock were issued from treasury. No shares were issued in 1998. As of December 31, 2000, 98,000 shares were restricted and still nonvested. Additionally, 265,952 shares were reserved for future awards under the plan.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") establishes a fair value based method of accounting for stock options. The Company has elected to continue using the intrinsic value method of accounting prescribed in APB 25, as permitted by SFAS No. 123. Had compensation cost for awards been determined based on the fair value at the grant dates consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have instead been reported as the pro forma amounts indicated below:

		<u>2000</u>	<u>1999</u>	<u>1998</u>
Net income (in millions)	As reported	\$ 50	\$ 1,235	\$ 821
	Pro forma	\$ 33	\$ 1,219	\$ 812
Basic net earnings per share	As reported	\$ 0.08	\$ 21.20	\$12.71
	Pro forma	\$(0.24)	\$ 20.89	\$12.55

Diluted net earnings per share	As reported	\$ 0.04	\$ 9.94	\$ 6.83
	Pro forma	\$(0.10)	\$ 9.79	\$ 6.74

The weighted-average grant date fair value of restricted shares issued was \$51.83 for shares issued in 2000 and \$69.51 for shares issued in 1999. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Risk-free interest rate	6.4%	5.2%	5.6%
Dividend yield	2.4%	0.0%	0.0%
Volatility	35.0%	34.0%	33.0%
Expected life (years)	4.0	4.0	4.0

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

Stock option activity for the past three years was as follows:

	<u>2000</u>		<u>1999</u>		<u>1998</u>	
	Shares	Exer Price	Shares	Exer Price	Shares	Exer Price
Old Share Options:						
		Wtd Avg		Wtd Avg		Wtd Avg
Outstanding at beginning of year	76,350	\$ 116.74	118,475	\$ 121.64	168,393	\$ 121.65
Exercised	(26,600)	\$ 102.73	(42,125)	\$ 130.53	(49,918)	\$ 121.67
Outstanding at end of year	49,750	\$ 124.23	76,350	\$ 116.74	118,475	\$ 121.64
Options exercisable at year-end	49,750	\$ 124.23	76,350	\$ 116.74	118,475	\$ 121.64

	<u>2000</u>		<u>1999</u>		<u>1998</u>	
	Shares	Exer Price	Shares	Exer Price	Shares	Exer Price
New Share Options:						
		Wtd Avg		Wtd Avg		Wtd Avg
Outstanding at beginning of year	6,513,709	\$ 53.27	5,411,836	\$ 45.07	4,749,612	\$ 36.27
Granted	1,447,600	\$ 53.24	2,081,600	\$ 64.29	1,064,200	\$ 81.40
Exercised	(134,200)	\$ 29.91	(855,012)	\$ 25.67	(282,300)	\$ 28.79
Terminated	(261,912)	\$ 67.50	(124,715)	\$ 70.74	(119,676)	\$ 57.12
Outstanding at end of year	7,565,197	\$ 53.19	6,513,709	\$ 53.27	5,411,836	\$ 45.07
Options exercisable at year-end	4,101,248	\$ 44.00	3,240,210	\$ 38.26	3,400,607	\$ 29.97
Reserved for future grants at year-end	280,331		1,466,019		3,422,904	

Wtd avg fair value of options

granted during the year \$ 17.80 \$ 22.31 \$ 27.95

The following information related to stock options outstanding as of December 31, 2000:

Range of Exercise Prices	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Outstanding at December 31, 2000	Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable at December 31, 2000	Weighted-Average Exercise Price
Old Share Options:					
\$ 117 to 153	49,750	1.4 years	\$ 124.23	49,750	\$ 124.23
New Share Options:					
\$ 20 to 29	1,836,040	3.6 years	\$ 22.82	1,836,040	\$ 22.82
\$ 36 to 58	2,527,847	7.5 years	\$ 52.98	1,116,647	\$ 52.67
\$ 60 to 69	1,819,525	8.1 years	\$ 62.41	473,819	\$ 62.82
\$ 70 to 88	<u>1,381,785</u>	7.3 years	\$ 81.30	<u>674,742</u>	\$ 81.04
	7,565,197			4,101,248	

(16) Retirement and Postretirement Plans

The Company has various retirement plans, both defined benefit and defined contribution, which cover substantially all employees. The Company also provides certain health care benefits, primarily in the U.S., to retirees and eligible dependents, as well as certain life insurance benefits to retirees. The Company has reserved the right, subject to collective bargaining agreements, to modify or terminate the health care and life insurance benefits for both current and future retirees.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation and plan assets, the funded status and the amounts recognized in the statement of financial position for the defined benefit and other postretirement plans as of December 31:

(In Millions)

<u>Change in Benefit Obligation</u>	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Benefit obligation at beginning of year	\$ 7,381	\$ 8,038	\$ 1,465	\$ 1,626
Service cost	269	295	47	53
Interest cost	629	583	120	116
Plan participants' contributions	1	1	8	7
Amendments	260	1	3	-
Actuarial (gain) loss	1,162	(1,161)	164	(254)
Foreign currency exchange rate changes	(15)	12	-	-
Benefits paid	<u>_(435)</u>	<u>_(388)</u>	<u>_(101)</u>	<u>_(83)</u>
Benefit obligation at end of year	\$ 9,252	\$ 7,381	\$ 1,706	\$ 1,465

Change in Plan Assets

	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Fair value of plan assets at beginning of year	\$ 8,701	\$ 7,654	\$ 113	\$ 112
Actual return on plan assets	21	1,255	8	6
Employer contributions	230	175	88	71
Plan participants' contributions	1	1	8	7
Foreign currency exchange rate changes	(7)	4	-	-
Benefits paid	<u>(435)</u>	<u>(388)</u>	<u>(101)</u>	<u>(83)</u>
Fair value of plan assets at end of year	\$ 8,511	\$ 8,701	\$ 116	\$ 113
	=====	=====	=====	=====

Funded status	\$ (741)	\$ 1,320	\$ (1,590)	\$ (1,352)
Unrecognized actuarial (gains) losses	14	(1,870)	(54)	(229)
Unrecognized prior service costs	<u>806</u>	<u>604</u>	<u>2</u>	<u>--</u>
Net amount recognized	\$ 79	\$ 54	\$ (1,642)	\$ (1,581)
	=====	=====	=====	=====

Amounts recognized in the statement of

<u>financial position consist of:</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Prepaid (accrued) benefit cost	\$ 79	\$ 54	\$ (1,642)	\$ (1,581)
Accrued benefit liability	(266)	(151)	-	-
Intangible asset	255	148	-	-
Accumulated other comprehensive income	<u>11</u>	<u>3</u>	<u>--</u>	<u>--</u>
Net amount recognized	\$ 79	\$ 54	\$ (1,642)	\$ (1,581)
	=====	=====	=====	=====

Weighted-average assumptions	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Discount rate	7.75%	8.25%	7.75%	8.25%
Expected return on plan assets	9.75%	9.75%	8.00%	8.00%
Rate of compensation increase	4.36%	4.10%	-	-

The assumed health care cost trend rates for gross claims paid were 4.5% and 4.0% for 2000 and 1999, respectively.

The net periodic benefit cost included the following components:

<u>(In Millions)</u>	<u>Pension Benefits</u>			<u>Other Benefits</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Service cost	\$ 269	\$ 295	\$ 276	\$ 47	\$ 53	\$ 48
Interest cost	629	583	533	120	116	109

Expected return on plan assets	(740)	(665)	(581)	(9)	(9)	(8)
Amortization of prior service cost						
including transition obligation/(asset)	58	57	57	-	-	-
Recognized actuarial (gain)/loss	<u>(7)</u>	<u>1</u>	<u>9</u>	<u>(2)</u>	<u>(5)</u>	<u>(4)</u>
Net period benefit costs	\$ 209	\$ 271	\$ 294	\$ 149	\$ 155	\$ 145
	=====	=====	=====	=====	=====	=====

Total pension expense for all retirement plans (including defined contribution plans) was \$302 million in 2000, \$285 million in 1999 and \$304 million in 1998.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the plans with accumulated benefit obligations in excess of plan assets were \$1.0 billion, \$632 million and \$61 million, respectively, as of December 31, 2000 and \$500 million and \$444 million and \$47 million, respectively, as of December 31, 1999.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care trend rate would have the following effects:

<u>(In Millions)</u>	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost	\$ 25	\$ (20)
Effect on postretirement benefit obligation	\$ 211	\$ (177)

Changes in interest rates or rates of inflation may impact the assumptions used in the valuation of pension obligations and postretirement obligations including discount rates and rates of increase in compensation, resulting in increases or decreases in United's pension and postretirement liabilities and pension and postretirement costs.

(17) Financial Instruments and Risk Management

See Item 7A. Quantitative and Qualitative Disclosures About Market Risk ("Item 7A") for a discussion of the Company's foreign currency and fuel price risk management activities, and the fair value of all significant financial instruments.

Credit Exposures of Derivatives

The Company's theoretical risk in the derivative financial instruments described in Item 7A is the cost of replacing the contracts at current market rates in the event of default by any of the counterparties. However, the Company does not anticipate such default as counterparties are selected based on credit ratings and the relative market positions with each counterparty are monitored.

Financial Guarantees

Special facility revenue bonds have been issued by certain municipalities to build or improve airport and maintenance facilities leased by United. Under the lease agreements, United is required to make rental payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. At December 31, 2000, \$1.2 billion principal amount of such bonds was outstanding. As of December 31, 2000, UAL and United had jointly guaranteed \$35 million of such bonds and United had guaranteed \$1.2 billion of such bonds, including accrued interest. The payments required to satisfy these obligations are included in the future minimum lease payments disclosed in Note 10, "Lease Obligations."

Concentrations of Credit Risk

The Company does not believe it is subject to any significant concentration of credit risk. Most of the Company's receivables result from sales of tickets to individuals through geographically dispersed travel agents, company outlets or other airlines, often through the use of major

credit cards. These receivables are short term, generally being settled shortly after the sale.

(18) Commitments, Contingent Liabilities and Uncertainties

The Company 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 the Company is subject and its prior experience, that the ultimate disposition of these contingencies is not expected to materially affect UAL's consolidated financial position or results of operations. UAL records liabilities for legal and environmental claims against it in accordance with generally accepted accounting principles. These amounts are recorded based on the Company's 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.

At December 31, 2000, commitments for the purchase of property and equipment, principally aircraft, approximated \$4.7 billion, after deducting advance payments. An estimated \$2.5 billion will be spent in 2001, \$1.7 billion in 2002 and \$0.5 in 2003. The major commitments are for the purchase of A319, A320, B767, and B777 aircraft, which are scheduled to be delivered through 2003. The above numbers include a recent conversion of 15 option aircraft to firm orders to be delivered in 2003.

In connection with the construction of the Indianapolis Maintenance Center, United agreed to spend an aggregate \$800 million on capital investments by the year 2001 and employ at least 7,500 individuals by the year 2004. In the event such targets are not reached, United may be required to make certain payments to the city of Indianapolis and state of Indiana.

Approximately 80% of United's employees are represented by various labor organizations. The labor contracts with the IAM became amendable in July 2000. The Company is currently in the process of negotiating these contracts. The contracts with ALPA and the AFA become amendable in 2004 and 2006, respectively. See *Other Information*, "Labor Agreements" in Management's Discussion and Analysis of Financial Condition and Results of Operations for details.

(19) Segment Information

United has a global route network designed to transport passengers and cargo between destinations in North America, the Pacific, the Atlantic and Latin America. These regions constitute United's four reportable segments. The accounting policies for each of these segments are the same as those described in Note 1, "Summary of Significant Accounting Policies," except that segment financial information has been prepared using a management approach which is consistent with how the Company's management internally disaggregates financial information for the purpose of making internal operating decisions. UAL evaluates performance based on United's earnings before income taxes and gains on sales. Revenues are attributed to each reportable segment based on the allocation guidelines provided by the U.S. Department of Transportation, which classifies flights between the U.S. and foreign designations as part of each respective region. A reconciliation of the total amounts reported by reportable segments to the applicable amounts in the financial statements follows:

	<u>Year Ended December 31, 2000</u>						
	North			Latin		Segment	Consolidated
	<u>America</u>	<u>Pacific</u>	<u>Atlantic</u>	<u>America</u>	<u>Total</u>	<u>Other</u>	<u>Total</u>
Revenue	\$ 13,094	\$ 3,161	\$ 2,260	\$ 816	\$ 19,331	\$ 21	\$ 19,352
Interest income	55	23	16	5	99	2	101
Interest expense	234	95	66	21	416	(14)	402
Equity in losses of affiliates	(5)	(2)	(1)	-	(8)	(4)	(12)
Depreciation and amortization	630	176	141	43	990	68	1,058
Earnings before income taxes, investment impairment and gains on sales	205	60	102	10	377	6	383

(In Millions)

Year Ended December 31, 1999

	Reportable						Consolidated <u>Total</u>
	North		Latin		Segment	<u>Other</u>	
	<u>America</u>	<u>Pacific</u>	<u>Atlantic</u>	<u>America</u>	<u>Total</u>		
Revenue	\$ 12,516	\$ 2,691	\$ 1,973	\$ 787	\$ 17,967	\$ 60	\$ 18,027
Interest income	40	14	10	4	68	-	68
Interest expense	217	79	55	21	372	(10)	362
Equity in earnings of affiliates	21	9	5	2	37	-	37
Depreciation and amortization	550	145	115	42	852	15	867
Earnings before income taxes and gains on sales	889	81	164	20	1,154	57	1,211

(In Millions)

Year Ended December 31, 1998

	Reportable						Consolidated <u>Total</u>
	North		Latin		Segment	<u>Other</u>	
	<u>America</u>	<u>Pacific</u>	<u>Atlantic</u>	<u>America</u>	<u>Total</u>		
Revenue	\$ 11,997	\$ 2,843	\$ 1,846	\$ 832	\$ 17,518	\$ 43	\$ 17,561
Interest income	33	14	8	3	58	1	59
Interest expense	207	84	49	22	362	(7)	355
Equity in earnings of affiliates	41	17	10	4	72	-	72
Depreciation and amortization	520	145	95	45	805	(12)	793
Earnings (loss) before income taxes	1,118	(105)	185	22	1,220	36	1,256

(In Millions)

2000

1999

1998

Total earnings for reportable segments	\$ 377	\$ 1,154	\$ 1,220
Gains on sales	109	731	-
Investment impairment	(61)	-	-
UAL subsidiary earnings	<u>6</u>	<u>57</u>	<u>36</u>
Total earnings before income taxes, distributions on preferred securities, extraordinary item and cumulative effect	\$ 431	\$ 1,942	\$ 1,256
	=====	=====	=====

UAL's operations involve an insignificant level of dedicated revenue producing assets by reportable segment. The overwhelming majority of UAL's revenue producing assets can be deployed in any of the four reportable segments. UAL has significant intangible assets related to the acquisition of its Atlantic and Latin America route authorities.

(20) Statement of Consolidated Cash Flows - Supplemental Disclosures

Supplemental disclosures of cash flow information and non-cash investing and financing activities were as follows:

<u>(In Millions)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Cash paid during the year for:			
Interest (net of amounts capitalized)	\$ 298	\$ 260	\$ 234
Income taxes	23	296	160
Non-cash transactions:			
Capital lease obligations incurred	339	482	701
Long-term debt incurred in connection			
with additions to equipment	32	-	-
Increase (decrease) in pension intangible assets	107	(123)	(15)
Net unrealized gain (loss) on investments	(196)	354	-

(21) Selected Quarterly Financial Data (Unaudited)

<u>(In Millions, except per share data)</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	
	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>	<u>Year</u>
2000:					
Operating revenues	\$ 4,546	\$ 5,109	\$ 4,905	\$ 4,792	\$ 19,352
Earnings (loss) from operations	252	605	(41)	(162)	654
Earnings (loss) before extraordinary item					
and cumulative effect	110	336	(110)	(71)	265
Extraordinary loss on early					
extinguishment of debt, net	-	-	(6)	-	(6)
Cumulative effect of accounting change, net	(209)	-	-	-	(209)
Net earnings (loss)	\$ (99)	\$ 336	\$ (116)	\$ (71)	\$ 50
Per share amounts, basic:					
Earnings before extraordinary item					
and cumulative effect	\$ 1.42	\$ 6.61	\$ (2.17)	\$ (1.40)	\$ 4.29
Extraordinary loss on early					
extinguishment of debt, net	-	-	(0.13)	-	(0.13)
Cumulative effect of accounting change, net	(4.14)	-	-	-	(4.08)
Net earnings	\$ (2.72)	\$ 6.61	\$ (2.30)	\$ (1.40)	\$ 0.08
Net earnings per share, diluted	\$ (1.18)	\$ 2.86	\$ (2.30)	\$ (1.40)	\$ 0.04
1999:					
Operating revenues	\$ 4,160	\$ 4,541	\$ 4,845	\$ 4,481	\$ 18,027
Earnings from operations	146	433	619	193	1,391
Earnings before extraordinary item	78	672	359	129	1,238
Extraordinary loss on early					
extinguishment of debt, net	-	(3)	-	-	(3)
Net earnings	\$ 78	\$ 669	\$ 359	\$ 129	\$ 1,235

Per share amounts, basic:

Earnings before extraordinary item	\$ 0.91	\$ 12.26	\$ 6.18	\$ 1.85	\$ 21.26
Extraordinary loss on early extinguishment of debt, net	-	(0.05)	-	-	(0.06)
Net earnings	\$ 0.91	\$ 12.21	\$ 6.18	\$ 1.85	\$ 21.20
Net earnings per share, diluted	\$ 0.44	\$ 5.78	\$ 2.89	\$ 0.84	\$ 9.94

The sum of quarterly earnings per share amounts is not the same as annual earnings per share amounts because of changing numbers of shares outstanding.

During the third quarter of 2000, UAL recorded an investment impairment of \$61 million related to its warrants in Priceline.com. Additionally, in the fourth quarter 2000, UAL recognized a pre-tax gain of \$109 million on the sale of its investment in GetThere.com. (See Note 6 "Investments".)

During the second quarter of 1999, UAL recognized a pre-tax gain of \$669 million on the sale of a portion of its investment in Galileo. Additionally, in the fourth quarter 1999, UAL recognized a pre-tax gain of \$62 million on the sale of a portion of its investment in Equant. (See Note 6 "Investments".)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders. Information regarding the executive officers is included in Part I of this Form 10-K under the caption "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2001 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS

ON FORM 8-K.

(a) 1. Financial Statements. The financial statements required by this item are listed in Item 8, "Financial Statements and Supplementary Data" herein.

2. Financial Statement Schedules. The financial statement schedule required by this item is listed below and included in this report after the signature page hereto.

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2000, 1999 and 1998.

All other schedules are omitted because they are not applicable, not required or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits. The exhibits required by this item are listed in the Exhibit Index which immediately precedes the exhibits filed with this Form 10-K, and is incorporated herein by this reference. Each of Exhibits 10.32 through 10.40 listed in the Exhibit Index is a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(b) Reports on Form 8-K.

Form 8-K dated October 19, 2000 to report a cautionary statement for purposes of the "Safe Harbor for Forward Looking Statements" provision of the Private Securities Litigation Reform Act.

Form 8-K dated November 6, 2000 to report a cautionary statement for purposes of the "Safe Harbor for Forward Looking Statements" provision of the Private Securities Litigation Reform Act.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 22nd day of February, 2001.

UAL CORPORATION

/s/ James E. Goodwin

James E. Goodwin

Chairman of the Board and Chief

Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 22nd day of February 2001 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ James E. Goodwin		/s/ Douglas A. Hacker
James E. Goodwin		Douglas A. Hacker
Chairman of the Board and Chief Executive Officer (principal executive officer)		Executive Vice President and Chief Financial Officer (principal financial and accounting officer)
/s/ Rono Dutta		/s/ Hazel R. O' Leary
Rono Dutta		Hazel R. O' Leary
President and Director		Director
/s/ John W. Creighton, Jr.		/s/ Deval L. Patrick
John W. Creighton, Jr.		Deval L. Patrick
Director		Director
/s/ Frederick C. Dubinsky		/s/ John F. Peterpaul
Frederick C. Dubinsky		John F. Peterpaul
Director		Director
/s/ Richard D. McCormick		/s/ Paul E. Tierney, Jr.
Richard D. McCormick		Paul E. Tierney, Jr.
Director		Director
/s/ John F. McGillicuddy		/s/ John K. Van de Kamp

John F. McGillicuddy		John K. Van de Kamp
Director		Director
/s/ James J. O' Connor		
James J. O' Connor		
Director		

UAL Corporation and Subsidiary Companies

Schedule II - Valuation and Qualifying Accounts

For the Year Ended December 31, 2000

(In Millions)

<u>Description</u>	<u>Balance at</u> <u>Beginning</u> <u>of Year</u>	<u>Additions Charged to</u>			<u>Balance at</u> <u>End of</u> <u>Year</u>
		<u>Costs and</u> <u>Expenses</u>	<u>Other</u> <u>Accounts</u>	<u>Deductions</u>	

Reserve deducted from asset to which it applies:

Allowance for doubtful accounts	\$ 13	\$ 15	\$ -	\$ 14 ¹	\$ 14
	===	===	===	===	===
Obsolescence allowance -					
Flight equipment spare parts	\$ 45	\$ 10	\$ 2	\$ 2 ¹	\$ 55
	===	===	===	===	===

¹Deduction from reserve for purpose for which reserve was created.

UAL Corporation and Subsidiary Companies

Schedule II - Valuation and Qualifying Accounts

For the Year Ended December 31, 1999

<u>(In Millions)</u>	<u>Balance at</u>	<u>Additions Charged to</u>			<u>Balance at</u>
<u>Description</u>	<u>Beginning</u>	<u>Costs and</u>	<u>Other</u>		<u>End of</u>
	<u>of Year</u>	<u>Expenses</u>	<u>Accounts</u>	<u>Deductions</u>	<u>Year</u>
Reserve deducted from asset to which it applies:					
Allowance for doubtful accounts	\$ 22	\$ 11	\$ -	\$ 20 ¹	\$ 13
	===	===	===	===	===
Obsolescence allowance -					
Flight equipment spare parts	\$ 39	\$ 4	\$ 1	\$ (1) ¹	\$ 45
	===	===	===	===	===

¹Deduction from reserve for purpose for which reserve was created.

UAL Corporation and Subsidiary Companies

Schedule II - Valuation and Qualifying Accounts

For the Year Ended December 31, 1998

<u>(In Millions)</u>	<u>Balance at</u>	<u>Additions Charged to</u>			<u>Balance at</u>
<u>Description</u>	<u>Beginning</u>	<u>Costs and</u>	<u>Other</u>	<u>Deductions</u>	<u>End of</u>
	<u>of Year</u>	<u>Expenses</u>	<u>Accounts</u>		<u>Year</u>
Reserve deducted from asset to which it applies:					
Allowance for doubtful accounts	\$ 15	\$ 17	\$ -	\$ 10 ¹	\$ 22
	===	===	===	===	===
Obsolescence allowance -					
Flight equipment spare parts	\$ 29	\$ 36	\$ 4	\$ 30 ¹	\$ 39
	===	===	===	===	===

¹Deduction from reserve for purpose for which reserve was created.

EXHIBIT INDEX

- 3.1 Restated Certificate of Incorporation of UAL Corporation ("UAL"), as amended (filed as Exhibit 3.1 to UAL' s Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference).
- 3.2 By-laws (filed as Exhibit 3.2 to UAL' s Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
- 4.1 Deposit Agreement dated as of July 12, 1994 between UAL Corporation and holders from time to time of Depository Receipts described herein.
- 4.2 Indenture dated as of December 20, 1996 between UAL Corporation and The First National Bank of Chicago, as Trustee (filed as Exhibit 4.2 to UAL' s Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 4.3 Officer' s Certificate relating to UAL' s 13-1/4% Junior Subordinated Debentures due 2026 (filed as Exhibit 4.3 to UAL' s Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 4.4 Form of UAL' s 13-1/4% Junior Subordinated Debenture due 2026 (filed as Exhibit 4.4 to UAL' s Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 4.5 Guarantee Agreement dated as of December 30, 1996 with respect to the 13-1/4% Trust Originated Preferred Securities of UAL Corporation Capital Trust I (filed as Exhibit 4.5 to UAL' s Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 4.6 Amended and Restated Declaration of Trust of UAL Corporation Capital Trust I dated as of December 30, 1996 (filed as Exhibit 4.6 to UAL' s Form 10-K for year ended December 31, 1996 and incorporated herein by reference).

UAL' s indebtedness under any single instrument does not exceed 10% of UAL' s total assets on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.

- 10.1 Amended and Restated Agreement and Plan of Recapitalization, dated as of March 25, 1994 (the "Recapitalization Agreement"), as amended, among UAL Corporation, the Air Line Pilots Association, International ("ALPA") and the International Association of Machinists and Aerospace Workers ("IAM").
- 10.2 Second Amendment to the Agreement and Plan of Recapitalization, dated as of June 2, 1994, among UAL, ALPA and the IAM.
- 10.3 Agreement, dated as of July 16, 1996, pursuant to Section 1.6q of the Recapitalization Agreement among UAL, ALPA and IAM (filed as Exhibit 10.3 to UAL' s Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference).
- 10.4 UAL Corporation Employee Stock Ownership Plan, effective as of July 12, 1994.

- 10.5 First Amendment to UAL Corporation Employee Stock Ownership Plan, dated December 28, 1994.
- 10.6 Second Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of August 17, 1995.
- 10.7 Third Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of December 28, 1995 (filed as Exhibit 10.7 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.8 Fourth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of July 16, 1996 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference).
- 10.9 Fifth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of December 31, 1996 (filed as Exhibit 10.10 of UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.10 Sixth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of August 11, 1997 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference).
- 10.11 Seventh Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of May 19, 1999 (filed as Exhibit 10.10 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.12 Eighth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of November 10, 1999 (filed as Exhibit 10.11 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.13 Ninth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of October 29, 1999 (filed as Exhibit 10.12 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.14 Tenth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of April 28, 2000 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference).
- 10.15 Eleventh Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of December 29, 2000.
- 10.16 UAL Corporation Employee Stock Ownership Plan Trust Agreement between UAL Corporation and State Street Bank and Trust Company ("State Street"), effective July 12, 1994.
- 10.17 UAL Corporation Supplemental ESOP, effective as of July 12, 1994.
- 10.18 First Amendment to UAL Corporation Supplemental ESOP, dated February 22, 1995.
- 10.19 Second Amendment to UAL Corporation Supplemental ESOP, dated as of August 17, 1995.

- 10.20 Third Amendment to UAL Corporation Supplemental ESOP, dated as of December 28, 1995.
- 10.21 Fourth Amendment to UAL Corporation Supplemental ESOP, dated as of July 16, 1996 (filed as Exhibit 10.2 to UAL' s Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference).
- 10.22 Fifth Amendment to UAL Corporation Supplemental ESOP, dated as of December 31, 1996 (filed as Exhibit 10.17 to UAL' s Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.23 Sixth Amendment to UAL Corporation Supplemental ESOP, dated as of August 11, 1997 (filed as Exhibit 10.4 of UAL' s Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference).
- 10.24 Seventh Amendment to UAL Corporation Supplemental ESOP, dated as of May 19, 1999 (filed as Exhibit 10.21 to UAL' s Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.25 Eighth Amendment to UAL Corporation Supplemental ESOP, dated as of November 10, 1999 (filed as Exhibit 10.22 to UAL' s Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.26 Ninth Amendment to UAL Corporation Supplemental ESOP, dated as of October 29, 1999 (filed as Exhibit 10.23 to UAL' s Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.27 Eleventh Amendment to UAL Corporation Supplemental ESOP
- 10.28 UAL Corporation Supplemental ESOP Trust Agreement between UAL Corporation and State Street, effective July 12, 1994.
- 10.29 Class I Junior Preferred Stockholders' Agreement, dated as of June 12, 1994.
- 10.30 Class SAM Preferred Stockholders' Agreement, dated as of July 12, 1994.
- 10.31 First Refusal Agreement, dated as of July 12, 1994, as amended (filed as Exhibit 10.25 to UAL' s Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.32 UAL Corporation 2000 Incentive Stock Plan (filed as Exhibit 10.1 to UAL' s Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference).
- 10.33 United Employees Performance Incentive Plan (filed as Exhibit 10.1 to UAL' s Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference).
- 10.34 UAL Corporation 1998 Restricted Stock Plan (filed as Exhibit 10.1 to UAL' s Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).

- 10.35 Summary Description of Compensation and Benefits for Directors (filed as Exhibit 10.34 to UAL' s Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.36 UAL Corporation 1995 Directors Plan, as amended June 26, 1997 (filed as Exhibit 10.1 of UAL' s Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference).
- 10.37 United Supplemental Retirement Plan (filed as Exhibit 10.35 of UAL' s 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.38 Description of Officer Benefits (filed as Exhibit 10.36 of UAL' s 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.39 Employment Agreement, dated as of April 12, 1999, between UAL Corporation, United Air Lines, Inc. and James E. Goodwin (filed as Exhibit 10.1 of UAL' s Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- 10.40 Employment Agreement between William P. Hobgood and UAL and United, dated March 1, 2000 (filed as Exhibit 10.1 of UAL' s Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference).
- 10.41 2000 Agreement between United Air Lines, Inc. and the Air Line Pilots in the service of United Air Lines, Inc. represented by the Air Line Pilots Association, International.
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UAL CORPORATION
FIRST CHICAGO TRUST COMPANY OF NEW YORK, As Depositary
AND
THE HOLDERS FROM TIME TO TIME OF
THE DEPOSITARY RECEIPTS DESCRIBED HEREIN

DEPOSIT AGREEMENT

Dated as of July 12, 1994

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DEPOSIT AGREEMENT, dated as of July 12, 1994,

among UAL CORPORATION, a Delaware corporation (the "Company"), FIRST CHICAGO TRUST COMPANY OF NEW YORK, a New York State trust Company (the "Depository"), and the holders from time to time of the Receipts described herein.

WHEREAS, it is desired to provide, as hereinafter set forth in this Deposit Agreement, for the deposit of shares of Series B Preferred Stock of the Company with the Depository for the purposes set forth in this Deposit Agreement and for the issuance hereunder of Receipts evidencing Depository Shares in respect of the Stock so deposited; and

WHEREAS, the Receipts are to be substantially in the form of Exhibit A annexed hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in this Deposit Agreement;

NOW, THEREFORE, in consideration of the promises contained herein, the parties hereto agree as follows:

131: 138: 139: ARTICLE I

DEFINITIONS

The following definitions shall, for all purposes, unless otherwise indicated, apply to the respective terms used in this Deposit Agreement:

"Certificate" shall mean the Amended and Restated Certificate of Incorporation of the Company, filed with the Secretary of State of the State of Delaware, that, among other things, establishes the Stock as a series of preferred stock of the Company.

"Company" shall mean the party named as such in the first paragraph of this Deposit Agreement and any successor hereunder.

"Deposit Agreement" shall mean this Deposit Agreement, as amended or supplemented from time to time.

"Depository" shall mean the person named as such in the first paragraph of this Deposit Agreement and any successor as Depository hereunder.

"Depository Shares" shall mean depository shares, each representing one one-thousandth (1/1,000) of a share of Stock and evidenced by a Receipt.

"Depository's Agent" shall mean an agent appointed by the Depository pursuant to Section 5.1 and shall include the Registrar if such Registrar is not the Depository.

"Depository's Office" shall mean the principal office of the Depository, at which at any particular time its depository receipt business shall be administered.

"Receipt" shall mean one of the depository receipts, substantially in the form set forth as Exhibit A hereto, issued hereunder, whether in definitive or temporary form and evidencing the number of Depository Shares held of record by the record holder of such Depository Shares.

"record holder" or "holder" as applied to a Receipt shall mean the person in whose name a Receipt is registered on the books of the Depository maintained for such purpose.

"Registrar" shall mean the Depository or such other bank or trust company that shall be appointed to register ownership and transfers of Receipts as herein provided.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Stock" shall mean shares of the Company's Series B Preferred Stock, without par value, \$25,000 liquidation value per share.

ARTICLE II

FORM OF RECEIPTS, DEPOSIT OF STOCK, EXECUTION AND DELIVERY, TRANSFER, SURRENDER AND REDEMPTION OF RECEIPTS

SECTION 2.1 Form and Transfer of Receipts. Definitive Receipts shall be engraved or printed or lithographed on steel-engraved borders, with appropriate insertions, modifications and omissions as hereinafter provided, if required by any securities exchange on which the Receipts are listed. Pending the preparation of definitive Receipts or if definitive Receipts are not required by any securities exchange on which the Receipts are listed, the Depositary, upon the written order of the Company or any holder of Stock, as the case may be, delivered in compliance with Section 2.2, shall execute and deliver temporary Receipts that are printed, lithographed, typewritten, mimeographed or otherwise substantially of the tenor of the definitive Receipts in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the persons executing such Receipts may determine, as evidenced by their execution of such Receipts. If temporary Receipts are issued, the Company and the Depositary shall cause definitive Receipts to be prepared without unreasonable delay. After the preparation of definitive Receipts, the temporary Receipts shall be exchangeable for definitive Receipts upon surrender of the temporary Receipts at the Depositary's Office or at such other place or places as the Depositary shall determine, without charge to the holder. Upon surrender for cancellation of any one or more temporary Receipts, the Depositary shall execute and deliver in exchange therefor definitive Receipts representing the same number of Depositary Shares as represented by the surrendered temporary Receipt or Receipts. Such exchange shall be made at the Company's expense and without any charge to the holder therefor. Until so exchanged, the temporary Receipts shall in all respects be entitled to the same benefits under this Agreement, and with respect to the Stock, as definitive Receipts.

Receipts shall be executed by the Depositary by the manual signature of a duly authorized officer of the Depositary; provided that such signature may be a facsimile if a Registrar for the Receipts (other than the Depositary) shall have been appointed and such Receipts are countersigned by a manual signature of a duly authorized officer of the Registrar. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose unless it shall have been executed manually by a duly authorized officer of the Depositary or, if a Registrar for the Receipts (other than the Depositary) shall have been appointed, by manual or facsimile signature of a duly authorized officer of the Depositary and countersigned manually by a duly authorized officer of such Registrar. The Depositary shall record on its books each Receipt so signed and delivered as hereinafter provided.

Receipts shall be in denominations of any number of whole Depositary Shares. The Company shall deliver to the Depositary from time to time such quantities of Receipts as the Depositary may request to enable the Depositary to perform its obligations under this Deposit Agreement.

Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Deposit Agreement as may be required by the Depositary or required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange upon which the Stock, the Depositary Shares or the Receipts may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject.

Title to Depositary Shares evidenced by a Receipt, which is properly endorsed or accompanied by a properly executed instrument of transfer, shall be transferable by delivery with the same effect as in the case of a negotiable instrument; provided that until transfer of a Receipt shall be registered on the books of the Depositary as provided in Section 2.3, the Depositary may, notwithstanding any notice to the contrary, treat the record holder thereof at such time as the absolute owner thereof for the purpose of determining the person entitled to distributions of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes.

On each date on which the Stock is initially issued by the Company, the Depositary, upon receipt of written instructions from the Company and a certificate or certificates for the Stock to be deposited under this Deposit Agreement in accordance with the provisions of this Section 2.1, shall execute and deliver a Receipt or Receipts for the number of Depositary Shares representing such deposited Stock to the person or persons stated in such instructions as provided in Section 2.2.

If required by the Depositary, Stock presented for deposit at any time, whether or not the register of stockholders of the Company is closed, shall also be accompanied by an agreement or assignment, or other instrument satisfactory to the Depositary, that shall provide for the prompt transfer to the Depositary or its assigns of any dividend or right to subscribe for additional Stock or to receive other property that any person in whose name the Stock is or has been registered may thereafter receive upon or in respect of such deposited Stock or, in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depositary.

SECTION 2.2 Deposit of Stock; Execution and Delivery of Receipts in Respect Thereof. Subject to the terms and conditions of this Deposit Agreement, the Company or any holder of Stock may from time to time deposit shares of the Stock under this Deposit Agreement by delivering to the Depositary a certificate or certificates for the Stock to be deposited, properly endorsed or accompanied, if required by the Depositary, by a duly executed instrument of transfer or endorsement, in form satisfactory to the Depositary, together with all such certifications as may be required by the Depositary in accordance with the provisions of this Deposit Agreement, and together with a written order of the Company or such holder, as the case may be, directing the Depositary to execute and deliver to, or upon the written order of, the person or persons stated in such order a Receipt or Receipts for the number of Depositary Shares representing such deposited Stock.

Deposited Stock shall be held by the Depositary at the Depositary's Office or at such other place or places as the Depositary shall determine.

Upon receipt by the Depositary of a certificate or certificates for Stock deposited in accordance with the provisions of this Section, together with the other documents required as above specified, and upon recordation of the Stock on the books of the Company in the name of the Depositary or its nominee, the Depositary, subject to the terms and conditions of this Deposit Agreement, shall execute and deliver, to or upon the order of the person or persons named in the written order delivered to the Depositary referred to in the first paragraph of this Section, a Receipt or Receipts for the whole number of Depositary Shares representing the Stock so deposited and registered in such name or names as may be requested by such person or persons. The Depositary shall execute and deliver such Receipt or Receipts at the Depositary's Office or

such other offices, if any, as the Depositary may designate. Delivery at other offices shall be at the risk and expense of the person requesting such delivery. In each case, delivery shall be made only upon payment as provided in Section 5.7 to the Depositary of all taxes and other governmental charges and any fees payable in connection with such deposit and transfer of the Stock.

SECTION 2.3 Registration of Transfer of Receipts. Subject to the terms and conditions of this Deposit Agreement, the Depositary shall register on its books from time to time transfers of Receipts upon any surrender thereof by the holder in person or by duly authorized attorney, properly endorsed or accompanied by a properly executed instrument of transfer or endorsement together with evidence of the payment of any transfer taxes as may be required by law. Thereupon, the Depositary shall execute a new Receipt or Receipts evidencing the same aggregate number of Depositary Shares as those evidenced by the Receipt or Receipts surrendered and deliver such new Receipt or Receipts to or upon the order of the person entitled thereto.

SECTION 2.4 Split-ups and Combinations of Receipts; Surrender of Receipts and Withdrawal of Stock. Upon surrender of a Receipt or Receipts at the Depositary's Office or at such other offices as it may designate for the purpose of effecting a split-up or combination of such Receipt or Receipts, and subject to the terms and conditions of this Deposit Agreement, the Depositary shall execute and deliver a new Receipt or Receipts in the authorized denomination or denominations requested, evidencing the aggregate number of Depositary Shares evidenced by the Receipt or Receipts surrendered, provided that the Depositary shall not issue any Receipt evidencing a fractional Depositary Share.

Any holder of a Receipt or Receipts representing any number of whole shares of Stock may (unless the related Depositary Shares have previously been called for redemption) withdraw the Stock and all money and other property, if any, represented thereby by surrendering such Receipt or Receipts, at the Depositary's Office or at such other offices as the Depositary may designate for such withdrawals. Thereafter, without unreasonable delay, the Depositary shall deliver to such holder, or to the person or persons designated by such holder as hereinafter provided, the number of whole shares of Stock and all money and other property, if any, represented by the Receipt or Receipts so surrendered for withdrawal, but holders of such whole shares of Stock shall not thereafter be entitled to deposit such Stock hereunder or to receive Depositary Shares therefor. If a Receipt delivered by the holder to the Depositary in connection with such withdrawal shall evidence a number of Depositary Shares in excess of the number of Depositary Shares representing the number of whole shares of Stock to be so withdrawn, the Depositary shall at the same time, in addition to such number of whole shares of Stock and such money and other property, if any, to be so withdrawn, deliver to such holder, or upon his order, a new Receipt evidencing such excess number of Depositary Shares, provided that the Depositary shall not issue any Receipt evidencing a fractional Depositary Share. Delivery of the Stock and money and other property being withdrawn may be made by the delivery of such certificates, documents of title and other instruments as the Depositary may deem appropriate, which, if required by the Depositary, shall be properly endorsed or accompanied by proper instruments of transfer.

If the Stock and the money and other property being withdrawn are to be delivered to a person or persons other than the record holder of the Receipt or Receipts being surrendered for withdrawal of Stock, such holders shall execute and deliver to the Depositary a written order so directing the Depositary and the Depositary may require that the Receipt or Receipts surrendered by such holder for withdrawal of such shares of Stock be properly endorsed in blank or accompanied by a properly executed instrument of transfer in blank.

Delivery of the Stock and the money and other property, if any, represented by Receipts surrendered for withdrawal shall be made by the Depositary at the Depositary's Office, except that, at the request, risk and expense of the holder surrendering such Receipt or Receipts and for the account of the holder thereof, such delivery may be made at such other place as may be designated by such holder.

SECTION 2.5 Limitations on Execution and Delivery, Transfer, Surrender and Exchange of Receipts. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination, surrender or exchange of any Receipt, the Depositary, the Registrar, any of the Depositary's Agents or the Company may require payment to it of a sum sufficient for the payment (or, if the Depositary or the Company shall have made such payment, the reimbursement to it) of any charges or expenses payable by the holder of a Receipt pursuant to Sections 3.2 and 5.7, may require the production of evidence satisfactory to it as to the identity and genuineness of any signature and may also require compliance with such regulations, if any, as the Depositary or the Company may establish consistent with the provisions of this Deposit Agreement.

The deposit of Stock may be refused, the delivery of Receipts against Stock may be suspended, the registration of transfer of Receipts may be refused and the registration of transfer, surrender or exchange of outstanding Receipts may be suspended (i) during any period when the register of stockholders of the Company is closed, (ii) if any such action is deemed necessary or advisable by the Depositary, the Registrar, any of the Depositary's Agents or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission or under any provision of this Deposit Agreement or (iii) with the approval of the Company, for any other reason.

SECTION 2.6 Lost Receipts, etc. If any receipt shall be mutilated, destroyed, lost or stolen, the Depositary in its discretion may execute and deliver a Receipt of like form and tenor in exchange and substitution for such mutilated Receipt, or in lieu of and in substitution for such destroyed, lost or stolen Receipt, upon (i) the filing by the holder thereof with the Depositary of evidence satisfactory to the Depositary of such destruction or loss or theft of such Receipt, of the authenticity thereof and of his or her ownership thereof, (ii) the furnishing of the Depositary with reasonable indemnification satisfactory to it and (iii) the payment of any expense (including fees, charges and expenses of the Depositary) in connection with such execution and delivery.

SECTION 2.7 Cancellation and Destruction of Surrendered Receipts. All Receipts surrendered to the Depositary or any Depositary's Agent shall be cancelled by the Depositary and returned to the Company. Except as prohibited by applicable law or regulation, the Company is authorized to destroy all Receipts so cancelled.

SECTION 2.8 Redemption of Stock. Whenever the Company shall be permitted and shall elect to redeem shares of Stock in accordance with the provisions of the Certificate, it shall (unless otherwise agreed to in writing with the Depositary) give or cause notice to be given to the Depositary not less than 30 days, but not more than 60 days, prior to the date of such proposed redemption of Stock and of the number of such shares held by the Depositary to be so redeemed and the applicable redemption price, as set forth in the Certificate, which notice shall be accompanied by a certificate from the Company stating that such redemption of Stock is in accordance with the provisions of the Certificate. On the date of such redemption, if the Company shall then have paid or caused to be paid in full to the Depositary the redemption price of the Stock to be redeemed, plus an amount equal to any accrued and unpaid dividends thereon to the date fixed for redemption, in accordance with the provisions of the Certificate, the Depositary shall redeem the number of Depositary Shares representing such Stock. The Depositary shall mail notice of the Company's redemption of Stock and the proposed simultaneous redemption of the number of Depositary Shares representing

the Stock to be redeemed by first-class mail, postage prepaid, not less than 20 days, but not more than 50 days, prior to the date fixed for redemption of such Stock and Depositary Shares (the "Redemption Date") to the record holders of the Receipts evidencing the Depositary Shares to be so redeemed, at the address of such holders as they appear on the records of the Depositary; but neither failure to mail any such notice of redemption of Depositary Shares to one or more such holders nor any defect in any notice of redemption of Depositary Shares to one or more such holders shall affect the sufficiency of the proceedings for redemption as to the other holders. The Company shall provide the Depositary with the information necessary for the Depositary to prepare such notice and each such notice shall state: (i) the Redemption Date, (ii) the number of Depositary Shares to be redeemed and, if less than all the Depositary Shares held by any such holder are to be redeemed, the number of such Depositary Shares held by such holder to be so redeemed, (iii) the redemption price, (iv) the place or places where Receipts evidencing Depositary Shares are to be surrendered for payment of the redemption price, and (v) that dividends in respect of the Stock represented by the Depositary Shares to be redeemed shall cease to accrue on such Redemption Date. If less than all the outstanding Depositary Shares are to be redeemed, the Depositary Shares to be so redeemed shall be selected by the Depositary by lot or pro rata (as nearly as may be) or by any other method, in each case, as determined by the Depositary in its sole discretion to be equitable.

Notice having been mailed by the Depositary as aforesaid, from and after the Redemption Date (unless the Company shall have failed to provide the funds necessary to redeem the Stock evidenced by the Depositary Shares called for redemption) (i) dividends on the shares of Stock so called for redemption shall cease to accrue from and after such date, (ii) the Depositary Shares being redeemed from such proceeds shall be deemed no longer to be outstanding, (iii) all rights of the holders of Receipts evidencing such Depositary Shares (except the right to receive the redemption price) shall, to the extent of such Depositary Shares, cease and terminate, and (iv) upon surrender in accordance with such redemption notice of the Receipts evidencing any such Depositary Shares called for redemption (properly endorsed or assigned for transfer, if the Depositary or applicable law shall so require), such Depositary Shares shall be redeemed by the Depositary at a redemption price per Depositary Share equal to one one-thousandth (1/1,000) of the redemption price per share paid with respect to the shares of Stock plus all money and other property, if any, represented by such Depositary Shares, including all amounts paid by the Company in respect of dividends that on the Redemption Date have accumulated on the shares of Stock to be so redeemed and have not theretofore been paid.

If fewer than all of the Depositary Shares evidenced by a Receipt are called for redemption, the Depositary shall deliver to the holder of such Receipt upon its surrender to the Depositary, together with the redemption payment, a new Receipt evidencing the Depositary Shares evidenced by such prior Receipt and not called for redemption. The Depositary shall not be required (a) to issue, transfer or exchange any Receipts for a period beginning at the opening of business ten days next preceding any selection of Depositary Shares and Stock to be redeemed and ending at the close of business on the day of the mailing of notice of redemption of Depositary Shares or (b) to transfer or exchange for another Receipt any Receipt evidencing Depositary Shares called or being called for redemption in whole or in part, except as provided in the preceding paragraph of this Section 2.8.

ARTICLE III

CERTAIN OBLIGATIONS OF HOLDERS OF RECEIPTS AND THE COMPANY

SECTION 3.1 Filing Proofs, Certificates and Other Information. Any holder of a Receipt may be required from time to time to file such proof of residence, or other matters or other information, to execute such certificates and to make such representations and warranties as the Depositary or the Company may reasonably deem necessary or proper. The Depositary or the Company may withhold the delivery, or delay the registration of transfer, redemption or exchange, of any Receipt or the withdrawal or conversion of the Stock represented by the Depositary Shares evidenced by any Receipt or the distribution of any dividend or other distribution or the sale of any rights or of the proceeds thereof until such proof or other information is filed or such certificates are executed or such representations and warranties are made.

SECTION 3.2 Payment of Taxes or Other Governmental Charges. If any tax or other governmental charge shall become payable by or on behalf of the Depositary with respect to any Receipt, the Depositary Shares evidenced by the Receipts, the Stock (or any beneficial interest therein) or any transaction referred to in Section 4.6, such taxes or charges shall be payable by the holder of the Receipts. Holders of Receipts shall also be obligated to make payments to the Depositary of certain charges and expenses, as provided in Section 5.7. Registration of transfer of any Receipt or any withdrawal of Stock and all money or other property, if any, represented by the Depositary Shares evidenced by such Receipt may be refused until any such payment due is made, and any dividends or other distributions may be withheld or any part of or all the Stock or other property represented by the Depositary Shares evidenced by such Receipt and not theretofore sold may be sold for the account of the holder thereof (after attempting by reasonable means to notify such holder prior to such sale), and such dividends or other distributions or the proceeds of any such sale may be applied to any payment of such charges or expenses, the holder of such Receipt remaining liable for any deficiency.

SECTION 3.3 Warranty as to Stock. The Company hereby represents and warrants and each person so depositing Stock under this Deposit Agreement shall be deemed thereby to represent and warrant that the Stock and each certificate therefor, when issued, shall be duly authorized, validly issued, fully paid and nonassessable. Such representation and warranty shall survive the deposit of the Stock and the issuance of Receipts.

ARTICLE IV

THE DEPOSITED SECURITIES; NOTICES

SECTION 4.1 Cash Distributions. Whenever the Depositary shall receive any cash dividend or other cash distribution on Stock, the Depositary shall, subject to Section 3.1 and 3.2, distribute to record holders of Receipts on the record date fixed pursuant to Section 4.4 such amounts of such dividend or distribution as are, as nearly as practicable, in proportion to the respective numbers of Depositary Shares evidenced by the Receipts held by such holders; provided that, if the Company or the Depositary shall be required to withhold and shall withhold from any cash dividend or other cash distribution in respect of the Stock an amount on account of taxes or as otherwise required by law, regulation or court process, the amount made available for distribution or distributed in respect of Depositary Shares shall be reduced accordingly. If the calculation of any such cash dividend or other cash distribution to be paid to any record holder on the aggregate number of Receipts held by such holder results in an amount that is a fraction of a cent, the amount the Depositary shall distribute to such record holder shall be rounded to the next highest whole cent, and upon request of the Depositary, the Company shall pay the additional amount to the Depositary for distribution.

SECTION 4.2 Distributions Other than Cash, Rights, Preferences or Privileges. Whenever the Depositary shall receive any distribution other than cash, rights, preferences or privileges upon the Stock, the Depositary shall, subject to Sections 3.1 and 3.2, distribute to record holders of Receipts on the record date fixed pursuant to Section 4.4 such amounts of the securities or property received by it as are, as nearly as practicable, in proportion to the respective numbers of Depositary Shares evidenced by the Receipts held by such holders, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution. If in the opinion of the Depositary such distribution cannot be made proportionately among such record holders, or if for any other reason (including any requirement that the Company or the Depositary withhold an amount on account of taxes or as otherwise required by law, regulation or court process) the Depositary deems such distribution not to be feasible, the Depositary may adopt such method as it deems equitable and practicable for the purpose of effecting such distribution, including the sale (at public or private sale) of the securities or property thus received, or any part thereof, at such place or places and upon such terms as it may deem proper. The net proceeds of any such sale shall, subject to Sections 3.1 and 3.2, be distributed or made available for distribution, as the case may be, by the Depositary to record holders of Receipts as provided by Section 4.1 in the case of a distribution received in cash.

SECTION 4.3 Subscription Rights, Preferences or Privileges. If the Company shall at any time offer or cause to be offered to the persons in whose names Stock is recorded on the books of the Company any rights, preferences or privileges to subscribe for or to purchase any securities or any rights, preferences or privileges of any other nature, such rights, preferences or privileges shall in each such instance be made available by the Depositary to the record holders of Receipts in such manner as the Depositary may determine, either by the issuance to such record holders of warrants representing such rights, preferences or privileges or by such other method as may be approved by the Depositary in its discretion with the approval of the Company; provided that, (i) if at the time of issue or offer of any such rights, preferences or privileges the Depositary determines that it is not lawful or (after consultation with the Company) not feasible to make such rights, preferences or privileges available to holders of Receipts by the issue of warrants or otherwise or (ii) if and to the extent so instructed by holders of Receipts who do not desire to exercise such rights, preferences or privileges, then the Depositary, in its discretion (with approval of the Company, if the Depositary has determined that it is not feasible to make such rights, preferences or privileges available), may, if applicable laws or the terms of such rights, preferences or privileges so permit, sell such rights, preferences or privileges at public or private sale, at such place or places and upon such terms as it may deem proper. The net proceeds of any such sale shall, subject to Sections 3.1 and 3.2, be distributed by the Depositary to the record holders of Receipts entitled thereto as provided by Section 4.1 in the case of a distribution received in cash.

If the securities to which such rights, preferences or privileges relate must be registered under the Securities Act in order to be offered or sold to holders of Receipts, the Company shall file a registration statement under the Securities Act with respect to such rights, preferences or privileges and securities promptly and shall use its best efforts and take all steps available to it to cause such registration statement to become effective sufficiently in advance of the expiration of such rights, preferences or privileges to enable such holders to exercise such rights, preferences or privileges. In no event shall the Depositary make available to the holders of Receipts any right, preference or privilege to subscribe for or to purchase any securities unless and until it has received written notice from the Company that such registration statement has become effective or that the offer and sale of such securities to such holders are exempt from registration under the Securities Act and the Company shall have provided to the Depositary an opinion of counsel to such effect. If any other action under the laws of any jurisdiction or any governmental or administrative authorization, consent or permit is required to permit such rights, preferences or privileges to be made available to holders of Receipts, the Company shall use its reasonable best efforts to take such action or obtain such authorization, consent or permit sufficiently in advance of the expiration of such rights, preferences or privileges to enable such holders to exercise such rights, preferences or privileges.

SECTION 4.4 Notice of Dividends, etc.; Fixing Record Date for Holders of Receipts. Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or if rights, preferences or privileges shall at any time be offered, with respect to the Stock, or whenever the Depositary shall receive notice of any meeting at which holders of Stock are entitled to vote or of which holders of Stock are entitled to notice, or whenever the Depositary and the Company shall decide that it is appropriate, the Depositary shall in each such instance fix a record date (which shall be the same date as the record date fixed by the Company with respect to or otherwise in accordance with the terms of the Stock) for determining which holders of Receipts shall be entitled to receive such dividend, distribution, rights, preferences or privileges or the net proceeds of the sale thereof, or to give instructions for the exercise of voting rights at any such meeting, or shall be entitled to notice of such meeting or for any other appropriate reasons.

SECTION 4.5 Voting Rights. Upon receipt of notice of any meeting at which the holders of Stock are entitled to vote, the Depositary shall, as soon as practicable thereafter, mail to the record holders of Receipts a notice which shall be provided by the Company that shall contain (i) such information as is contained in such notice of meeting and (ii) a statement that the holders may, subject to any applicable restrictions, instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Stock represented by their respective Depositary Shares (including an express indication that instructions may be given to the Depositary to give a discretionary proxy to a person designated by the Company) and a brief statement as to the manner in which such instructions may be given. Upon the written request of the holders of Receipts on the relevant record date, the Depositary shall endeavor insofar as practicable to cast or cause to be cast, in accordance with the instructions set forth in such requests, the number of votes in respect of the Stock represented by the Depositary Shares evidenced by Receipts as to which voting instructions are received. The Company hereby agrees to take all reasonable action that may be deemed necessary by the Depositary to enable the Depositary to cast such votes or cause such votes to be cast. In the absence of instructions from the holder of a Receipt, the Depositary shall not cast any vote (but, at its discretion, may appear at any meeting with respect to such Stock unless directed to the contrary by the holders of all the Receipts) in respect of the Stock represented by the Depositary Shares evidenced by such Receipt.

SECTION 4.6 Changes Affecting Deposited Securities and Reclassifications, Recapitalizations, etc. Upon any change in par or stated value or liquidation preference, split-up, combination or any other reclassification of the Stock, or upon any recapitalization, reorganization, merger or consolidation affecting the Company or to which it is a party, the Depositary may in its discretion with the approval of, and shall upon the instructions of, the Company, and (in either case) in such manner as the Depositary may deem equitable, (i) make such adjustments as are certified by the Company in the fraction of an interest represented by one Depositary Share in one share of Stock as may be necessary fully to reflect the effects of such change in par or stated value or liquidation preference, split-up, combination or other reclassification of the Stock, or of such recapitalization, reorganization, merger or consolidation, and (ii) treat any securities that shall be received by the Depositary in exchange for or upon conversion of or in respect of the Stock as new deposited securities so received in exchange for or upon conversion or in respect of such Stock. In any such case the Depositary may in its discretion, with the approval of the Company, execute and deliver additional Receipts or may call for the surrender of all outstanding Receipts to be exchanged for new Receipts specifically describing such new deposited securities. Anything to the contrary herein notwithstanding, holders of Receipts shall have the right from and after the effective date of any such change in par or stated value or liquidation preference, split-up, combination or other reclassification of the Stock or any such

recapitalization, reorganization, merger or consolidation to surrender such Receipts to the Depository with instructions to convert, exchange or surrender the Stock represented thereby only into or for, as the case may be, the kind and amount of shares of stock and other securities and property and cash into which the Stock represented by such Receipts might have been converted or for which such Stock might have been exchanged or surrendered immediately prior to the effective date of such transaction.

SECTION 4.7 Delivery of Reports. The Depository shall, at the expense of the Company, furnish to holders of Receipts any reports and communications received from the Company that are received by the Depository as the holder of Stock.

SECTION 4.8 List of Receipt Holders. Promptly upon request from time to time by, and at the expense of, the Company, the Depository shall furnish to it a list, as of the most recent practicable date, of the names, addresses and holdings of Depository Shares of all record holders of Receipts. The Company shall be entitled to receive such list twice annually without charge.

ARTICLE V

THE DEPOSITARY, THE DEPOSITARY'S AGENTS, THE REGISTRAR AND THE COMPANY

SECTION 5.1 Maintenance of Offices, Agencies and Transfer Books by the Depository; Registrar. Upon execution of this Deposit Agreement, the Depository shall maintain at the Depository's Office, facilities for the execution and delivery, registration and registration of transfer, surrender and exchange of Receipts, and at the offices of the Depository's Agents, if any, facilities for the delivery, registration of transfer, surrender and exchange of Receipts, all in accordance with the provisions of this Deposit Agreement.

The Depository shall keep books at the Depository's Office for the registration and registration of transfer of Receipts, which books during normal business hours shall be open for inspection by the record holders of Receipts, provided that any such holder requesting to exercise such right shall certify to the Depository that such inspection shall be for a proper purpose reasonably related to such person's interest as an owner of Depository Shares evidenced by the Receipts.

The Depository may close such books, at any time or from time to time, when deemed necessary or appropriate by it in connection with the performance of its duties hereunder.

The Depository may, with the approval of the Company, appoint a Registrar for registration of the Receipts or the Depository Shares evidenced thereby. If the Receipts or the Depository Shares evidenced thereby or the Stock represented by such Depository Shares shall be listed on one or more national stock exchanges, the Depository shall appoint a Registrar (acceptable to the Company) for registration of such Receipts or Depository Shares in accordance with any requirements of such exchange. Such Registrar (which may be the Depository if so permitted by the requirements of any such exchange) may be removed and a substitute registrar appointed by the Depository upon the request or with the approval of the Company. If the Receipts, such Depository Shares or such Stock are listed on one or more other stock exchanges, the Depository shall, at the request and at the expense of the Company, arrange such facilities for the delivery, registration, registration of transfer, surrender and exchange of such Receipts, such Depository Shares or such Stock as may be required by law or applicable stock exchange regulation.

The Depository may from time to time appoint Depository's Agents to act in any respect for the Depository for the purposes of this Deposit Agreement and may at any time appoint additional Depository's Agents and vary or terminate the appointment of such Depository's Agents. The Depository shall notify the Company of any such action.

SECTION 5.2 Prevention of or Delay in Performance by the Depository, the Depository's Agents, the Registrar or the Company. Neither the Depository nor any Depository's Agent nor the Registrar nor the Company shall incur any liability to any holder of any Receipt if by reason of any provision of any present or future law, or regulation thereunder, of the United States of America or of any other governmental authority or, in the case of the Depository, the Depository's Agent or the Registrar, by reason of any provision, present or future, of the Certificate or by reason of any act of God or war or other circumstance beyond the reasonable control of the relevant party, the Depository, the Depository's Agent, the Registrar or the Company shall be prevented, delayed or forbidden from, or subjected to any penalty on account of, doing or performing any act or thing that the terms of this Deposit Agreement provide shall be done or performed; nor shall the Depository, any Depository's Agent, the Registrar or the Company incur liability to any holder of a Receipt (i) by reason of any nonperformance or delay, caused as aforesaid, in the performance of any act or thing that the terms of this Deposit Agreement shall provide shall or may be done or performed or (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement except, in the case of any such exercise or failure to exercise discretion not caused as aforesaid, if caused by the gross negligence, willful misconduct or bad faith of the party charged with such exercise or failure to exercise.

SECTION 5.3 Obligation of the Depository, the Depository's Agents, the Registrar and the Company. Neither the Depository nor any Depository's Agent nor the Registrar nor the Company assumes any obligation or shall be subject to any liability under this Deposit Agreement or any Receipt to holders of Receipts other than for its gross negligence, willful misconduct or bad faith in performing such duties as are specifically set forth in this Deposit Agreement.

Neither the Depository nor any Depository's Agent nor the Registrar nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of the Stock, the Depository Shares or the Receipts that in its opinion may involve it in expense or liability unless indemnity satisfactory to it against all expense and liability be furnished as often as may be required.

Neither the Depository nor any Depository's Agent nor the Registrar nor the Company shall be liable for any action or any failure to act by it in reliance upon the written advice of legal counsel or accountants, or information from any person presenting Stock for deposit, any holder of a Receipt or any other person believed by it in good faith to be competent to give such information. The Depository, any Depository's Agent, the Registrar and the Company may each rely and shall each be protected in acting upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

The Depository shall not be responsible for any failure to carry out any instruction to vote any of the shares of Stock or for the manner or effect of any such vote made, as long as any such action or non-action is in good faith. The Depository undertakes, and any Registrar shall be required to undertake, to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Depository or any Registrar. The Depository shall indemnify the Company and hold it

harmless from any loss, liability or expense (including the reasonable costs and expenses of defending itself) actually incurred or suffered arising from acts performed or omitted by the Depository, including when such Depository acts as Registrar, or the Depository's Agents in connection with this Agreement directly related to its or their negligence, willful misconduct or bad faith. The indemnification obligations of the Depository set forth in this Section 5.3 shall survive any termination of this Agreement and any succession of any Depository.

The Depository, its parent, affiliates and subsidiaries, the Depository's Agents, and the Registrar may own, buy, sell and deal in any class of securities of the Company and its affiliates and in Receipts or Depository Shares or become pecuniarily interested in any transaction in which the Company or its affiliates may be interested or contract with or lend money to or otherwise act as fully or as freely as if it were not the Depository, its parent, affiliate or subsidiary or the Depository's Agent or the Registrar hereunder. The Depository may also act as trustee, transfer agent or registrar of any of the securities of the Company and its affiliates.

It is intended that none of the Depository, any Depository's Agent or the Registrar, acting as the Depository, the Depository's Agent or the Registrar, as the case may be, shall be deemed to be an "issuer" of the securities under the federal securities laws or applicable state securities laws, it being expressly understood and agreed that the Depository, any Depository's Agent and the Registrar are acting only in a ministerial capacity as Depository or Registrar for the Stock.

Neither the Depository (or its officers, directors, employees or agents) nor any Depository's Agent nor the Registrar makes any representation or has any responsibility as to the validity of the registration statements pursuant to which the Depository Shares are registered under the Securities Act, the Stock, the Depository Shares or the Receipts (except for its counter-signatures thereon) or any instruments referred to therein or herein or as to the correctness of any statement made therein or herein. The Depository assumes no responsibility for the correctness of the description that appears in the Receipts, which can be taken as a statement of the Company summarizing certain provisions of this Deposit Agreement. Notwithstanding any other provision herein or in the Receipts, the Depository makes no warranties or representations as to the validity, genuineness or sufficiency of any Stock at any time deposited with the Depository hereunder or of the Depository Shares, as to the validity or sufficiency of this Deposit Agreement, as to the value of the Depository Shares or as to any right, title or interest of the record holders of Receipts in and to the Depository Shares. The Depository shall not be accountable for the use or application by the Company of the Depository Shares or the Receipts or the proceeds thereof.

SECTION 5.4 Resignation and Removal of the Depository; Appointment of Successor Depository. The Depository may at any time resign as Depository hereunder by delivering notice of its election to do so to the Company, such resignation to take effect upon the appointment of a successor Depository and acceptance of such appointment by such successor as hereinafter provided.

The Depository may at any time be removed by the Company by notice of such removal delivered to the Depository, such removal to take effect upon the appointment of a successor Depository and acceptance of such appointment by such successor as hereinafter provided. If at any time the Depository acting hereunder shall resign or be removed, the Company shall, within 60 days after the delivery of the notice of resignation or removal, as the case may be, appoint a successor Depository, which shall be a bank or trust company having its principal office in the United States of America and having a combined capital and surplus of at least \$50,000,000. If no successor Depository shall have been so appointed and have accepted appointment within 60 days after delivery of such notice, the resigning or removed Depository may petition any court of competent jurisdiction for the appointment of a successor Depository. Every successor Depository shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor Depository, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor and for all purposes shall be the Depository under this Deposit Agreement, and such predecessor, upon payment of all sums due it and on the written request of the Company, shall execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder, shall duly assign, transfer and deliver all right, title and interest in the Stock and any moneys or property held hereunder to such successor and shall deliver to such successor a list of the record holders of all outstanding Receipts and such records, books and other information in its possession relating thereto. Any successor Depository shall promptly mail notice of its appointment to the record holders of Receipts.

Any corporation into or with which the Depository may be merged, consolidated or converted shall be the successor of such Depository without the execution or filing of any document or any further act, and notice thereof shall not be required hereunder. Such successor Depository may authenticate the Receipts in the name of the predecessor Depository or in the name of the successor Depository.

SECTION 5.5 Corporate Notices and Reports. The Company agrees that it shall deliver to the Depository, and the Depository shall, promptly after receipt thereof transmit to the record holders of Receipts, in each case at the addresses recorded in the Depository's books, copies of all notices and reports (including without limitation financial statements) required by law or by the rules of any national securities exchange upon which the Stock, the Depository Shares or the Receipts are listed, to be furnished to the record holders of Receipts or that the Company otherwise determines to furnish. Such transmission shall be at the Company's expense and the Company shall provide the Depository with such number of copies of such documents as the Depository may reasonably request.

SECTION 5.6 Indemnification by the Company. The Company shall indemnify the Depository, any Depository's Agent and the Registrar against, and hold each of them harmless from, any loss, liability or expense (including the reasonable costs and expenses of defending itself) that may arise out of acts performed or omitted in connection with this Agreement and the Receipts by the Depository, any Registrar or any of their respective agents (including any Depository's Agent), except for any liability arising out of negligence, willful misconduct or bad faith on the respective parts of any such person or persons. The obligations of the Company set forth in this Section 5.6 shall survive termination of this Agreement and any succession of any Depository or Depository's Agent.

SECTION 5.7 Charges and Expenses. The Company shall pay all transfer and other taxes and governmental charges arising solely from the existence of the depository arrangements provided for herein. The Company shall pay all charges of the Depository in connection with the initial deposit of the Stock and the initial issuance of the Depository Shares, all withdrawals of shares of the Stock by owners of Depository Shares, and any redemption or exchange of the Stock. All other transfer and other taxes and governmental charges shall be at the expense of holders of Depository Shares. If, at the request of a holder of Receipts, the Depository incurs charges or expenses for which it is not otherwise liable hereunder, such holder shall be liable for such charges and expenses. All other charges and expenses of the Depository and any Depository's Agent hereunder (including, in each case, reasonable fees and expenses of counsel) incident to the performance of their respective obligations hereunder shall be paid upon prior consultation and agreement between the Depository and the Company as to the amount and nature of such charges and expenses. The Depository shall present its statement for charges and expenses to the Company at such intervals as the Company and the Depository may agree.

SECTION 5.8. Deposit of Stock by the Company. The Company agrees with the Depository that neither the Company nor any company controlled by the Company shall at any time deposit any Stock if such Stock is required to be registered under the provisions of the Securities Act and no registration statement is at such time in effect as to such Stock.

SECTION 5.9 Tax Compliance. The Depository, on its own behalf and on behalf of the Company shall comply with all applicable certification, information reporting and withholding (including "backup" withholding) requirements imposed by applicable tax laws, regulations or administrative practice with respect to (i) any payments made with respect to the Depository Shares or (ii) the issuance, delivery, holding, transfer, redemption or exercise of rights under the Receipts or the Depository Shares. Such compliance shall include, without limitation, the preparation and timely filing of required returns and the timely payment of all amounts required to be withheld to the appropriate taxing authority or its designated agent. The Company shall fully cooperate with the Depository in fulfilling any and all duties set forth in this Section 5.9.

The Depository shall comply with directions received from the Company with respect to the application of such requirements to particular payments or holders or in other particular circumstances and may for purposes of this Agreement rely on any such direction in accordance with the provisions of Section 5.3 hereof.

The Depository shall maintain all appropriate records documenting compliance with such requirements and shall make such records available on request to the Company or to its authorized representatives.

ARTICLE VI

AMENDMENT AND TERMINATION

SECTION 6.1 Amendment. The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depository in any respect that they may deem necessary or desirable, provided that no such amendment (other than any change in the fees of any Depository or Registrar, which shall not go into effect sooner than 30 days after notice thereof to the holders of the Receipts) that materially and adversely alters the rights of the holders of Receipts shall become effective unless such amendment is approved by the holders of at least a majority of the Depository Shares then outstanding. Every holder of an outstanding Receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby.

SECTION 6.2 Termination. This Agreement may be terminated by the Company or the Depository only after (i) all outstanding Depository Shares have been redeemed pursuant to Section 2.8 or (ii) there shall have been made a final distribution in respect of the Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been distributed to the holders of Receipts pursuant to Sections 4.1 or 4.2, as applicable.

If any Receipts shall remain outstanding after the date of termination of this Deposit Agreement, the Depository thereafter shall discontinue the transfer of Receipts, shall suspend the distribution of dividends to the holders thereof and shall not give any further notices (other than notice of such termination) or perform any further acts under this Deposit Agreement, except that the Depository shall continue to collect dividends and other distributions pertaining to the Stock, shall sell rights, preferences or privileges as provided in this Deposit Agreement and shall continue to deliver the Stock and any money and other property represented by Receipts upon surrender thereof by the holders thereof. At any time after the expiration of two years from the date of termination, the Depository may sell Stock then held hereunder at public or private sale, at such places and upon such terms as it deems proper and may thereafter hold the net proceeds of any such sale, together with any money and other property held by it hereunder, without liability for interest, for the benefit, pro rata in accordance with their holdings, of the holders of Receipts that have not theretofore been surrendered. After making such sale, the Depository shall be discharged from all obligations under this Deposit Agreement except to account for such net proceeds and money and other property.

Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depository, the Registrar and any Depository's Agent under Sections 5.6 and 5.7.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1 Counterparts. This Deposit Agreement may be executed in any number of counterparts, and by each of the parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed an original, but all such counterparts taken together shall constitute one and the same instrument.

SECTION 7.2 Exclusive Benefit of Parties. This Deposit Agreement is for the exclusive benefit of the parties hereto, and their respective successors hereunder, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever.

SECTION 7.3 Invalidity of Provisions. If one or more of the provisions contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not be affected, prejudiced or disturbed thereby.

SECTION 7.4 Notices. Any and all notices to be given to the Company hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail, or by telegram or facsimile transmission confirmed by letter, addressed to the Company at:

[if by mail]

UAL Corporation
P.O. Box 66100
Chicago, Illinois 60666
Attention: Corporate Secretary

or

[other delivery]

UAL Corporation
1200 Algonquin Road
Elk Grove Township, Illinois 60007
Attention: Corporate Secretary
Facsimile No.: (708) 952-4683

or at any other address of which the Company shall have notified the Depositary in writing.

Any and all notices to be given to the Depositary hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail, or by telegram or facsimile transmission confirmed by letter, addressed to the Depositary at the Depositary's Office, at:

[if by mail]

First Chicago Trust Company of New York
P.O. Box 2565
Mail Suite 4660
Jersey City, New Jersey 07303-2565

[if by hand or courier]

First Chicago Trust Company of New York
14 Wall Street, 8th Floor
Suite 4680
New York, New York 10005

or at any other address of which the Depositary shall have notified the Company in writing.

Any and all notices to be given to any record holder of a Receipt hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail, or by telegram or facsimile transmission confirmed by letter, addressed to such record holder at the address of such record holder as it appears on the books of the Depositary, or if such holder shall have filed with the Depositary a written request that notices intended for such holder be mailed to some other address, at the address designated in such request.

Delivery of a notice sent by mail or by telegram or facsimile transmission shall be deemed to be effected at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a telegram or facsimile transmission) is deposited, postage prepaid, in a post office letter box. The Depositary or the Company may act upon any telegram or facsimile transmission received by it from the other or from any holder of a Receipt, notwithstanding that such telegram or facsimile transmission shall not subsequently be confirmed by letter or as aforesaid.

SECTION 7.5 Appointment of Registrar. The Company hereby also appoints the Depositary as Registrar in respect of the Receipts and the Depositary hereby accepts such appointment.

SECTION 7.6 Depositary's Agents. The Depositary may from time to time appoint Depositary's Agents to act in any respect for the Depositary for the purposes of this Deposit Agreement and may at any time appoint additional Depositary's Agents and vary or terminate the appointment of such Depositary's Agents. The Depositary shall notify the Company prior to any such action. It is understood and agreed that the Company is hereby appointed as a Depositary Agent and may perform any and all of the obligations of the Depositary under this Agreement, except that it may not hold Stock that is to be delivered to the Depositary.

SECTION 7.7 Holders of Receipts Are Parties. The holders of Receipts from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions hereof and of the Receipts by acceptance of delivery thereof.

SECTION 7.8 GOVERNING LAW. THIS DEPOSIT AGREEMENT AND THE RECEIPTS AND ALL RIGHTS HEREUNDER AND THEREUNDER AND PROVISIONS HEREOF AND THEREOF SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7.9 Inspection of Deposit Agreement. Copies of this Deposit Agreement shall be filed with the Depositary and the Depositary's Agent and shall be open to inspection during business hours at the Depositary's Office or respective offices of the Depositary's Agent, if any, by any holder of a Receipt.

SECTION 7.10 Headings. The headings of articles and sections in this Deposit Agreement and in the form of the Receipt set forth in Exhibit A hereto have been inserted for convenience only and are not to be regarded as a part of this Deposit Agreement or the Receipts or to have any bearing upon the meaning or interpretation of any provision contained herein or in the Receipts.

IN WITNESS WHEREOF, the Company and the Depositary have duly executed this Agreement as of the day and year first above set forth, and all holders of Receipts shall become parties hereto by and upon acceptance by them of delivery of Receipts issued in accordance with the terms hereof.

Attested by
/s/ Francesca M. Maher
Name: Francesca M. Maher
Title Vice President - Law
and Corporate Secretary

UAL CORPORATION
By /s/ James M. Guyette
Name: James M. Guyette
Title: Executive Vice President

Attested by

/s/ John Ruocco
Name: John Ruocco
Title: Administrator

FIRST CHICAGO TRUST
COMPANY OF NEW YORK
By /s/ Craig Bloomfield
Name: Craig Bloomfield
Title: Account Officer

ANNEX A
CUSIP

CERTIFICATE FOR
902549 708

DEPOSITARY SHARES TRANSFERABLE DEPOSITARY RECEIPT. This Certificate is transferable in New York, New York.

SEE REVERSE FOR CERTAIN DEFINITIONS

THE DEPOSITARY SHARES REPRESENTED BY THIS RECEIPT ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF FIRST CHICAGO TRUST COMPANY OF NEW YORK, THE DEPOSITARY HEREUNDER, OR OF ANY BANK OR NON-BANK DEPOSITORY OF UAL CORPORATION AND ARE NOT INSURED BY THE SAVINGS ASSOCIATION INSURANCE FUND OR THE BANK INSURANCE FUND OF THE FEDERAL DEPOSIT INSURANCE CORPORATION, OR ANY OTHER GOVERNMENT AGENCY

UAL CORPORATION
A CORPORATION INCORPORATED UNDER THE LAWS
OF THE STATE OF DELAWARE

First Chicago Trust Company of New York, as Depositary (the "Depositary"), hereby certifies that

is the registered owner of _____ DEPOSITARY SHARES ("Depositary Shares"), each Depositary Share representing a one one-thousandth (1/1,000) interest in one share of 12 1/4% Series B Preferred Stock, without par value, \$25,000 liquidation value per share (the "Stock"), of UAL Corporation, a Delaware corporation (the "Corporation"), on deposit with the Depositary, subject to the terms and entitled to the benefits of the Deposit Agreement dated as of July 12, 1994 (the "Deposit Agreement"), between the Corporation and the Depositary. By accepting this Depositary Receipt, the holder hereof becomes a party to and agrees to be bound by all the terms and conditions of the Deposit Agreement. This Depositary Receipt shall not be valid or obligatory for any purpose or be entitled to any benefits under the Deposit Agreement unless it shall have been executed by the Depositary by the manual signature of a duly authorized officer or, if executed in facsimile by the Depositary, countersigned by a Registrar in respect of the Depositary Receipts by a duly authorized officer thereof.

Dated: _____

Countersigned

FIRST CHICAGO TRUST COMPANY OF

NEW YORK

Depositary and Registrar

By: _____

Authorized Officer

UAL CORPORATION

UAL CORPORATION SHALL FURNISH WITHOUT CHARGE TO EACH RECEIPT HOLDER WHO SO REQUESTS A COPY OF THE DEPOSIT AGREEMENT AND A STATEMENT OR SUMMARY OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION THAT ESTABLISHES THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIFIED RIGHTS OF THE 12 1/4% SERIES B PREFERRED STOCK AND EACH OTHER CLASS OF PREFERRED STOCK OR SERIES THEREOF THAT THE CORPORATION IS AUTHORIZED TO ISSUE AND OF THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCE AND/OR RIGHTS. ANY SUCH REQUEST SHOULD BE ADDRESSED TO UAL CORPORATION, 1200 ALGONQUIN ROAD, ELK GROVE TOWNSHIP, ILLINOIS 60007, ATTENTION: CORPORATE SECRETARY.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Depositary Receipt, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____
(State)

UNIF TRAN MIN ACT - _____ Custodian (until age __)
(Cust)

_____ under Uniform Transfers
(Minor)
to Minors Act _____
(State)

Additional abbreviations may also be used though not in the above list. For value received, _____ hereby sell(s),
assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____ Depository Shares represented by the within Depository Receipt, and do(es) hereby irrevocably constitute
and appoint _____ Attorney to transfer the said Depository Shares on the books of the within named Depository
with full power of substitution in the premises.

Dated:

Signature: _____

as written upon

NOTICE: The signature to this assignment must correspond with the name

enlargement or any

the face of this Depository Receipt in every particular, without alteration or

change whatever.

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</DOCUMENT>

**AMENDED AND RESTATED
AGREEMENT AND PLAN OF RECAPITALIZATION**

dated as of

March 25, 1994

among

UAL CORPORATION

and

**AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL**

and

**INTERNATIONAL ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS**

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AMENDED AND RESTATED

AGREEMENT AND PLAN OF RECAPITALIZATION

AGREEMENT AND PLAN OF RECAPITALIZATION, dated as of March 25, 1994, as amended and restated (the "Agreement"), among UAL Corporation, a Delaware corporation (the "Company"), Air Line Pilots Association, International ("ALPA"), pursuant to its authority as the collective bargaining representative for the crafts or class of pilots employed by United Air Lines, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("United"), and International Association of Machinists and Aerospace Workers ("IAM" and, together with ALPA, the "Unions"), pursuant to its authority as the collective bargaining representative for the crafts or classes of mechanics and related

employees, ramp and stores employees, food service employees, dispatchers and security officers employed by United.

In consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I

THE RECAPITALIZATION

SECTION 1.1 *The Recapitalization.* Pursuant to Section 242 of the General Corporation Law of the State of Delaware ("Delaware Law"), as soon as practicable after satisfaction or, to the extent permitted hereunder, waiver of all conditions set forth in Article VIII, the Company will file an amended and restated certificate of incorporation in form and substance as set forth on Schedule 1.1 (the "Restated Certificate") with the Secretary of State of the State of Delaware. Except as otherwise provided herein, the transactions contemplated by this Agreement (collectively, the "Recapitalization") shall become effective at such time as the Restated Certificate is duly filed with the Secretary of State of the State of Delaware or at such later time as may be mutually agreed upon by the Company and each of the Unions and as is specified in the Restated Certificate (the "Effective Time").

SECTION 1.2 *Reclassification of Old Shares.*

(a) At the Effective Time, subject to Section 1.5(f), each share of common stock, par value \$5.00 per share, of the Company ("Common Stock") outstanding immediately prior to the Effective Time, including each share of vested and unvested restricted stock issued pursuant to the UAL 1988 Restricted Stock Plan, together with each share of Common Stock held by the Company as treasury stock or owned by any wholly-owned subsidiary of the Company which is not cancelled immediately prior to the Effective Time pursuant to Section 1.2(b) (each of the foregoing being referred to herein as an "Old Share"), shall, without any further action on the part of the holder thereof, be reclassified (the "Reclassification") as, and converted into:

(i) 0.5 of a share of common stock, par value \$0.01 per share, of the Company (the "New Shares") having the rights, powers and privileges described in the Restated Certificate; and

(ii) one one-thousandth of a share of Series D Redeemable Preferred Stock of the Company, without par value (the "Redeemable Preferred Stock"), having the rights, powers and privileges described in the Restated Certificate.

If the Underwriting Alternative (as defined in Section 1.11 hereof) has been elected and consummated with respect to the Depositary Shares (as defined), the Series A Debentures (as defined) and/or the Series B Debentures (as defined), the terms of the Redeemable Preferred Stock will be modified as provided in the Restated Certificate.

(b) Each Old Share held by the Company as treasury stock or owned by any wholly-owned subsidiary of the Company immediately prior to the Effective Time (the "Treasury Shares"), up to a maximum of 1,000,000 Treasury Shares (the "Retained Treasury Shares"), shall be reclassified and converted in accordance with Section 1.2(a), with all Treasury Shares in excess of 1,000,000 being surrendered for cancellation immediately prior to the Effective Time and no payment shall be made with respect thereto. Immediately following the Effective Time, the Company and each of its wholly owned Subsidiaries (as defined in Section 3.6) shall surrender for cancellation the Redeemable Preferred Stock received upon Reclassification of the Retained Treasury Shares and no payment shall be made in respect thereof.

SECTION 1.3 *Redemption.* Following the Effective Time, all outstanding shares of Redeemable Preferred Stock shall, to the extent of funds legally available therefor and subject to the provisions of the Restated Certificate, be redeemed immediately after issuance according to the terms thereof (the "Redemption"). Pursuant to the Redemption, the holders of Redeemable Preferred Stock, if any, shall be entitled to receive, in respect of each one one-thousandth of a share of Redeemable Preferred Stock, subject to the terms thereof and Section 1.5(f):

(i) \$25.80 in cash;

(ii) either (a) depositary shares (the "Depositary Shares") representing interests in \$31.10 liquidation preference of Series B Preferred Stock of the Company, without par value (the "Public Preferred Stock"), or (b) if the Underwriting Alternative with respect to the Depositary Shares is consummated, a cash payment equal to the Depositary Share Proceeds Amount (as defined);

(iii) either (a) \$15.55 principal amount of Series A Senior Unsecured Debentures due 2004 of United issued as provided below (the "Series A Debentures") or (b) if the Underwriting Alternative with respect to the Series A Debentures is consummated, a cash payment equal to the Series A Debenture Proceeds Amount (as defined); and

(iv) either (a) \$15.55 principal amount of Series B Senior Unsecured Debentures due 2014 of United issued as provided below (the "Series B Debentures" and, together with the Series A Debentures, collectively, the "Debentures") or (b) if the Underwriting Alternative with respect to the Series B Debentures is consummated, a cash payment equal to the Series B Debenture Proceeds Amount (as defined).

The Depositary Shares shall be issued pursuant to a Deposit Agreement substantially in the form set forth on Schedule 1.3(a) (the "Deposit Agreement"). The Depositary Shares shall be issued only in denominations of \$25.00 of liquidation preference and integral multiples thereof. The Public Preferred Stock shall have the rights, powers and privileges described in the Restated Certificate, which shall include a per share liquidation preference of \$25,000. The Debentures shall be issued pursuant to the Indenture, dated as of July 1, 1991, between United and the Bank of New York, and the Officers' Certificate (the "Officers' Certificate") in form and substance as set forth on Schedule 1.3(b) (collectively, the "Indenture"). Such Indenture shall be qualified under the Trust Indenture Act of 1939, and the rules and regulations promulgated thereunder (the "TIA"). The Debentures shall be issued only in denominations of \$100 and integral multiples thereof or, if the Underwriting Alternative with respect to either series of Debentures is consummated at or prior to the Effective Time and the Company so elects, denominations of \$1,000 and integral multiple thereof, in which case conforming changes shall be made to this Agreement and the attachments hereto to take into account such greater denominations with respect to such series.

SECTION 1.4 *Pricing of Specified Securities.*

(a) The parties have agreed that the respective interest and dividend rates that would be required to be applied to the Debentures and the Public Preferred Stock, respectively, in order for the Debentures and the Depositary Shares to trade at 100% of aggregate principal amount (in the case of the Debentures) or at 100% of aggregate liquidation preference (in the case of the Depositary Shares) (collectively "par") as of the close of business, New York time, on the Trading Day (as defined below) immediately preceding the date hereof (assuming for such purpose that the Debentures and the Depositary Shares were fully distributed on such date) would be as follows (the "Initial Pricing"): Series A Debentures--9.00%, Series B Debentures--9.70% and Public Preferred Stock-10.25%. Each of the Series A Debentures, the Series B Debentures and the Public Preferred Stock is referred to herein as a "Specified Security" and, collectively, as the "Specified Securities."

(b) On the Trading Day immediately preceding the Announcement Date, CS First Boston Corporation ("First Boston") (in consultation with Lazard Freres & Co. ("Lazard")) on behalf of the Company and Keilin & Bloom (or such other investment banking firm as may be reasonably selected by the Unions) on behalf of the Unions (the "Primary Banking Firms") shall seek to mutually determine the interest or dividend rates, as applicable (the "Applicable Rate"), that each of the Specified Securities should bear in order for such Specified Security (in the case of the Debentures) or the Depositary Shares (in the case of the Public Preferred Stock) to trade at par as of the close of business, New York time, on the Trading Day immediately preceding the Announcement Date, assuming both that an Underwriting Alternative with respect thereto had and had not been elected and further assuming in each such case that such Specified Security or Depositary Shares, as the case may be, were fully distributed on such Trading Day. If the Primary Banking Firms agree on the Applicable Rate with respect to a Specified Security, such Specified Security shall bear such rate and such rate shall be the Applicable Rate with respect to such Specified Security. If the Primary Banking Firms are unable to agree on the Applicable Rate with respect to a Specified Security, then (i) Salomon Brothers Inc, or such other firm as agreed in writing by the Primary Banking Firms (the "Deadlock Firm"), shall render its opinion, on the Trading Day immediately preceding the Announcement Date, as to the Applicable Rate with respect to such Specified Security or Securities, and (ii) the Applicable Rate with respect to such Specified Security or Securities shall be the average of the two closest rates specified in the opinions of the Primary Banking Firms and the Deadlock Firm, rounded to the nearest one one-hundredth of a percent in the case of the interest rate for the Debentures and to the nearest one one-hundredth of a percent in the case of the dividend rate for the Public Preferred Stock; provided however, that, in no event shall the Applicable Rate with respect to the Specified Securities exceed (x) in the case of the Series A Debentures, 10.125%; (y) in the case of the Series B Debentures, 10.825%; and (z) in the case of the Public Preferred Stock, 11.375% (the "Maximum Pricing").

(c) On the Announcement Date, the Company shall issue a press release setting forth the Applicable Rate for each of the Specified Securities, which press release shall be distributed to major wire services and news agencies, and shall confirm that the Company Stockholder Meeting (as defined in Section 5.2) will be held as scheduled, and shall contain such other information as may be mutually agreed upon by the Company and the Unions.

(d) "Announcement Date" shall mean a Trading Day which shall be not fewer than five calendar days nor greater than ten calendar days preceding the date of the Company Stockholder Meeting, such date to be disclosed to the Unions not fewer than ten calendar days prior thereto. "Trading Day" shall mean a day on which the New York Stock Exchange, Inc. ("NYSE") is open for the transaction of business.

(e) The parties agree that the Initial Pricing of the Debentures (and the Maximum Pricing for the Debentures) was based on, and the Applicable Rates will be based on, the assumption that the Debentures will not be callable prior to their respective stated maturities. The parties further

agree that the Unions may request, not less than seven days prior to the Announcement Date, that, in the event that the Underwriting Alternative is not consummated with respect to either or both series of Debentures, either or both of the series of Debentures shall be callable prior to stated maturity. If so requested, immediately following the establishment of the Applicable Rates and prior to the Announcement Date, an additional procedure (based on the procedure set forth in Section 1.4(b)) shall be implemented whereby the Primary Banking Firms shall establish the incremental increase in pricing resulting from the addition of the call feature on either or both of the series of Debentures, as the case may be, above the Applicable Rate, with any disagreement to be resolved in accordance with the procedures set forth in Section 1.4(b) involving the Deadlock Firm; provided however, that the Unions may withdraw the request for a call feature at any time up to the issuance of the press release in accordance with subsection 1.4(c).

(f) Notwithstanding any provision of this Agreement or the Schedules or Exhibits hereto to the contrary, if the Underwriting Alternative with respect to the Depositary Shares or either series of Debentures is consummated, (i) with respect to the securities that are subject to the Underwriting Alternative, the Company and United, in consultation with the underwriters, may set the record dates and payment dates (quarterly and semiannually, respectively) for the Public Preferred Stock (to which the Depositary Shares relate) and the Debentures, may select a regular interest payment date in the year 2004 as the maturity date for the Series A Debentures and may set a regular interest payment date in the year 2014 as the maturity date for the Series B Debentures and (ii) the following provisions of this subsection 1.4(f), with respect to the securities that are subject to the Underwriting Alternative, shall be null and void. If the Company causes a regular quarterly dividend to be paid on both the Public Preferred Stock and the Prior Preferred Stock (as defined below) in respect of any regular quarterly dividend payment date, then the Company shall cause the quarterly record date (and corresponding dividend payment date) for the payment of such dividend on the Public Preferred Stock to be the same as the quarterly record date (and corresponding dividend payment date) for the payment of such dividend on the Series A 6.25% Convertible Preferred Stock of the Company (the "Prior Preferred Stock"). With respect to a regular quarterly dividend payment date for the Public Preferred Stock and the Prior Preferred Stock that coincides with a regular semi-annual interest payment date for the Debentures, if the Company causes (i) a regular quarterly dividend to be paid on the Public Preferred Stock or the Prior Preferred Stock, or both, in respect of any such quarterly dividend payment date and (ii) a regular semi-annual installment of interest to be paid on the Debentures in respect of such regular semi-annual interest payment date, then the Company shall cause the semi-annual record date (and corresponding interest payment date) for such payment of interest on the Debentures to be the same as the quarterly record date (and corresponding dividend payment date) for the payment of such dividend on the Public Preferred Stock or the Prior Preferred Stock or both, as the case may be.

SECTION 1.5 *Surrender and Exchange.*

(a) Prior to the Effective Time, the Company shall enter into an agreement (the "Exchange Agent Agreement") with First Chicago Trust Company of New York, as exchange agent (the "Exchange Agent"), for the purpose of exchanging certificates representing Old Shares for the Recapitalization Consideration (defined below). The Company will make available to the Exchange Agent, as needed, in trust for the benefit of holders of Old Shares, the Recapitalization Consideration (as defined herein) to be distributed in respect of the Old Shares (without regard to Section 1.5(f)). The cash portion of the Recapitalization Consideration shall be invested by the Exchange Agent as directed by the Company (so long as such directions do not impair the rights of holders of Old Shares), in direct obligations of the United States, obligations for which the full faith and credit of the United States is pledged to provide for the payment of principal and interest, commercial paper rated of the highest quality by Moody's Investors Services, Inc. and Standard & Poor's Corporation or certificates of deposit issued by a commercial bank having at least \$10,000,000,000 in assets (collectively, "Permitted Securities"), and any net earnings with respect thereto shall be paid to the Company. The Exchange Agent shall, pursuant to irrevocable instructions, make the distributions referred to in Section 1.5(b) and the Recapitalization Consideration held by the Exchange Agent shall not be used for any other purpose. As soon as practicable after the Effective Time, the Company will send, or cause the Exchange Agent to send and otherwise make available, to each holder of Old Shares at the Effective Time a letter of transmittal, in form reasonably satisfactory to the Unions and the Company, for use in such exchange. Such letter of transmittal shall advise such holder of the effectiveness of the Recapitalization, whether or not any portion of the Underwriting Alternative has been consummated and, if consummated, the expected amount of the Proceeds Amount, and the procedures for surrendering to the Exchange Agent certificates representing Old Shares for exchange into Recapitalization Consideration and shall specify that the delivery shall be effected, and the risk of loss and title shall pass, only upon proper delivery of the certificates representing Old Shares to the Exchange Agent.

(b) Each holder of Old Shares that have been converted into New Shares and Redeemable Preferred Stock, upon surrender to the Exchange Agent of an Old Certificate or Certificates, together with a properly completed letter of transmittal covering such Old Shares, will be entitled to receive in respect of such Old Shares, subject to Section 1.5(f):

(i) a certificate or certificates representing 0.5 of a New Share for each Old Share formerly represented by such Old Certificate or Certificates in accordance with Section 1.2;

(ii) either (a) a depositary receipt or receipts representing Depositary Shares representing interests in \$31.10 liquidation preference of Public Preferred Stock for each Old Share formerly represented by such Old Certificate or Certificates in respect of the Redemption or (b) if the Underwriting Alternative with respect to the Depositary Shares is consummated, a cash payment equal to the Depositary Share Proceeds Amount in respect of the Redemption;

(iii) either (a) \$15.55 principal amount of Series A Debentures for each Old Share formerly represented by such Old Certificate or Certificates in respect of the Redemption or (b) if the Underwriting Alternative with respect to the Series A Debentures is consummated,

a cash payment equal to the Series A Debenture Proceeds Amount in respect of the Redemption;

(iv) either (a) \$15.55 principal amount of Series B Debentures for each Old Share formerly represented by such Old Certificate or Certificates in respect of the Redemption or (b) if the Underwriting Alternative with respect to the Series B Debentures is consummated, a cash payment equal to the Series B Debenture Proceeds Amount in respect of the Redemption; and

(v) a cash payment of \$25.80 for each Old Share formerly represented by such Old Certificate or Certificates in respect of the Redemption (the cash and/or securities distributed pursuant to clauses (i) through (v), collectively, the "Recapitalization Consideration").

Until so surrendered, each Old Certificate or Certificates formerly representing Old Shares shall, after the Effective Time, represent for all purposes only the right to receive such Recapitalization Consideration.

(c) If any portion of the Recapitalization Consideration is to be paid to a person other than the registered holder of the Old Shares formerly represented by the Old Certificate or Certificates so surrendered in exchange therefor, it shall be a condition to such payment that the Old Certificate or Certificates so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the person requesting such payment shall pay to the Exchange Agent any transfer or other taxes required as a result of such payment to a person other than the registered holder of such Old Shares or establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(d) In the event any Old Certificate or Certificates shall have been lost, stolen or destroyed, upon the making of an affidavit to that fact by the person claiming such certificate to be lost, stolen or destroyed, the Company will issue in exchange for such lost, stolen or destroyed Old Certificate or Certificates the Recapitalization Consideration deliverable in respect thereof in accordance with this Article I. When authorizing such issue of the Recapitalization Consideration in exchange therefor, the Company may, in its discretion and as a condition precedent to the issuance there, require the person claiming ownership of such lost, stolen or destroyed Old Certificate or Certificates to give the Company a bond in such sum as it may direct, or otherwise indemnify the Company in a manner satisfactory to it, against any claim that may be made against the Company with respect to the Old Certificate or Certificates alleged to have been lost, stolen or destroyed.

(e) After the Effective Time, there shall be no further registration of transfers of Old Shares. If, after the Effective Time, Old Certificate or Certificates are presented to the Company or its transfer agent, such Old Certificate or Certificates shall be canceled and exchanged for the Recapitalization Consideration provided for, and in accordance with the procedures set forth, in this Article I. All Recapitalization Consideration to be distributed pursuant to this Section 1.5, if unclaimed on the first anniversary of the Effective Time, shall be released and paid by the Exchange Agent to the Company, after which time persons entitled thereto may look, subject to applicable escheat and other similar laws, only to the Company for payment thereof.

(f) Notwithstanding anything to the contrary contained in this Agreement:

(i) No certificates, debentures or scrip representing fractional New Shares, depositary receipts representing fractional Depository Shares (based upon each whole Depository Share representing interests in \$25 liquidation preference of Public Preferred Stock) or fractional Debentures shall be issued as part of the Recapitalization, and such fractional interests will not entitle the beneficial or record owner thereof to any rights of a stockholder or creditor of the Company.

(ii) As promptly as practicable following the Effective Time, the Exchange Agent shall determine the excess of (x) the number of whole New Shares into which all of the Old Shares will be reclassified and converted pursuant to Section 1.2 over (y) the aggregate number of whole New Shares to be distributed to holders of Old Shares pursuant to Section 1.5 (such excess being referred to herein as the "Excess New Shares"); and if the Underwriting Alternative has not been elected with respect to the Depository Shares, the Series A Debentures and/or the Series B Debentures, as the case may be, or, if elected has not been consummated for any reason at or prior to the Effective Time, the Exchange Agent shall also determine, as appropriate, (I) the excess of (a) the number of whole Depository Shares representing interests in shares of Public Preferred Stock issuable upon Redemption in accordance with Article FOURTH, Part I.D, Section 6 of the Restated Certificate with respect to the Redeemable Preferred Stock into which the Old Shares will be reclassified and converted pursuant to Section 1.2(a) over (b) the aggregate number of whole Depository Shares representing interests in shares of Public Preferred Stock to be distributed to holders of Old Shares pursuant to Section 1.5 (such excess being referred to herein as the "Excess Depository Shares"); (II) the excess of (a) the number of whole Series A Debentures issuable upon Redemption in accordance with Article FOURTH, Part I.D, Section 6 of the Restated Certificate with respect to the Redeemable Preferred Stock into which the Old Shares will be reclassified and converted pursuant to Section 1.2(a) over (b) the aggregate number of whole Series A Debentures to be distributed to holders of Old Shares pursuant to Section 1.5 (such excess being referred to herein as the "Excess Series A Debentures"); and/or (III) the excess of (a) the number of whole Series B Debentures issuable upon Redemption in accordance with Article FOURTH, Part I.D, Section 6 of the Restated Certificate with respect to the Redeemable Preferred Stock into which the Old Shares will be reclassified and converted pursuant to Section 1.2(a) over (b) the aggregate number of whole Series B Debentures to be distributed to holders of Old

Shares pursuant to Section 1.5 (such excess being referred to herein as the "Excess Series B Debentures" and, together with the Excess New Shares, the Excess Depositary Shares and/or the Excess Series A Debentures, as applicable, collectively, the "Excess Securities"). As soon after the Effective Time as practicable taking into account market conditions based on consultations with the Company, the Exchange Agent, as agent for the holders of Old Shares, shall sell the Excess Securities at then prevailing prices on the principal national securities exchange, automated quotation system or other trading market (the "Applicable Exchange") on which the relevant Excess Securities are listed or admitted for trading (which shall be the NYSE in the case of the New Shares), all in the manner provided in paragraph (iii) of this Section.

(iii) The sale of the Excess Securities by the Exchange Agent shall be executed on an Applicable Exchange through one or more member firms of such Applicable Exchange and shall be executed in round lots to the extent practicable. Until the net proceeds of such sale or sales have been distributed to the holders of Old Shares, the Exchange Agent will hold such proceeds in trust for the holders of Old Shares (the "Excess Securities Trust"). Until distributed as provided below, the Excess Securities Trust shall be invested, as directed by the Company, in Permitted Securities and any net earnings with respect thereto shall be paid to the Company. The Company shall pay all commissions, transfer taxes and other out-of-pocket transaction costs, including the expenses and compensation of the Exchange Agent, incurred in connection with such sale of the Excess Securities. The Exchange Agent shall determine the portion of the Excess Securities Trust to which each holder of Old Shares shall be entitled, if any, by (w) multiplying the amount of the aggregate net proceeds comprising the Excess Securities Trust attributable to the sale of Excess New Shares by a fraction, the numerator of which is the amount of the fractional New Share interest to which such holder of Old Shares would be entitled but for the application of Section 1.5(f)(i) and the denominator of which is the aggregate amount of fractional New Share interests to which all holders of Old Shares would be entitled but for the application of Section 1.5(f)(i); and if the Underwriting Alternative has not been elected with respect to the Depositary Shares, the Series A Debentures and/or the Series B Debentures, as the case may be, or, if elected has not been consummated for any reason at or prior to the Effective Time, as appropriate, by (x) multiplying the amount of the aggregate net proceeds comprising the Excess Securities Trust attributable to the sale of Excess Depositary Shares by a fraction, the numerator of which is the amount of the fractional Depositary Share interest to which such holder of Old Shares would be entitled but for the application of Section 1.5(t)(i) and the denominator of which is the aggregate amount of fractional Depositary Share interests to which all holders of Old Shares would be entitled but for the application of Section 1.5(f)(i); (y) multiplying the amount of the aggregate net proceeds comprising the Excess Securities Trust attributable to the sale of Excess Series A Debentures by a fraction, the numerator of which is the amount of the fractional Series A Debenture interest to which such holder of Old Shares would be entitled but for the application of Section 1.5(f)(i) and the denominator of which is the aggregate amount of fractional Series A Debenture interests to which all holders of Old Shares would be entitled but for the application of Section 1.5(f)(i); and (z) multiplying the amount of the aggregate net proceeds comprising the Excess Securities Trust attributable to the sale of Excess Series B Debentures by a fraction, the numerator of which is the amount of the fractional Series B Debenture interest to which such holder of Old Shares would be entitled but for the application of Section 1.5(f)(i) and the denominator of which is the aggregate amount of fractional Series B Debenture interests to which all holders of Old Shares would be entitled but for the application of Section 1.5(f)(i).

(iv) As soon as practicable after the determination of the total amount of cash, if any, to be paid to holders of Old Shares in lieu of any fractional New Share and, if applicable, Depositary Share interests, Series A Debenture interests and/or Series B Debenture interests, the Exchange Agent shall make available such amounts to such holders of Old Shares; provided, however, that such amounts shall be paid to each holder of Old Shares only upon surrender of such holder's Old Certificate or Certificates together with a properly completed and duly executed letter of transmittal and any other required documents. All cash in lieu of fractional interests to be paid pursuant to this Section 1.5(f), if unclaimed on the first anniversary of the Effective Time, shall be released and paid by the Exchange Agent to the Company, after which time persons entitled thereto may look, subject to applicable escheat and other similar laws, only to the Company for payment thereof.

(g) No interest shall be paid or accrued on any portion of the Recapitalization Consideration or cash in lieu of fractional interests. No dividends or other distributions declared or made after the Effective Time with respect to New Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered Old Certificate or Certificates with respect to the New Shares such holder is entitled to receive until the holder of such Old Certificate or Certificates shall surrender the same in accordance with this Section 1.5 and unless such holder is a record holder of such New Shares on such record date.

Section 1.6 *Other Issuances.*

In conjunction with the consummation of the Recapitalization, the Company shall issue the shares described in this Section 1.6.

(a) During the 69 months following the Effective Time, the "Final Number" (as defined in subsection (b)) of shares of convertible preferred stock described below (the "ESOP Convertible Preferred Stock") shall be (i) issued to State Street Bank and Trust Company, a Massachusetts business trust, as trustee (the "ESOP Trustee") under a trust to be created pursuant to the Employee Stock Ownership Trust Agreement between the Company and the ESOP Trustee in form and substance as set forth on Schedule 1.6(a) (i) (the "ESOP Trust") and to be established for the benefit of certain employees of the Company and its Subsidiaries participating in the UAL Corporation Employee Stock Ownership Plan in form and substance as set forth on Schedule 1.6(a) (ii) (the "ESOP") and, to the extent not so issued, (ii) credited as book entry credits to the accounts of certain employees of the Company and its Subsidiaries participating in the UAL Corporation Supplemental ESOP in form and substance as set forth on Schedule 1.6(a) (iii) (the "Supplemental ESOP" and together with the ESOP, collectively, the "ESOPs") and in certain circumstances issued to the ESOP Trustee under a trust (the "Supplemental ESOP Trust" and together with the ESOP Trust, collectively, the "ESOP Trusts") to be created pursuant to the Supplemental ESOP Trust Agreement between the Company and the ESOP Trustee in form and

substance as set forth on Schedule 1.6(a)(iv).

(b) The number of shares of ESOP Convertible Preferred Stock to be so issued and credited as contemplated by subsection (a) shall initially be 17,675,345, which is equal to the product of (i) 0.5, (ii) 55/45ths, (iii) the "Fully Diluted Old Shares" immediately prior to the Effective Time, and (iv) 0.9999. The "Fully Diluted Old Shares" immediately prior to the Effective Time shall equal 28,926,185. The total number of shares of ESOP Convertible Preferred Stock to be so issued and credited is subject to increase (in accordance with Section 1.10) up to an amount equal to the sum of (i) 17,675,345 plus (ii) the Additional Shares (as defined in Section 1.10). Such total number of shares, including to the extent, if any, so increased, is referred to as the "Final Number."

(c) The ESOP Convertible Preferred Stock shall consist of (i) Class 1 ESOP Convertible Preferred Stock, par value \$0.01 per share, of the Company, with a fixed dollar dividend in a dollar amount (the "Dollar Amount") that is equal to 7.00%, or such lesser percentage that may be agreed to by the Company and the ESOP Trustee prior to the Effective Time, of the per share price at which the Class 1 ESOP Preferred Stock is issued to the ESOP Trustee at the Effective Time (the "Initial Price"), and having the rights, powers and privileges set forth in the Restated Certificate (the "ESOP Preferred"), and (ii) Class 2 ESOP Convertible Preferred Stock, par value \$0.01 per share, of the Company having the rights, powers and privileges set forth in the Restated Certificate (the "Supplemental ESOP Preferred").

(d) At the Effective Time, the Company shall issue to the ESOP Trustee in accordance with a stock purchase agreement and amendment in form and substance as set forth on Schedule 1.6(d) (as so amended, the "ESOP Stock Purchase Agreement"), a number of shares of ESOP Preferred (the "Initial Shares") equal to the Year 1 Release Shares (as defined), divided by the Year 1 Decimal (as defined).

(i) The term "Year 1 Release Shares" shall mean the product of

(x) 17,675,345,

(y) a fraction (the "First Year Fraction") having a numerator equal to the number of days from the Effective Time to December 31, 1994 and a denominator equal to 2,099 (which approximates the number of days in the 69 months after the Effective Time), and

(z) 0.7815 (the "Class 1 Decimal").

(ii) The term "Year 1 Decimal" shall mean one minus the product of

(xx) the Dollar Amount as a percentage (expressed as a decimal) of the Initial Price and

(yy) 5.25.

The Year 1 Release Shares shall be released from the ESOP suspense account and allocated to the accounts of ESOP participants as of December 31, 1994. The balance of the Initial Shares (the "Year 1 Remaining Shares") shall be released from the ESOP suspense account and allocated to the accounts of ESOP participants in level installments for each full plan year (and prorated for the quarter ending March 31, 2000) in the period from January 1, 1995 through March 31, 2000.

As of December 31, 1994, there shall be credited to the accounts of Supplemental ESOP participants a number of shares of Supplemental ESOP Preferred equal to the product of

(aa) 17,675,345,

(bb) the First Year Fraction, and

(cc) one minus the Class 1 Decimal.

(e) At or about the 365th day following the Effective Time (the "Measuring Date") and at or about the next four following anniversaries of the Measuring Date (each a "Measuring Date Anniversary"), the Company shall negotiate in good faith with the ESOP Trustee to reach an agreement under which the Company shall issue to the ESOP Trustee shares of ESOP Preferred at an agreed-upon price per share (for each applicable plan year, the "Purchase Price"). If such agreement is reached within 30 days of the Measuring Date or within 30 days of any Measuring Date Anniversary, then, within five days thereafter, the Company shall sell to the ESOP Trustee, and the ESOP Trustee shall purchase from the Company, pursuant to an agreement substantially in the form of Exhibit B to the ESOP Stock Purchase Agreement, a number of shares of ESOP Preferred (with respect to each such year, the "Subsequent Shares"), which number of shares shall equal, for each such plan year, the Subsequent Year Release Shares (as defined) divided by the Subsequent Year Decimal (as defined).

(i) The term "Subsequent Year Release Shares" shall mean, for each such plan year, the excess of

(xx) the product of

(A) 12/69ths of the Final Number and

(B) the Class 1 Decimal, over

(yy) the number of Year I Remaining Shares and Subsequent Year Remaining Shares (as defined below) (collectively, "Tail Shares") scheduled to be released in such plan year.

(ii) The term "Subsequent Year Decimal" shall be calculated separately for each such plan year and shall mean one minus the product of

(yy) a fraction (expressed as a decimal) having a numerator equal to the Dollar Amount and a denominator equal to the Purchase Price for the plan year in question, and

(zz) the number of years and fractional years from the end of the plan year for which such shares are being issued to March 31, 2000.

The Subsequent Year Release Shares for each such plan year shall be released from the ESOP suspense account and allocated to the accounts of ESOP participants as of the end of such plan year. The balance of the Subsequent Shares for such plan year (the "Subsequent Year Remaining Shares") shall be released from the ESOP suspense account and allocated to the accounts of ESOP participants in level installments for each full plan year (and prorated for the quarter ending March 31, 2000) remaining in the period from the January 1 immediately following such plan year through March 31, 2000.

For each of the second through sixth plan years of the Supplemental ESOP, there shall be credited to the accounts of Supplemental ESOP participants shares of Supplemental ESOP Preferred equal to the product of (aa) tz/69ths of the Final Number and (bb) the decimal equal to one minus the Class 1 Decimal.

(f) Commencing not later than December 1, 1999, the Company shall negotiate in good faith with the ESOP Trustee to reach an agreement under which the Company shall issue to the ESOP Trustee shares of ESOP Preferred at an agreed-upon price (the "Purchase Price" for such year). If such agreement is reached, then on the first business day in the year 2000, the Company shall sell to the ESOP Trustee, and the ESOP Trustee shall purchase from the Company, pursuant to an agreement substantially in the form of Exhibit B to the ESOP Stock Purchase Agreement, a number of shares of ESOP Preferred ("Final Year Shares"), which number shall equal the excess of

(A) the product of

(xx) the Final Number,

(yy) a fraction (the "Final Fraction") equal to one minus the sum of 20/23rds and the First Year Fraction, and

(zz) the Class 1 Decimal, over

(B) the number of Tail Shares scheduled to be released in such plan year.

For the seventh plan year of the Supplemental ESOP, there shall be credited to the accounts of Supplemental ESOP participants shares of Supplemental ESOP Preferred equal to the product of (aa) the Final Number, (bb) the Final Fraction and (cc) a decimal equal to one minus the Class 1 Decimal.

(g) The Company may, with the consent of the Unions, which shall not be unreasonably withheld, make all or any part of the sales of ESOP Preferred to the ESOP Trustee described above at any earlier date or dates, provided that the timing and amount of the release of such shares to the accounts of employees in the ESOPs contemplated by subsections (d), (e) and (f) above shall not be altered by the different date or dates of the sales. If any sale of Subsequent Shares or Final Year Shares is not consummated in accordance with subsection (e) or (f) above (if not earlier consummated pursuant to this subsection (g)), a number of shares of Supplemental ESOP Preferred as is equal to the number of shares of ESOP Preferred not so sold shall be contributed to the ESOP (Part B) or credited to the accounts of participants in the Supplemental ESOP, as applicable. Such contribution or crediting shall be at such time or times such that the release (or crediting) of shares to the accounts of employees contemplated by subsections (d), (e) and (f) above shall not be altered. Notwithstanding anything to the contrary herein (other than the provisions of this subsection (g) relating to "catch-up" dividends), the aggregate number of shares of ESOP Convertible Preferred Stock issued, credited, or contributed under this Section 1.6 and Section 1.10 shall not exceed, or be less than, the Final Shares. In the event that fixed dividends on the ESOP Preferred attributable to a particular acquisition loan are not paid when initially due because the Company lacks sufficient earnings and profits, and such earnings and profits later become available, it is possible that such dividends (the "skipped dividends") may then be paid on a catch-up basis, to the ESOP Trustee at a time when such catch-up dividends (when added to other fixed dividends payable on shares attributable to such loan) exceed the principal and interest then payable on the loan to which such dividends relate. In that event, compliance with the rules applicable to the ESOP may require a portion of such catch-up dividends to be used to purchase New Shares rather than pay principal or interest on such acquisition loan. If such purchase causes the New Shares and ESOP Preferred allocated to participants in that year to exceed the number of shares that would have been allocable absent payment of the catch-up dividend, then, notwithstanding the provisions of Section 1.6, the parties agree that they shall negotiate in good faith to determine whether there is a manner in which the ESOP and the Supplemental ESOP can be amended so that, in subsequent years, allocations to participants can be reduced in a manner that results in participants achieving the same economic position that would have resulted if no such skipped dividends had occurred; and if the result described in the preceding clause of this sentence can be achieved without material detriment to any participant (in relation to the economic position such participant would have enjoyed had the skipped dividend not occurred) and without interference with the general objectives of the ESOP program, then the Company may, with the consent of the Unions as to the satisfaction of the standards set forth in this sentence, which shall not be unreasonably withheld, adopt appropriate amendments to this Agreement, the ESOP and Supplemental ESOP to effectuate the intent of this sentence. Achievement of the goal described in the preceding sentence may require issuance of fewer shares of ESOP Convertible Preferred Stock in future periods than would have otherwise been the case (because of the ESOP's unexpected early acquisition of New Shares). All disputes concerning whether the Unions reasonably withheld a consent in accordance with the provisions of this subsection (g) shall be resolved in accordance with the arbitration procedures described in Section 11.2(b)(i)(G)-(J) of the ESOP.

(h) In consideration of each issuance by the Company of the shares of ESOP Preferred to the ESOP Trust, the ESOP Trustee, on behalf of the ESOP Trust, shall (y) pay to the Company an amount of cash equal to the aggregate par value of the shares of ESOP Preferred so issued and (z) execute and deliver a promissory note, in the aggregate principal amount equal to the aggregate purchase price for the ESOP Preferred so issued less the amount paid pursuant to clause (y), in substantially the form set forth on Exhibit A to the ESOP Stock Purchase Agreement (each, an "ESOP Note").

(i) In addition, the Company shall also issue and contribute to the ESOP Trust at the Effective Time:

(x) One (1) share of Class P ESOP Voting Junior Preferred Stock, par value \$0.01 per share, of the Company having the rights, powers and privileges set forth in the Restated Certificate (the "Class P Voting Preferred");

(y) One (1) share of Class M ESOP Voting Junior Preferred Stock, par value \$0.01 per share, of the Company having the rights, powers and privileges set forth in the Restated Certificate (the "Class M Voting Preferred"); and

(z) One (1) share of Class S ESOP Voting Junior Preferred Stock, par value \$0.01 per share, of the Company having the rights, powers and privileges set forth in the Restated Certificate (the "Class S Voting Preferred" and, together with the Class P Voting Preferred and the Class M Voting Preferred, collectively, the "ESOP Voting Preferred Stocks").

In consideration of the issuance by the Company of the ESOP Voting Preferred Stocks to the ESOP Trust pursuant to this subsection (i) and (if and to the extent so issued to the ESOP Trustee and if required by Delaware law) the issuance by the Company of the Supplemental ESOP

Preferred pursuant to subsections (d), (e) and (f) or (g) above, the ESOP Trustee, on behalf of the ESOP Trust, shall pay to the Company an amount of cash equal to the aggregate par value of the shares of ESOP Voting Preferred Stocks and Supplemental ESOP Preferred so issued.

(j) In addition, the Company shall also issue and contribute to the Supplemental ESOP Trust (together with the ESOP Trust, the "ESOP Trusts"), at the times provided for in the Supplemental ESOP, an aggregate (to give effect to the 0.5 Common Stock exchange ratio) of: .

(i) a number of shares of Class P Voting Preferred Stock equal to the product of (aa) 55/45ths, (bb) .4623, (cc) one half of the Fully Diluted Old Shares and (dd) .9999, minus one (1.0);

(ii) a number of shares of Class M Voting Preferred Stock equal to the product of (aa) 55/45ths, (bb) .3713, (cc) one half of the Fully Diluted Old Shares and (dd) .9999, minus one (1.0); and

(iii) a number of shares of Class S Voting Preferred Stock equal to the product of (aa) 55/45ths, (bb) .1664, (cc) one half of the Fully Diluted Old Shares and (dd) .9999, minus one (1.0).

If, pursuant to Section 1.10 and this Section 1.6, the Company is required to sell, contribute and/or credit on a book entry basis Additional Shares (as defined in Section 1.10(b)), then, ratably over the 69 months following the Effective Time, the Company shall also contribute to the ESOP Trust or the Supplemental ESOP Trust, as appropriate, an aggregate of:

(aa) a number of shares of Class P Voting Preferred Stock equal to the product of .4623 and the number of such Additional Shares:

(bb) a number of shares of Class M Voting Preferred Stock equal to the product of .3713 and the number of Additional Shares; and

(cc) a number of shares of Class S Voting Preferred Stock equal to the product of .1664 and the number of Additional Shares.

(k) The Company shall not issue any shares of any class of ESOP Convertible Preferred Stock or ESOP Voting Preferred Stock (collectively the "ESOP Preferred Stocks" or "ESOP Preferred Stock") other than in accordance with the terms of Sections 1.6 and 1.10 hereof and the ESOPs.

(l) The ESOP program is designed to deliver equity ownership and voting power to the employee groups in pre-negotiated proportions and at a pre-negotiated pace. If and to the extent that, despite the best and cooperative efforts of the Unions and the Company, the tax qualified ESOP cannot be implemented in all material respects or the non-qualified Supplemental ESOP cannot be implemented in all material respects and without income tax (excluding the employee portion of FICA, FUTA and Medicare taxes) to participants prior to actual distributions being made, appropriate arrangements will be made to effectuate in all material respects the delivery of equity ownership and voting power in the agreed-upon proportions and at the agreed-upon pace and to accomplish the purposes contemplated by the ESOP program described in Schedules 1.6(a)(i)-(iv) and (d). As used herein, the phrase "appropriate arrangements" shall not (i) require the expenditure of any material amount of funds by the Company or the issuance of securities to the ESOP Trusts representing a greater proportion of the equity value or voting power of the Company than that contemplated by this Agreement or (ii) result in the diminution of the equity value or voting power of the New Shares held by the stockholders of the Company other than the ESOP Trusts.

(m) In accordance with subscription agreements in form and substance as set forth on Schedule 1.6(m) (the "Class I Preferred Stock Subscription Agreement"), the Company shall issue one (1) share of Class I Junior Preferred Stock, par value \$0.01 per share, of the Company having the rights, powers and privileges set forth in the Restated Certificate (the "Class I Preferred") to each of the persons identified on Schedule 2.3(ii) as the initial "Independent Directors," provided that each initial Independent Director shall have paid to the Company an amount of cash equal to the par value of the share of Class I Preferred to be so issued.

(n) In accordance with a subscription agreement in form and substance as set forth on Schedule 1.6(n) (the "Class Pilot MEC Preferred Stock Subscription Agreement"), the Company shall issue one (1) share of Class Pilot MEC Junior Preferred Stock, par value \$0.01 per share, of the Company having the rights, powers and privileges set forth in the Restated Certificate (the "Class Pilot MEC Preferred") to the United Air Lines Master Executive Council of ALPA (the "MEC"), provided that the MEC shall have paid to the Company an amount of cash equal to the aggregate par value of the share of Class Pilot MEC Preferred to be so issued.

(o) In accordance with a subscription agreement in form and substance as set forth on Schedule 1.6(o) (the "Class IAM Preferred Stock Subscription Agreement"), the Company shall issue one (1) share of Class IAM Junior Preferred Stock, par value \$0.01 per share, of the Company having the rights, powers and privileges set forth in the Restated Certificate (the "Class IAM Preferred") to the IAM or its designee, provided that the IAM or such designee shall have paid to the Company an amount of cash equal to the aggregate par value of the share of Class IAM Preferred to be so issued.

(p) In accordance with a subscription agreement in form and substance as set forth on Schedule 1.6(p)(i) (the "Class SAM Preferred Stock Subscription Agreement"), the Company shall issue three (3) shares of Class SAM Junior Preferred Stock, par value \$0.01 per share, of the Company having the rights, powers and privileges set forth in the Restated Certificate (the "Class SAM Preferred") as follows: (i) two (2) shares to the person identified as the Salaried and Management Director on Schedule 2.3(ii) or a replacement director identified in accordance with the nomination procedures in Schedule 1.6(p)(ii) (the "SAM Director"), and (ii) one (1) share to an additional Class SAM stockholder, defined in Schedule 1.6(p)(i) as the Designated Stockholder, provided that such persons shall have paid to the Company an amount of cash equal to the aggregate par value of the shares of Class SAM Preferred to be so issued.

(q) If, due to limitations of Section 415 of the Internal Revenue Code or due to the issuance of Additional Shares, the respective Employee Groups (as defined in the ESOP) are prevented from reasonably achieving the contemplated allocations among and within their respective Employee Groups, the parties agree to cooperate to modify the Class 1 Decimal with respect to sales contemplated by Section 1.6(e) and Section 1.6(t) and to make appropriate conforming modifications to the ESOP, Supplemental ESOP and all related instruments if so requested by the Company, ALPA or the IAM. Such modifications shall maximize the Class 1 Decimal consistent with achieving with a high degree of certainty that the limits of the Internal Revenue Code Section 415(c)(6) shall not be exceeded (which condition regarding Section 415(c)(6) may be waived by ALPA).

SECTION 1.7 *Stock Options.* Each employee stock option to purchase Old Shares granted under any employee stock option or compensation plan or arrangement of the Company outstanding immediately prior to the Effective Time (an "Option") shall remain outstanding upon and following consummation of the Recapitalization, and each such Option, whether or not then vested or exercisable immediately prior to the Effective Time, shall (i) if provided by the terms thereof (or if accelerated in accordance with the relevant plan) become fully vested and exercisable at the Effective Time and (ii) after the Effective Time represent the right to receive, until the expiration thereof and in accordance with its terms, in exchange for the aggregate exercise price for such Option, without interest, the Recapitalization Consideration with respect to each Old Share that such holder would have been entitled to receive had such holder exercised such Option in full immediately prior to the Effective Time. The Recapitalization Consideration issuable upon exercise of an Option shall be issued in the same proportion as holders of Old Shares would be entitled to receive their Recapitalization Consideration, but for fractional interests, among cash and New Shares and, if applicable, principal amount of Series A and Series B Debentures and Depositary Shares representing interests in the \$25 liquidation preference of Public Preferred Stock, except that (i) if the Underwriting Alternative has not been consummated for any reason at or prior to the Effective Time with respect to the Depositary Shares, the Series A Debentures or the Series B Debentures, as the case may be, the total amount of each of Series A and Series B Debentures and Depositary Shares representing interests in the \$25 liquidation preference of the Public Preferred Stock to be issued upon exercise of each such Option shall be rounded upwards to the nearest integral multiple of \$100, \$100 and \$25, respectively (collectively, the "Option Adjustment"), and the amount of cash payable shall be reduced by a corresponding amount so that the holder does not receive fractional Depositary Shares, fractional Series A Debentures or fractional Series B Debentures (provided, however, if upon exercise of an Option the amount of cash to be received is less than the Option Adjustment, the total amount of each of Series A and Series B Debentures and Depositary Shares representing interests in the \$25 liquidation preference of Public Preferred Stock shall be rounded downwards to the nearest integral multiple of \$100, \$100 and \$25, respectively, and the amount of cash payable shall be increased by a corresponding amount so that the holder does not receive fractional Depositary Shares, fractional Series A Debentures or fractional Series B Debentures) and (ii) whether or not the Underwriting Alternative has been consummated at or prior to the Effective Time the total amount of New Shares issuable to each Option holder in respect of all Options held by such holder shall be rounded upwards to the nearest whole New Share. Except as specifically provided in this Section 1.7, the Company shall not make any other adjustments to the terms of the Options as a result of the issuance of the ESOP Preferred Stocks or the terms of the ESOP Preferred Stocks (including, without limitation, the dividend and conversion rights thereof).

SECTION 1.8 *Convertible Company Securities.* Each share of the Prior Preferred Stock and each of the Air Wis Services, Inc. 73/4% Convertible Subordinated Debentures, due 2010, and Air Wis Services, Inc. 8 1/2% Convertible Subordinated Notes, due 1995 (collectively, the "Air Wis Convertible Debentures"), outstanding immediately prior to the Effective Time (each, a "Convertible Company Security") shall upon and following consummation of the Recapitalization remain outstanding, and each holder of any such Convertible Company Security shall thereafter have the right to receive, upon conversion, without interest, the Recapitalization Consideration with respect to each Old Share that such holder would have been entitled to receive had such holder converted such Convertible Company Security in full immediately prior to the Effective Time. The Recapitalization Consideration issuable upon conversion of a Convertible Company Security shall be issued in the same proportion as holders of Old Shares receive their Recapitalization Consideration, but for fractional interests, among cash and New Shares and, if applicable, principal amount of Series A and Series B Debentures and Depositary Shares representing interests in the \$25 liquidation preference of Public Preferred Stock, except that (i) if the Underwriting Alternative has not been consummated for any reason at or prior to the Effective Time with respect to the Depositary Shares, the Series A Debentures or the Series B Debentures, as the case may be, the total amount of each of Series A and Series B Debentures and Depositary Shares to be issued upon conversion of the Convertible Company Security shall be rounded upwards to the nearest integral multiple of \$100, \$100 and \$25, respectively, (collectively, the "Convertible Company Security Adjustment") and the amount of cash payable shall be reduced by a corresponding amount so that the holder does not receive fractional Depositary Shares representing interests in the \$25 liquidation preference of Public Preferred Stock, fractional Series A Debentures or

fractional Series B Debentures (provided, however; if upon conversion of a Convertible Company Security the amount of cash to be received is less than the Convertible Company Security Adjustment, the total amount of each of Series A and Series B Debentures and Depositary Shares representing interests in the \$25 liquidation preference of Public Preferred Stock shall be rounded downwards to the nearest integral multiple of \$100, \$100 and \$25, respectively, and the amount of cash payable shall be increased by a corresponding amount so that the holder does not receive fractional Depositary Shares, fractional Series A Debentures of fractional Series B Debentures) and (ii) whether or not the Underwriting Alternative has been consummated at or prior to the Effective Time the total amount of New Shares issuable to each holder of Convertible Company Securities in respect of all Convertible Company Securities held by such holder shall be rounded upwards to the nearest whole New Share. Except as specifically provided in this Section 1.8, the Company shall not make any other adjustments to the terms of the Convertible Company Securities as a result of the issuance of the ESOP Preferred Stocks or the terms of the ESOP Preferred Stocks (including, without limitation, the dividend and conversion rights thereof).

SECTION 1.9 *Form of Recapitalization Consideration.* Notwithstanding anything in Section 1.7 or 1.8 to the contrary, if the holder of an Option or a Convertible Company Security exercises such Option or Convertible Company Security at any time after either series of Debentures or the Public Preferred Stock has been redeemed, retired or repaid in full (the securities redeemed, retired or repaid hereinafter referred to as the "Retired Securities"), the holder of such Option or Convertible Company Security shall not be entitled to receive any Retired Securities but shall receive in lieu thereof an amount of cash equal to the principal amount (without premium regardless of whether a premium is paid at the time of redemption, retirement or repayment in full) or liquidation preference (without the amount of accrued dividends regardless of whether accrued dividends were paid at the time of redemption, retirement or repayment in full), as the case may be, of or represented by the Retired Securities that such holder otherwise would have received in respect of the exercise of such Option or Convertible Company Security.

SECTION 1.10 *Additional ESOP Shares.* (a) As soon as practicable after the Measuring Date, the Company shall (x) contribute shares of Supplemental ESOP Preferred Stock to Part B of the ESOP and (y) provide an allocation of shares of Supplemental ESOP Preferred Stock on a book entry basis in a manner consistent with the allocation under the Supplemental ESOP, such that the aggregate number of shares under (x) and (y) is equal to a fraction of the Additional Shares (as defined in Section 1.10(b) below), which fraction shall be the First Year Fraction. All such shares shall be Supplemental ESOP Preferred. To the extent permissible under the limitations imposed by the Internal Revenue Code, the shares determined under this subsection (a) shall be contributed to Part B of the ESOP, and the remaining shares shall be allocated under the Supplemental ESOP.

(b) "*Additional Shares*" shall mean the number of shares of ESOP Convertible Preferred Stock determined as the excess of (A) the product of (w) a fraction, the numerator of which is the Adjusted Percentage (as defined in Section 1.10(c) below) at the close of business on the Measuring Date, and the denominator of which is the excess of one over such Adjusted Percentage (expressed as a decimal), (x) the Fully-Diluted Shares (as defined in Section 1.10(d) below) at the close of business on the Measuring Date, (y) a fraction, the numerator of which is one, and the denominator of which is the Conversion Rate (as defined in Article FOURTH, Part II, Section 6.1 of the Restated Certificate), and (z) .9999, over (B) 17,675,345, provided that the number of Additional Shares shall not be less than zero.

(c) "*Adjusted Percentage*" shall mean that percentage set forth under the heading "Adjusted Percentage" on the table set forth on Schedule 1.10 that corresponds to the Average Closing Price (as defined in Section 1.10(e) below) set forth under the heading "Average Closing Price" on such table, provided that if the Average Closing Price falls between two entries on the table, the Adjusted Percentage shall be determined by a straight-line interpolation between the two entries in the "Adjusted Percentage" column that correspond to the next lowest and next highest entries in the "Average Closing Price" column, rounded to the nearest 0.00000001 %.

(d) "*Fully-Diluted Shares*" shall mean the sum of (i) the excess of (A) the aggregate number of New Shares outstanding immediately prior to the close of business on the Measuring Date over (B) the aggregate number of New Shares issued after the Effective Time other than upon exercise, conversion or exchange of Options or Convertible Company Securities, (ii) the aggregate number of New Shares issuable (whether or not from New Shares held in its treasury) upon the conversion of the Series A Preferred Stock outstanding immediately prior to the close of business on the Measuring Date, (iii) the aggregate number of New Shares issuable (whether or not from New Shares held in its treasury) upon the exercise, conversion or exchange immediately prior to the close of business on the Measuring Date of any other Convertible Company Securities with an exercise, conversion or exchange price equal to or less than the Old Share Equivalent Price (as defined in Section 1.10(t) below) and (iv) the aggregate number of New Shares that would be required to be issued by the Company (whether or not from New Shares held in its treasury) if all Options with an exercise price less than the Old Share Equivalent Price were exercised in full immediately prior to the close of business on the Measuring Date and the proceeds from such Option exercises are used by the Company to repurchase Recapitalization Consideration (in the open market at the Old Share Equivalent Price) to be delivered in connection with the Company's obligation to issue Recapitalization Consideration upon exercise of such Options.

(e) "*Average Closing Price*" shall mean the average of the product of (i) the Current Market Price (as defined in Section 1.10(g) below) of a New Share for each Trading Day (as defined in Section 1.10(h) below) during the Measuring Period (as defined in Section 1.10(i) below) (or in case the New Shares are exchanged for or changed, reclassified or converted into stock, securities or other property (including cash or any combination thereof), whether or not of the Company, the Fair Market Value (as defined in Section 1.10(j) below) of such stock, securities or other property into which a New Share has been exchanged, changed, reclassified or converted) and (ii) the Conversion Rate in effect on such Trading Day.

(f) "*Old Share Equivalent Price*" shall mean the sum of (i) the product of (x) 0.5 and (y) the Average Closing Price of a New Share, (ii) either (a) the product of (x) 1.244 and (y) the average of the Current Market Price of a Depositary Share for each Trading Day during the Measuring Period or (b) if the Underwriting Alternative with respect to the Depositary Shares has been consummated, the Depositary Share Proceeds Amount, (iii) either (a) the product of (x) .1550 and (y) the average of the Current Market Price of a Series A Debenture for each Trading Day during the Measuring Period or (b) if the Underwriting Alternative with respect to the Series A Debentures has been consummated, the Series A Debenture Proceeds Amount, (iv) either (a) the product of (x) .1550 and (y) the average of the Current Market Price of a Series B Debenture for each Trading Day during the Measuring Period or (b) if the Underwriting Alternative with respect to the Series B Debentures has been consummated, the Series B Debenture Proceeds Amount and (v) \$25.80.

(g) "*Current Market Price*" of publicly traded New Shares or any other class or series of capital stock or other security of the Company or any other issuer for any day shall mean the last reported sales price, regular way on such day, or, if no sale takes place on such day, the average of the reported closing bid and asked prices on such day, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted for trading on the New York Stock Exchange, Inc. ("NYSE"), on the principal national securities exchange on which such security is listed or admitted for trading or quoted or, if not listed or admitted for trading or quoted on any national securities exchange, on the Nasdaq National Market, or, if such security is not quoted on such National Market, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or, if bid and asked prices for such security on such day shall not have been reported through NASDAQ, the average of the bid and asked prices on such day as furnished by any NYSE member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Company.

(h) "*Trading Day*" shall mean any day on which the securities in question are traded on the NYSE, or if such securities are not listed or admitted for trading or quoted on the NYSE, on the principal national securities exchange on which such securities are listed or admitted, or if not listed or admitted for trading or quoted on any national securities exchange, on the Nasdaq National Market, or if such securities are not quoted on such National Market, in the applicable securities market in which the securities are traded.

(i) "*Measuring Period*" shall mean the period commencing on the day of the Effective Time and ending on the Measuring Date.

(j) "*Fair Market Value*" shall mean the average of the daily Current Market Prices of the security in question during the five (5) consecutive Trading Days before the earlier of the day in question and the "ex" date with respect to the issuance or distribution requiring such computation. The term "ex' date," when used with respect to any issuance or distribution, means the first day on which the New Shares trade regular way, without the right to receive such issuance or distribution, on the exchange or in the market, as the case may be, used to determine that day's Current Market Price. With respect to any asset or security for which there is no Current Market Price, the Fair Market Value of such asset or security shall be determined in good faith by the Board of Directors of the Company.

SECTION 1.11 *Underwriting Alternative*. Prior to the date that is ten days after the date of the Company Proxy Statement, but at least seven days prior to the Announcement Date, the Company may elect to pursue the underwriting of (a) the Depositary Shares, (b) the Series A Debentures, (c) the Series B Debentures, or (d) any combination of the foregoing (referred to collectively herein as the "Underwriting Alternative"), provided that consummating an underwriting with respect to the Depositary Shares and/or either or both series of Debentures, as the case may be, shall be in lieu of issuing Depositary Shares or either or both such series of Debentures to holders of Old Shares pursuant to Section 1.5 hereof, to holders of Options pursuant to Section 1.7 hereof and to holders of Convertible Company Securities pursuant to Section 1.8 hereof. If the Company elects the Underwriting Alternative, it may offer pursuant thereto approximately the amounts of Depositary Shares and/or Debentures which if the Underwriting Alternative were not elected would be issuable upon the exchange of all outstanding Old Shares in the Reclassification and upon exercise of Options and conversion of the Convertible Company Securities reasonably expected to be exchanged or converted in accordance with Sections 1.7 and 1.8 hereof (at the rate of \$31.10 liquidation preference of Public Preferred Stock as represented by Depositary Shares, \$15.55 principal amount of Series A Debentures and \$15.55 principal amount of Series B Debentures per Old Share), which amounts shall be rounded up to produce aggregate amounts of Depositary Shares and Debentures of each series that are consistent with customary aggregate underwriting denominations. If it so elects to pursue the Underwriting Alternative, the Company shall use its best efforts to accomplish such underwritings, including selecting a managing underwriter or underwriters, filing registration statements with the SEC, and entering into a firm commitment underwriting agreement or agreements, *provided, however*, that the Company may elect to terminate the Underwriting Alternative at any time prior to the Effective Time. The Unions will cooperate and use their best efforts to facilitate the underwritings. The Underwriting Alternative will be effected in accordance with customary underwriting agreements which may reflect that, if the Company is advised by the managing underwriter or managing underwriters that the Public Preferred Stock (represented by Depositary Shares), Series A Debentures or Series B Debentures would be priced in excess of the Maximum Price applicable to such security (so that such security, if priced at the applicable Maximum Pricing, could only be sold at less than par), and is further advised that consistent with industry practice the Underwriting Alternative would be facilitated by the sale of such securities at or closer to par, the Company may reduce the amount of such securities to be sold and increase the dividend or interest rate above the applicable Maximum Pricing so that such securities may be sold at or closer to par, *provided* that the aggregate amount of dividends payable annually in respect of the Public Preferred Stock (represented by the Depositary Shares) to be sold, and the aggregate amount of interest payable annually in respect of either series of Debentures to be sold, that are priced above the applicable Maximum Pricing may not exceed the aggregate amount of dividends or interest payable annually in respect of such security at the applicable Maximum Pricing with respect to the amount of such securities as originally proposed to be offered. If the Underwriting Alternative with respect to the Depositary Shares and both series of Debentures is consummated,

the amount of cash payable in respect of each Old Share shall equal the sum of (i) \$25.80 per share and (ii) the gross proceeds (price to public without deducting any underwriting discount or other costs) received by the Company for each \$31.10 liquidation preference of the Public Preferred Stock as represented by Depositary Shares in the appropriate underwriting (the "Depositary Share Proceeds Amount"), (iii) the gross proceeds (price to public without deducting any underwriting discount or other costs) received by United for each \$15.55 principal amount of Series A Debentures in the appropriate underwriting (the "Series A Debenture Proceeds Amount") and (iv) the gross proceeds (price to public without deducting any underwriting discount or other costs) received by United for each \$15.55 principal amount of Series B Debentures in the appropriate underwriting (the "Series B Debenture Proceeds Amount").

ARTICLE II

THE COMPANY AND UNITED

SECTION 2.1 *Certificate of Incorporation.* As of the Effective Time, the certificate of incorporation of the Company shall be the Restated Certificate.

SECTION 2.2 *Bylaws.* As of the Effective Time, the bylaws of the Company in effect immediately prior to the Effective Time shall be amended and restated in accordance with applicable law and the Restated Certificate, in form and substance as set forth in Schedule 2.2 (the "Restated Bylaws").

SECTION 2.3 *Directors and Officers.* Immediately prior to the Effective Time, the Company shall cause the persons identified on Schedule 2.3(i) to resign, as of the Effective Time, from the Board of Directors of the Company (which resignations, for purposes of all rights and benefits of such directors under all agreements, plans, policies and arrangements of the Company and United including those identified in the letter referred to in Section 5.11 hereof, shall be deemed to have occurred immediately following the Effective Time). From and after the Effective Time, until their successors are duly elected or appointed and qualified in accordance with applicable law, the Restated Certificate and the Restated Bylaws, or until their earlier death, resignation, disqualification or removal, the persons identified or described on Schedule 2.3(ii) shall constitute the entire Board of Directors of the Company (the "New Directors") and each shall serve in the classes and capacities identified in such Schedule. Except as provided in the two preceding sentences, or as otherwise provided in the Restated Certificate or in the Restated Bylaws, the officers of the Company immediately prior to the Effective Time (other than the Chairman and Chief Executive Officer, the President and Chief Operating Officer and the Executive Vice-President-Corporate Affairs and General Counsel of the Company (the "Retiring Executives")) shall be the officers of the Company from and after the Effective Time until their successors are duly elected or appointed and qualified or until their earlier death, resignation, disqualification or removal. The Retiring Executives shall retire from all positions with the Company and the Subsidiaries held by them effective at or immediately prior to the Effective Time and such retirement shall be treated as set forth in separate letter agreements to be entered into at or prior to the Effective Time among each Retiring Executive, on the one hand, and the Company and United, on the other hand, substantially in the form and substance provided to the Unions prior to the date hereof. Other than the Retiring Executives, no other officer of the Company or United may be terminated for a period of six months following the Effective Time unless such termination shall be approved, specifically as to such officer, by at least two of the New Directors identified as "Outside Public Directors" in Schedule 2.3(ii) and the Chief Executive Officer of the Company following the Effective Time. At the Effective Time, Gerald Greenwald or such other person as shall be proposed by the Unions prior to the Effective Time (and not found unacceptable by the Company) shall be appointed by the Board of Directors, subject to his being ready, willing and able to serve, as Chief Executive Officer of the Company and United. Such person as shall be proposed by the Chief Executive Officer and the Unions following the Effective Time (and approved in accordance with the provisions of Article FIFTH, Section 3.6.2 of the Restated Certificate) shall be appointed by the Board of Directors, subject to his/her being ready, willing and able to serve, as Chief Operating Officer of the Company and United. From and after the Effective Time, subject to the fiduciary duties of the Board of Directors, until the Termination Date the Company shall cause (i) the Chief Executive Officer of the Company to also be one of the Board's nominees to serve as a Management Public Director (as defined in the Restated Certificate) and (ii) the Chief Executive Officer of the Company to also serve as the Chief Executive Officer of United.

SECTION 2.4 *United.* The Company shall take all appropriate actions such that, as of the Effective Time, the certificate of incorporation of United shall be amended to include the provision set forth in Schedule 2.4 hereto.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each of the Unions that:

SECTION 3.1 *Corporate Existence and Power.* The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all corporate power and authority and all governmental licenses, authorizations, consents and approvals required to own, operate and lease its assets and to carry on its business as now conducted except for licenses, authorizations, consents and approvals the absence of which would not have a Material Adverse Effect (as defined below). The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification necessary, except for those jurisdictions where the failure to be so qualified would not have a Material Adverse Effect. For purposes of this Agreement, "Material Adverse Effect" means, individually or in the aggregate, any change or effect the consequence of which is materially adverse to (i) the condition (financial or otherwise), business, assets or results of operations of the Company and the Subsidiaries (as defined in Section 3.6), taken as a whole, from that in effect on the date of the Company's Annual Report on Form 10-K, dated March 11, 1994, for the fiscal year ended December 31, 1993, as amended by Form 10-K/A, dated March 15, 1994, as filed with the Securities and Exchange Commission and previously furnished to the Unions (the "1993 10-K") (except as otherwise specifically provided herein) or (ii) the Company's ability to effect any of the transactions constituting part of the Recapitalization, except for such changes or effects resulting from, or in connection with, (i) labor relations between the Company or its Subsidiaries, on the one hand, and employees represented by the Unions, on the other hand (including a strike or other disruption in the operations of the Company or its Subsidiaries, which shall not be regarded as a Material Adverse Effect) or (ii) matters disclosed in this Agreement or any Schedule, Exhibit or other attachment hereto. The Company has heretofore delivered to counsel to the Unions true and complete copies of the Company's Restated Certificate of Incorporation as currently in effect (the "Certificate of Incorporation"), bylaws and Rights Agreement (as defined in Section 3.5), each as currently in effect. There has been no change in or amendment of the Certificate of Incorporation or bylaws of the Company or, except as set forth in Section 5.6, the Rights Agreement since November 1, 1993. The Company is not in violation of any of the provisions of the Certificate of Incorporation or its bylaws.

SECTION 3.2 *Corporate Authorization.* The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby are within the Company's corporate powers and, except for (w) any required approval by the Company's stockholders in connection with the consummation of the Shareholder Vote Matters (as defined in Section 5.2), (x) the approval by the Company's stockholders of amendments to each of the Company's 1981 Incentive Stock Program, 1988 Restricted Stock Plan and Incentive Compensation Plan, in form and substance as set forth on Schedule 3.2(i), Schedule 3.2(ii) and Schedule 3.2(iii), respectively (the "Company Plan Matters"), (y) the approval and ratification of the Company Plan Matters by the New Directors following the Effective Time and (z) approval by the Board of Directors of the Company of the filing of the Restated Certificate in accordance with the applicable provisions of Delaware Law, have been duly authorized by all necessary corporate action. Prior to the Effective Time, the Board of Directors of the Company shall approve the filing of the Restated Certificate in accordance with the applicable provisions of Delaware Law. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery by each of the Unions, constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms. The Board of Directors of the Company has taken all necessary and appropriate actions so that the restrictions on "business combinations" contained in Section 203 of Delaware Law (i) will not apply with respect to or as a result of the Recapitalization, including, without limitation, the acquisition of the ESOP Preferred Stock by the ESOPs and (ii) will not apply prior to the Termination Date (as defined in Article FIFTH, Section 1.72 of the Restated Certificate) to "business combinations" (as defined in Section 203 of Delaware Law) involving the Company or any of its Subsidiaries, on the one hand, and the ESOP Trustee, the ESOPs or either of the Unions, on the other hand, which otherwise would be subject to Article FIFTH, Section 3.8 of the Restated Certificate. The Company has taken all appropriate action to establish each of the ESOPs effective not later than the Effective Time.

SECTION 3.3 *Governmental Authorization.* The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby require no consent, approval, authorization or other action by or in respect of, or filing with or notification to, any governmental body, agency, official or authority other than (i) the filing of the Restated Certificate in accordance with Delaware Law; (ii) compliance with any applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (iii) compliance with any applicable requirements of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "1933 Act"), the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "1934 Act") and the TIA; (iv) any applicable filings with the United States Department of Transportation ("DOT"); and (v) actions or filings the absence of which would not have a Material Adverse Effect.

SECTION 3.4 *Non-Contravention.* Except as set forth on Schedule 3.4, the execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby do not and will not (i) contravene or conflict with the Certificate of Incorporation or bylaws of the Company, (ii) assuming compliance with the matters referred to in Section 3.3, contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to the Company, any Subsidiary, or, to the knowledge of the Company, any of the CRS Companies (as defined in Section 3.6), (iii) constitute a default under or give rise to a right of termination, cancellation or acceleration (other than with respect to the acceleration of the exercisability of Options, the vesting of restricted stock of the Company or the payment of severance benefits) of any right or obligation of the Company, any Subsidiary or, to the knowledge of the Company, any of the CRS Companies, or to a loss of any benefit to which the Company, any Subsidiary or, to the knowledge of the Company, any of the CRS Companies, is entitled under any provision of any agreement, contract or other instrument binding upon the Company, any Subsidiary or, to the knowledge of the Company, any of the CRS Companies, or any license, franchise, permit or other similar authorization held by the Company, any Subsidiary, or, to the knowledge of the Company, any of the CRS Companies, or (iv) result in the creation or imposition of any Lien (as defined below) on any asset of the Company, any Subsidiary, or, to the knowledge of the Company, any of the CRS Companies, which violations, defaults, rights of termination or Liens could have a Material Adverse Effect. For purposes of this Agreement, "Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For purposes of the representations and warranties relating to the CRS Companies that are qualified by the knowledge of the Company, "knowledge of the Company" shall mean the knowledge of the executive officers of the Company, United and Covia Corporation. There are no (i) consents from holders of Options nor (ii) amendments to the terms of Options or compensation plans or arrangements, that are necessary to give effect to the transactions contemplated by Section 1.7.

SECTION 3.5 Capitalization. The authorized capital stock of the Company is set forth in the Certificate of Incorporation of the Company and consists of (i) 125,000,000 Old Shares and (ii) 16,000,000 shares of Preferred Stock, without par value, of which 1,250,000 have been designated as Series C Junior Participating Preferred Stock ("Junior Preferred Stock") and are reserved for issuance upon exercise of the Rights (as defined in the Rights Agreement dated as of December 11, 1986 between the Company and First Chicago Trust Company of New York (formerly Morgan Shareholder Services Trust Company), as amended (the "Rights Agreement")) and 6,000,000 have been designated as Prior Preferred Stock. As of March 22, 1994, there were outstanding (a) 24,570,539 Old Shares (including 119,643 unvested shares issued under the UAL 1988 Restricted Stock Plan), (b) 6,000,000 shares of Prior Preferred Stock (convertible into 3,833,866 Old Shares), (c) Rights to purchase 245,710 shares of Junior Preferred Stock, (d) Options to purchase an aggregate of 1,648,668 Old Shares (of which 13,927 have tandem stock appreciation rights held by former employees with an aggregate exercise price of \$1,061,872.75 and of which Options 11,500 are held by ex-employees of the Company with vesting dates after the expiration of such Options pursuant to such ex-employees' severance agreements), and (e) \$35,535,000 principal amount of Air Wis Convertible Debentures convertible into 140,134 Old Shares, of which \$2,530,000 principal amount, convertible into 9,765 Old Shares, is held by Air Wis Services, Inc. All outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth in this Section 3.5 and except for changes since March 1, 1994 resulting from the exercise of Options or the conversion of Convertible Company Securities, in each case outstanding on such date, there are outstanding no (w) shares of capital stock or other voting securities of the Company, (x) securities of the Company or any Subsidiary convertible into or exchangeable for shares of capital stock or voting securities of the Company, (y) options, subscriptions, warrants or other rights, agreements, arrangements or commitments of any character to acquire from the Company or any Subsidiary any capital stock, voting securities or securities convertible into or exchangeable or exercisable for capital stock or voting securities of the Company, or (z) obligations of the Company or any Subsidiary to issue any capital stock, voting securities or securities convertible into or exchangeable or exercisable for capital stock or voting securities of the Company (the items in clauses (w), (x), (y) and (z) being referred to collectively as the "Company Securities"). Except (i) as set forth above, (ii) for tax withholding and cashless exercise features of the Options and restricted stock, and (iii) for stock appreciation rights that do not become exercisable until September 1, 1994 and expire at the Effective Time, there are no obligations of the Company or any Subsidiary to repurchase, redeem or otherwise acquire any Company Securities or make any payments based upon the value of any Company Securities.

SECTION 3.6 Subsidiaries.

(a) Each Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, has all corporate power and authority and all governmental licenses, authorizations, consents and approvals required to own, operate and lease its assets and to carry on its business as now conducted (except for those the absence of which would not have a Material Adverse Effect) and is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned or leased by it or the nature of its activities make such qualification necessary, except for those jurisdictions where failure to be so qualified would not have a Material Adverse Effect. For purposes of this Agreement, "Subsidiary" means any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are directly or indirectly owned by the Company, but shall in no event include the CRS Companies. A list of Subsidiaries and their respective jurisdictions of incorporation previously has been delivered to counsel to the Unions by the Company. Nothing in this Section 3.6 or Section 5.1 shall be deemed to prohibit the merger or other consolidation of immaterial wholly-owned Subsidiaries with or into the Company or any of its wholly-owned Subsidiaries (Covia Corporation being deemed material for the purpose of this sentence).

(b) Except for director qualifying shares and similar securities, all of the outstanding capital stock of, or other ownership interests in, each Subsidiary is owned by the Company, directly or indirectly, free and clear of any Lien and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests). Except for director qualifying shares and similar securities, there are outstanding no (i) securities of the Company or any Subsidiary convertible into or exchangeable for shares of capital stock or other voting securities or ownership interests in any Subsidiary or (ii) options, subscriptions, warrants or other rights, agreements, arrangements or commitments of any character to acquire from the Company or any Subsidiary, and no other obligation of the Company or any Subsidiary to issue, any capital stock, voting securities or other ownership interests in, or any securities convertible into or exchangeable or exercisable for any capital stock, voting securities or ownership interests in, any Subsidiary (the items in clauses (i) and (ii) being referred to collectively as the "Subsidiary Securities"). There are no outstanding obligations of the Company or any Subsidiary to repurchase, redeem or otherwise acquire any outstanding Subsidiary Securities or make any payments based upon the value of any Subsidiary Securities.

(c) Each of Apollo Travel Services Partnership, a Delaware general partnership ("ATS"), Galileo Japan Partnership, a Delaware general partnership ("GJP"), and Galileo International Partnership, a Delaware general partnership ("GIP" and, together with ATS and GJP, collectively, the "CRS Companies") is a general partnership formed under the laws of the State of Delaware, is validly existing and in good standing under the laws of Delaware, and has all partnership power and authority and all governmental licenses, authorizations, consents and approvals required to own, operate and lease its assets and to carry out its business as now conducted (except for those the absence of which would not have a Material Adverse Effect). The partnership agreement establishing each of the CRS Companies, together with all exhibits and amendments thereto has been provided to the Unions, and no Subsidiary that is party to either such partnership agreement is or has been in any manner in breach of, or in default under, any provision thereof, nor is the Company, United or any officer or director of either of them aware of any breach or default by any other party to either of such partnership agreements that would or could be reasonably expected to result in a Material Adverse Effect. Except as set forth on Schedule 3.6(c), all of the outstanding ownership interests held by Covia Corporation, a Delaware corporation and wholly owned Subsidiary, of the CRS Companies are free and clear of any Lien other than as set forth in the partnership agreement with respect to such entity.

SECTION 3.7 *Securities and Exchange Commission ("SEC") Filings.*

(a) The Company has delivered to counsel for each of the Unions (i) its Annual Reports on Form 10-K for its fiscal years ended December 31, 1993, 1992 and 1991, without exhibits, (ii) all of its Quarterly Reports on Form 10-Q filed with the SEC since December 31, 1992, without exhibits, (iii) its proxy or information statements relating to meetings of, or actions taken without a meeting by, the stockholders of the Company since December 31, 1992 and (iv) all of its other reports, statements, schedules and registration statements filed with the SEC since December 31, 1992, without exhibits. The reports, statements and schedules referred to in the preceding sentence are all the documents (other than preliminary material and supplemental filings, excluding supplemental prospectuses) that the Company was required to file with the SEC since December 31, 1992. As of its filing date, all of such reports, statements and schedules, complied in all material respects with the requirements of the 1933 Act or the 1934 Act, as the case may be.

(b) As of its filing date, no such report, statement or schedule filed pursuant to the 1934 Act contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) No such registration statement, as amended or supplemented, if applicable, filed pursuant to the 1933 Act as of the date such statement or amendment became effective contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

SECTION 3.8 *Financial Statements.* The audited consolidated financial statements of the Company included in its Annual Reports on Form 10-K and the unaudited consolidated interim financial statements included in its Quarterly Reports on Form 10-Q referred to in Section 3.7 have been prepared in accordance with generally accepted accounting principles consistently applied and fairly present (except as may be indicated in the notes thereto) the consolidated financial position -of the Company and its consolidated subsidiaries as of the dates thereof and their consolidated results of operations and cash flows for the periods then ended (subject to normal, immaterial year-end audit adjustments in the case of any unaudited interim financial statements).

SECTION 3.9. *Disclosure Documents.*

(a) Each document required to be filed by the Company with the SEC in connection with the transactions contemplated by this Agreement (the "Company Disclosure Documents"), including, without limitation, the proxy statement of the Company (the "Company Proxy Statement") (which also is the prospectus of the Company and United with respect to the New Shares, Depositary Shares, Public Preferred Stock, Redeemable Preferred Stock and Debentures to be issued in connection with the Recapitalization (the "Recapitalization Securities") and is to be included in the Registration Statement on Form S-4 (the "Registration Statement") to be filed with the SEC by the Company under the 1933 Act and in the Transaction Statement on Schedule 13E-3 (the "Schedule 13E-3") to be filed with the SEC by the Company under the 1934 Act), and the registration statements to be filed with the SEC by the Company and United under the 1933 Act in connection with the underwriting described in Section 1.11 hereof (the "Underwriting Registration Statements") and any amendments or supplements to any of the foregoing documents will, when filed, when the Registration Statement and the Underwriting Registration Statements are declared effective by the SEC, at the time of the distribution thereof and at the time stockholders vote on the Shareholder Vote Matters comply as to form in all material respects with the applicable requirements of the 1933 Act and the 1934 Act.

(b) At the time the Company Proxy Statement and Schedule 13E-3 or any amendment or supplement thereto is first mailed to stockholders of the Company, and at the time such stockholders of the Company vote on the Shareholder Vote Matters, the Company Proxy Statement and Schedule 13E-3, as supplemented or amended, if applicable, will not be false or misleading with respect to any material fact, or omit to state any material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. At the time of the filing of the Registration Statement and the Underwriting Registration Statements and any amendment or supplement thereto, at the time the same are declared effective by the SEC, at the time of any distribution under the Registration Statement and the Underwriting Registration Statements, at the time the stockholders of the Company vote on the Shareholder Vote Matters and at the Effective Time, such Registration Statement and Underwriting Registration Statements, as so amended or supplemented, will not be false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. At the time of the filing of any Company Disclosure Document other than the Company Proxy Statement, Schedule 13E-3, Registration Statement and the Underwriting Registration Statements and at the time of any distribution thereof, such Company Disclosure Document will not be false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties contained in this Section 3.9(b) will not apply to statements included in or omissions from the Company Disclosure Documents based upon information furnished to the Company in writing by either Union specifically for use therein.

SECTION 3.10 *Absence of Certain Changes.* Except as disclosed in SEC filings referred to in Section 3.7 filed prior to the date hereof, since December 31, 1993, there has been no event, and no state of circumstances has existed, that has had or will, or could reasonably be expected to, have a Material Adverse Effect.

SECTION 3.11 *Finders' Fees.* Except for First Boston and Lazard, whose fees will be paid by the Company, and as specifically contemplated herein, there is no investment banker, broker or finder which has been retained by or is authorized to act on behalf of the Company, any Subsidiary or, to the knowledge of the Company, any CRS Company, who might be entitled to any fee or commission from the Company, either Union or any affiliate of either of them upon consummation of the transactions contemplated by this Agreement (other than in connection with the Underwriting Alternative), based upon arrangements made by or on behalf of the Company. .

SECTION 3.12. *Board Action.* The Board of Directors (i) has determined that the transactions contemplated hereby are fair to and in the best interest of the Company's stockholders, (ii) has approved the Reclassification, the Recapitalization and this Agreement, (iii) has approved the Company Plan Matters, subject to ratification by the Company's stockholders and the New Directors, and (iv) has resolved to recommend (subject to the provisions of Section 5.4) the approval and adoption of the Shareholder Vote Matters to the Company's stockholders at the Company Stockholder Meeting.

SECTION 3.13 *Securities.* The Recapitalization Securities and the ESOP Preferred Stocks (and the New Shares into which the ESOP Preferred Stocks are convertible) to be issued pursuant to Sections 1.2, 1.3, 1.4, 1.6 and 1.10, when so issued in accordance with such Sections and the Registration Statement and the Underwriting Registration Statements, if applicable, will be duly authorized and validly issued and, in the case of such securities other than the Debentures, will be fully paid and nonassessable.

SECTION 3.14 *Opinion of Financial Advisers.* The Company has received the respective oral opinions of First Boston and Lazard to the effect that, as of May 20, 1994, the consideration to be received in the Recapitalization by the Company's stockholders is fair to the Company's stockholders from a financial point of view, which opinions shall be confirmed in writing and delivered to each of the Unions promptly following receipt (the "Company Fairness Opinions").

SECTION 3.15 *Vote Required.* The affirmative vote of a majority of the votes that holders of the outstanding Old Shares are entitled to cast is the only vote of the holders of any class or series of capital stock of the Company necessary to approve the Shareholder Vote Matters. The Shareholder Vote Matters are the only matters required to be approved by holders of capital stock of the Company in connection with the Recapitalization.

SECTION 3.16. *Limitations.* As of the date of this Agreement, the Company has no knowledge of any event or condition which would preclude it from taking any action necessary to consummate the transactions contemplated hereby.

SECTION 3.17. *Compliance with Status Quo.* The Company has complied in all material respects with its obligations contained in Sections 10 and 11 of that certain letter setting forth the principal terms of the Recapitalization, dated December 22, 1993, among the Company, the IAM and ALPA (the "Letter Agreement"), which apply to transactions entered into after December 22, 1993 and on or prior to March 15, 1994 (the "Status Quo Provisions"). Except as set forth on Schedule 3.17, neither the Company nor any of its Subsidiaries has taken any action that would have violated the Status Quo Provisions in any material respect had the Status Quo Provisions continued to remain in effect through the date hereof. Except as set forth on Schedule 5.1, the Company has not disclosed to the Unions any plans of the type referred to in Section 5.1 (e) since December 22, 1993.

SECTION 3.18 *Rights Agreement.* The Board of Directors has taken all necessary action to amend the Rights Agreement, effective at or immediately prior to the Effective Time, in form and substance as set forth in Schedule 3.18 (the "Rights Amendment").

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE UNIONS

Each Union hereby severally, and not jointly, represents and warrants to the Company that:

SECTION 4.1 *Existence and Power.* Such Union is, in the case of ALPA, an unincorporated association organized and maintained for purposes of a labor association and the duly authorized representative of pilots employed by United under the Railway Labor Act, as amended (the "RLA"), and, in the case of the IAM, is an incorporated association organized and maintained for purposes of a labor organization and is the duly authorized representative of employees employed by United as mechanics and related employees, ramp and stores employees, food service employees, dispatchers, and security officers, and has all organizational powers and all material governmental licenses, authorizations,

consents and approvals required to carry on its business as now conducted.

SECTION 4.2 *Authorization.* The execution, delivery and performance by such Union of this Agreement and the consummation by such Union of the transactions contemplated hereby (including the applicable Labor Agreement) are within the organizational powers of such Union and have been duly authorized by all necessary organizational action of such Union. This Agreement has been duly executed and delivered by such Union and, assuming due authorization, execution and delivery by the Company and the other Union, constitutes a valid and binding agreement of such Union, enforceable against such Union in accordance with its terms.

SECTION 4.3 *Governmental Authorization.* The execution, delivery and performance by such Union of this Agreement and the consummation by such Union of the transactions contemplated by this Agreement require no consent, approval, authorization or other action by or in respect of, or filing with or notification to, any governmental body, agency, official or authority other than (i) compliance with any applicable requirements of the HSR Act, (ii) any applicable filings with DOT, and (iii) actions or filings the absence of which would not, in the aggregate, have a material adverse effect on such Union or on the ability of such Union to perform its obligations under this Agreement.

SECTION 4.4 *Non-Contravention* The execution, delivery and performance by such Union of this Agreement and the consummation by such Union of the transactions contemplated hereby do not and will not (i) contravene or conflict with the organizational documents of such Union, (ii) assuming compliance with the matters referred to in Section 4.3, contravene or conflict with any provision of law, regulation, judgment, order or decree binding upon such Union or (iii) constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of such Union or to a loss of any benefit to which such Union is entitled under any agreement, contract or other instrument binding upon such Union, which defaults, terminations, cancellations, accelerations or losses, could individually or in the aggregate have a material adverse effect on such Union or on the ability of such Union to perform its obligations under this Agreement.

SECTION 4.5. *Disclosure Documents.* The information with respect to such Union that such Union furnishes to the Company in writing specifically for use in any Company Disclosure Documents, taken as a whole, will not be false or misleading with respect to any material fact of omit to state any material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading (i) in the case of the Company Proxy Statement and the Schedule 13E-3, at the time it or any amendment or supplement thereto is first mailed to stockholders of the Company, and at the time the stockholders vote on adoption of the Shareholder Vote Matters, (ii) in the case of the Registration Statement and each of the Underwriting Registration Statements, at the time it or any amendment is filed and is declared effective by the SEC and is distributed and, in the case of the Registration Statement, at the time the stockholders vote on the Shareholder Vote Matters and at the Effective Time, and (iii) in the case of any other Company Disclosure Document, at the time of the filing thereof and at the time of any distribution thereof.

SECTION 4.6 *Finders' Fees* Except as previously disclosed to the Company in writing (and such other persons that such Union may have selected after the date hereof whose fees will be paid by such Union or the Company, subject, in the case of payment by the Company, to the terms of the Fee Letter (as defined in Section 10.4)) or as otherwise contemplated hereby or by their engagement letters, there is no investment banker, broker, finder or other intermediary who might be entitled to any fee or commission from the Company, such Union or any affiliate of either of them upon consummation of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of such Union.

SECTION 4.7. *Limitations.* As of the date of this Agreement, such Union has no knowledge of any event or conditions which would preclude it from taking any action necessary to consummate the transactions contemplated hereby.

ARTICLE V

COVENANTS OF THE COMPANY

The Company agrees that:

SECTION 5.1 *Conduct of the Company.* From the date hereof until the Effective Time, without the consent of the Unions, the Company and its Subsidiaries shall, except as specifically provided in Article 1, Section 5.4 and Section 9.1(dxii) or on Schedule 5.1(i) or other Schedules, Exhibits or attachments hereto, conduct their business in the ordinary course consistent with past practice and shall use their best efforts to preserve intact their business organizations and relationships with third parties and to keep available the services of their present officers and employees. Without limiting the generality of the foregoing, from the date hereof until the Effective Time, neither the Company nor any

Subsidiary shall, without the prior written consent of the Unions, except as otherwise expressly provided in this Agreement:

(a) issue, sell, dispose of, pledge or otherwise encumber, or authorize or propose the issuance, sale, disposition, pledge or other encumbrance of, any Company Securities or Subsidiary Securities other than pursuant to the exercise of options outstanding as of December 22, 1993 (or issued in accordance with the restrictions contained in Letter Agreement) under the Company's 1981 Incentive Stock Program or the issuance of Rights in connection with the issuance of Old Shares upon exercise of such options, or, with respect to securities of Subsidiaries, to the Company;

(b) reclassify, combine, split, subdivide, redeem, purchase or otherwise acquire, or propose to purchase or otherwise acquire, any Company Securities or Subsidiary Securities, except repurchases of Company securities, (x) pursuant to employee stock purchase, stock option, stock grant or other employee arrangements or (y) pursuant to rules or requirements under the Employee Retirement Income Security Act of 1974, as amended;

(c) declare or pay any dividend or distribution on the Old Shares;

(d) (i) increase the compensation of any of its directors, officers or key employees, except in the ordinary course of business and consistent with past practice or pursuant to the terms of agreements or plans currently in effect; (ii) pay or agree to pay any pension, retirement allowance or other employee benefit that is either not required or specifically permissible by any existing plan, agreement or arrangement to any director, officer or key employee, other than in the ordinary course of business and consistent with past practice; (iii) commit itself to any additional pension, profit-sharing, bonus, extra compensation, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or to any employment or consulting agreement with or for the benefit of any director, officer or key employee whether past or present, except in the ordinary course of business consistent with past practice; or (iv) except as required by applicable law, amend in any material respect any such plan, agreement or arrangement; provided that the foregoing shall not be deemed to restrict necessary and reasonable actions taken in connection with (aa) retention of personnel other than executive officers or (bb) promotions and new hires in the ordinary course of business consistent with past practice; *provided, further*, that nothing herein shall preclude the Company or any of its Subsidiaries from taking any action reasonably designed to permit any employee to realize vested benefits under any existing plan, agreement or arrangement referred to above;

(e) except in the ordinary course of business and consistent with past practice and except for refinancings or pursuant to existing plans of the Company disclosed to the Unions in writing prior to the date hereof (i) incur any material amount of long-term indebtedness for borrowed money or issue any material amount of debt securities (other than trade debt and commercial paper) or assume, guarantee or endorse the obligations of any other person except for obligations of wholly owned Subsidiaries; (ii) make any material loans, advances or capital contributions to, *or* investments in, any other person (other than to wholly owned Subsidiaries or customary loans or advances to employees in amounts not material to the maker of such loan or advance); or (iii) mortgage or pledge any of its material assets, tangible or intangible, or create or suffer *to* exist any lien thereupon, other than any purchase money mortgage or lien; or

(f) enter into any agreement or arrangement to do any of the foregoing.

In addition, except as specifically provided in Section 5.4 and Section 9.1(d)(ii), from the date hereof until the Effective Time, without the prior written consent of the Unions, the Company and its Subsidiaries shall not take any action (i) which would violate or be inconsistent with the job protection provisions set forth in Section 1 and Letters 94-1 and 94-2 of the ALPA Labor Agreement (as defined below) or the job protection provisions of the IAM Labor Agreement (as defined below) set forth on Schedule 5.1(ii) as if all references to the date of signing, the date of the ALPA and IAM Labor Agreements, the date of ratification or the date of closing in such Labor Agreements (including all references therein to July 1, 1994, when intended to be the date of closing of such Labor Agreements) referred to the date of this Agreement or (ii) which, either alone or together with any matters entered into from December 22, 1993 through the date hereof, would be subject to Article FIFTH, Sections 3.1 through 3.5 of the Restated Certificate or (iii) except as provided in Section 5.7, to alter or amend the terms of any of the Company's Board of Directors' resolutions or any of its policies, practices, procedures or employee benefit plans (as described on Schedule 5.1(iii)) in any manner which would adversely affect the right or ability of the employees of the Company or United directly or indirectly to purchase equity securities of the Company.

The Flight Kitchen severance package described in paragraph 26 of Exhibit E-2 to the Letter Agreement shall be restored and benefits described in that paragraph shall be provided as if the condition described in paragraph 26, section 5(a) of Exhibit E-2 had been fully complied with. Any Food Service Agreement employee who can demonstrate that his or her job status at United was adversely affected by his or her detrimental reliance on United's March 16, 1994 announcement cancelling the Flight Kitchen LPP's will be entitled to receive a remedy from United for his or her actual contractual damages, if any. Any disagreement regarding entitlement to or the nature of such remedy may be submitted to the United-IAM System Board of Adjustment.

SECTION 5.2 *Stockholder Meeting; Proxy Material.* Subject to receipt by the Company of updated Company Fairness Opinions from First Boston and Lazard to the effect that, as of the date of the Company Proxy Statement, the consideration to be received in the Recapitalization by the Company's stockholders is fair to the Company's stockholders from a financial point of view, the Company shall cause a meeting of its stockholders (the "Company Stockholder Meeting") to be duly called and held as soon as reasonably practicable after the date on which the Registration Statement is declared effective by the SEC, for the purpose of voting on the approval and adoption of each of the Reclassification, the Restated Certificate, the election of four of the five initial Public Directors to the Board of Directors of the Company, the Recapitalization and the issuance of the ESOP Preferred Stock as part of the Recapitalization (such matters are collectively referred to as the "Shareholder Vote Matters") and the Company Plan Matters. The Shareholder Vote Matters shall be presented as a single proposal, or the effectiveness of each such matter shall be conditioned on the approval of all of such matters. Consistent with its obligations under Section 7.1, the Company shall be entitled to delay the Company Stockholder Meeting if the Company does not receive, as of the Announcement Date, updated Company Fairness Opinions from First Boston and Lazard to the effect that, as of the Announcement Date, the consideration to be received in the Recapitalization by the Company's stockholders is fair to the Company's stockholders from a financial point of view. Subject to Section 5.4, the directors of the Company shall recommend the approval and adoption of the Shareholder Vote Matters by the Company's stockholders and shall use its best efforts (as defined in Section 7.1) in soliciting such approval. Subject to Section 5.4, in connection with such meeting, the Company (i) will promptly prepare and file with the SEC, will use its best efforts to have cleared by the SEC and will, subject to the effectiveness of the Registration Statement, thereafter mail to its stockholders as promptly as practicable, the Company Proxy Statement (including the information required by the Schedule 13E-3) and all other proxy materials for such meeting, (ii) will use its best efforts to obtain the necessary approvals by its stockholders of the Shareholder Vote Matters and (iii) will otherwise comply with all legal requirements applicable to such meeting. A reasonable period of time prior to the initial filing of (or the filing of any amendment of supplement to) any of the Company Proxy Statement, the Registration Statement, the Underwriting Registration Statements, the Schedule 13E-3 or any other Company Disclosure Document, the Company shall provide to each of the Unions, in accordance with the notice provisions contained in Section 10.1, a copy of the same. The Company shall provide the Unions with a reasonable opportunity to review and comment on each of such documents prior to such filing with a view toward the production and filing of mutually acceptable documents, subject to (1) the Company's responsibilities under applicable securities laws and (2) other applicable legal requirements.

SECTION 5.3 *Access.* Subject to the absence of a material breach of Section 6.1, from the date hereof until the Effective Time, the Company will give each Union, its counsel, financial advisors, auditors and other designated representatives reasonable access following reasonable notice during normal business hours (which access shall be coordinated through a person designated by the Company, which person (or another authorized person) shall be available during normal business hours) to the offices, employees, properties, books and records of the Company and the Subsidiaries, will furnish, if reasonably requested, to each Union, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information in connection with the Agreement and the transactions contemplated hereby as such persons may reasonably request and will instruct the Company's officers, employees, counsel and financial advisors to cooperate reasonably with each Union and each Union's counsel, financial advisors, auditors and other designated representatives in their investigation of the business of the Company and the Subsidiaries and to take such steps as may be reasonably requested by each Union and such counsel, advisors, auditors and other representatives to assist them in connection with the transactions contemplated by this Agreement; provided that no investigation pursuant to this Section shall affect any representation, warranty, covenant or agreement made by the Company to each Union under this Agreement. Each Union, its counsel, financial advisors, auditors and other designated representatives shall conduct themselves under this Section 5.3 so as not to interfere with the day-to-day operations of the Company.

SECTION 5.4 *Other Potential Transactions.* The Company shall not, directly or indirectly, encourage, solicit, participate in or initiate discussions or negotiations with, or provide any information to, any corporation, partnership, person or other entity or group (other than the Unions or their advisors or the ESOP Trustee or its advisors) concerning any merger, sale of assets, sale of, or tender or exchange offer for, shares of capital stock or similar transaction, involving a change of control of the Company or all or substantially all of the assets of the Company (an "Acquisition"), except as set forth below. The Company may, directly or indirectly, furnish information and access, in each case in response to an unsolicited request therefor, to the same extent permitted by Section 5.3 hereof, to any corporation, partnership, person or other entity or group pursuant to appropriate confidentiality agreements, and may participate in discussions and negotiate with such entity or group concerning any such transaction, if the entire Board of Directors of the Company (the "Board") (and, to the extent a director is a participant in an alternative Acquisition, the disinterested members of the Board) determine in their good faith judgment, upon advice of independent legal and financial advisors (who may be the Company's regularly engaged independent legal and financial advisors), that such action is required by their fiduciary duties. In addition, the Company's officers and other appropriate personnel may take such steps as are necessary or appropriate to provide the Board with sufficient information to make an informed decision concerning the matters described in the previous sentence and, if the Board so determines that such actions are required by their fiduciary duties, the Company may direct its officers and other appropriate personnel to cooperate with and be reasonably available to consult with any such entity or group which were the subject of such determination. Nothing herein shall prevent the Board from taking, and disclosing to the Company's shareholders, a position contemplated by Rules 14d-9 and 14e-2 promulgated under the 1934 Act with respect to any tender offer or from making such other disclosure to shareholders or taking such other action which, in the judgment of the Board, upon advice of such counsel, is required by law to discharge any fiduciary duty imposed thereby.

SECTION 5.5 *Notices of Certain Events.* The Company shall notify each Union of, and provide to each Union all relevant details relating to, and documentation submitted to or by the Company in respect of, (i) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the transactions contemplated by this Agreement, (ii) any notice or other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement and (iii) any proposal for, or contacts and expressions of interest relating to, an Acquisition or other matter contemplated by Section 5.4 and action taken by the Company in respect thereof.

SECTION 5.6 *Amendment of Rights Agreement.* The Company shall amend the Rights Agreement, effective immediately prior to the Effective Time, in accordance with the Rights Amendment and to provide that each outstanding share of ESOP Convertible Preferred Stock following the Effective Time, as well as each Available Unissued ESOP Share (as defined in Article FIFTH, Section 1.5 of the Restated Certificate), shall have associated with it and represent that number of Rights (as defined in the Rights Agreement) as would be associated with the number of New Shares into which the relevant share of ESOP Convertible Preferred Stock is then convertible and to cause such Rights to be exercisable by, and to cause separate certificates representing such Rights to be distributed to, and be separately transferable by, holders of shares of ESOP Convertible Preferred Stock (and Available Unissued ESOP Shares) at the time and upon terms substantially the same as those applicable to the holders of New Shares.

SECTION 5.7 *Employee Benefit Plans.* The Company shall take such action to amend, in form reasonably satisfactory to each Union, the directed account plans and 401(k) plans maintained by the Company or United for the benefit of employees, and shall take all other reasonable action, so as to permit investment of the funds held thereunder at the individual direction of the beneficiaries of such plans to purchase the Company's common stock, preferred stock, Depositary Shares and/or debt securities in the open market, subject to rules and regulations under the 1934 Act. The Company shall take such action to amend the stock purchase plans maintained by the Company or United for the benefit of employees so as to require the distribution of the consideration received upon redemption of the Redeemable Preferred Stock in accordance with Section 1.3 to be received by such plans in the Reclassification, or the cash proceeds from the sale thereof, to participants, subject to applicable law. Consistent with existing Company policy with respect to purchases of Old Shares, the aforementioned plan amendments to the directed account plans and the 401(k) plans, and the stock purchase plans, shall permit employees of the Company and United following the Effective Time to acquire, in addition to amounts held in the ESOPs, the following securities: (X) up to the lesser of (i) 30% of the outstanding New Shares held by persons other than the ESOPs and (ii) 20% of the aggregate number of outstanding New Shares and New Shares issuable upon conversion of the ESOP Preferred Stock outstanding or issuable to Sections 1.6 or 1.10 hereof (including Available Unissued ESOP Shares) and (Y) except with respect to the stock purchase plan, up to (i) 20% of the outstanding Depositary Shares, (ii) 20% of the outstanding principal amount of Series A Debentures and (iii) 20% of the outstanding principal amount of Series B Debentures; subject to the following additional limits: (A) no employee group of the Company or its Subsidiaries (which, for this purpose, shall mean employees represented by each of ALPA, the IAM, and the AFA (as defined in Section 7.3) and the Salaried and Management Employees (as defined in Section 5.8(b)) (each, an "Employee Group") may individually acquire more than 10% of the outstanding shares or amount of any class of securities referred to in clause (X) and (Y) above through such plans; (B) in the case of the directed account plans, no Employee Group may individually acquire more than 2% of the outstanding shares or amount of any such class of securities in any monthly subscription period through such plans; (C) no Employee Group may individually acquire more than 2% of the outstanding New Shares held by persons other than the ESOPs (in addition to New Shares received in the Reclassification) through such plans during the six month period beginning at the Effective Time; and (D) no New Shares may be acquired through such plans during the six month period ending on the last day of the Measuring Period, as defined in Section 1.10.

The Company shall not be required to expand the scope of any third party indemnity in a manner adverse to the Company in order to implement the amendments referred to in clause (Y) above.

SECTION 5.8 *Labor Agreements.*

(a) The Company shall cause United, at the Effective Time, to execute and deliver new collective bargaining agreements (or amendments to existing collective bargaining agreements) with each of ALPA and the IAM, each in form and substance as set forth on Schedules 5.8(i) and 5.8(ii), respectively. The agreement set forth on Schedule 5.8(i) is referred to herein as the "ALPA Labor Agreement," the agreements set forth on Schedule 5.8(ii) are collectively referred to herein as the "IAM Labor Agreement" and the ALPA Labor Agreement and the IAM Labor Agreement are collectively referred to herein as the "Labor Agreements."

(b) The Company shall also establish and cause United to establish appropriate employment terms for the employees of the Company and United who perform the functions currently performed by the salaried and management employees of the Company and United (including any functions which such group of employees begin performing in the future) (the "Salaried and Management Employees"), in form and substance as set forth on Schedule 5.8(iii), effective at the Effective Time. From and after the date hereof, the Company shall provide the Unions and their respective counsel, financial advisors, auditors and other representatives with the access and information necessary to confirm the Company's continuing implementation of the provisions of this Section 5.8(b).

SECTION 5.9 *Solvency Letter.* The Company has retained American Appraisal Associates (the "Appraiser") to provide, at or prior to the Effective Time, opinion in writing to the Company and the Board substantially similar to the letter set forth on Schedule 5.9 (the "Solvency Letter"). If the Solvency Letter is delivered to the effect that sufficient surplus is available to permit the consummation of the Recapitalization consistent with Delaware Law, the Board shall take all lawful and appropriate action, effective as at the Effective Time, to revalue the Company's assets and liabilities to permit the consummation of the Recapitalization in accordance with Delaware Law.

SECTION 5.10 *Other Transaction Documents.* The Company hereby agrees that at the Effective Time it will execute the form of employment agreement (the "Employment Agreement") between the Company and Gerald Greenwald in the form attached to the agreement (the "Retention Agreement") between the Unions and Gerald Greenwald providing for his employment by the Company from and after the Effective Time on the terms set forth in the Employment Agreement. The Company hereby agrees from and after execution by Gerald Greenwald of the Employment Agreement at the Effective Time to perform all of its obligations, whether or not due and owing, under the

Employment Agreement. The Retention Agreement may not be amended without the written consent of the Company. A true and correct copy of the Retention Agreement (with the attached form of the Employment Agreement) has been delivered by the Unions to the Company. In addition, immediately prior to the Effective Time, the Company shall execute and deliver (or shall have theretofore executed and delivered) the following documents and agreements: the Officers' Certificate relating to the Indenture, the Deposit Agreement, the initial ESOP Stock Purchase Agreement, the ESOP Trusts, the Exchange Agent Agreement, the Rights Amendment, the Class I Preferred Stock Subscription Agreement, the Class Pilot MEC Preferred Stock Subscription Agreement, the Class IAM Preferred Stock Subscription Agreement, the Class SAM Preferred Stock Subscription Agreement, a shareholders agreement with the initial Independent Directors in form and substance as set forth on Schedule 5.10 (i) (the "Class I Preferred Stock Shareholders Agreement"), a shareholder agreement with the holders of the Class SAM Preferred Stock in form and substance as set forth on Schedule 5.10(ii), and a First Refusal Agreement between the Company, the Unions and the SAM Director, in form and substance as set forth on Schedule 5.10(iii) (collectively, the "Closing Agreements").

SECTION 5.11 *Certain Agreements.* Without limiting in any respect the Company's and United's rights or obligations under any other agreement, arrangement or understanding to which it is a party, the Company specifically confirms, and shall cause United to confirm, their respective obligations under the employee and director benefit plans, agreements, policies and arrangements maintained by the Company and/or United or to which the Company and/or United is a party, in each case as in effect on the date hereof (subject to revision in accordance with Section 5.1), identified in a letter to the Unions dated the date hereof (the "Officer and Director Arrangements"); provided, that the provisions of this Section 5.11 (a) shall be subject to Section 5.1 prior to the Effective Time and (b) shall not restrict the Company's or United's ability to terminate, revise or replace any Officer and Directors Arrangements after the Effective Time so long as such action does not reduce or otherwise adversely affect rights of any beneficiary under any such Officers and Directors Arrangements that the Company or United is obligated to provide following the Effective Time without his or her consent.

ARTICLE VI

COVENANTS OF EACH UNION

Each Union agrees that:

SECTION 6.1 *Confidentiality.*

(a) Prior to the Effective Time and after any termination of this Agreement, each Union agrees that, except as provided herein, it will not at any time after its receipt of any Confidential Information (as defined below), directly or indirectly, divulge to any person or entity any of the Confidential Information or any information, report, analysis, compilation, study, interpretation, forecast, record or other material prepared by such Union or its Representatives (as defined below) (including, if maintained in some written or other form, in whatever form maintained, whether documentary, computer storage or otherwise) containing, in whole or in part, any Confidential Information. "Confidential Information" shall include all confidential written or oral information concerning the Company and the Subsidiaries furnished to such Union in connection with the transaction contemplated by this Agreement, except to the extent that such information does not include information which is or becomes (i) generally available to the public other than as a result of disclosure by a Union or its Representatives in violation of this Agreement, (ii) was available to a Union or one of its Representatives on a non-confidential basis prior to its disclosure to them by the Company or (iii) known or available to a Union or its Representatives on a non-confidential basis from a source (other than the Company) who, insofar as is known to such Union or its Representatives after due inquiry, is not prohibited from transmitting the information to such Union or its Representatives by a contractual, legal or fiduciary duty. The term "person" shall be broadly interpreted to include, without limitation, any individual, corporation, company, unincorporated association, partnership, group or other entity.

(b) Each Union shall limit access to the Confidential Information to its officials and Representatives who in the reasonable judgment of such Union need to know the Confidential Information for purposes of participating in making decisions concerning, or advising it with respect to, the Confidential Information ("informed officials and Representatives"). Disclosure of Confidential Information may be made only to officers, directors, employees, accountants, counsel, consultants, advisors and agents of one of the Unions who executes a Confidentiality Statement (a "Representative"), in the form attached either to this Agreement as Schedule 6.1 or as an attachment to a confidentiality agreement between the Company and such Union entered into prior to the date hereof (a "Confidentiality Statement"). An executed original of each such Confidentiality Statement shall be provided to the Company by the Union obtaining it. Each Union and its Representatives may discuss with the informed officials and Representatives of each other Union the Confidential Information which such Union has been provided pursuant to this Agreement or any prior confidentiality agreement between the Company and such Union relating to the Confidential Information provided that such Confidential Information shall continue to be subject to this Agreement and any other applicable confidentiality agreement. In all events, each Union shall be responsible for any actions by its Representatives which are not in accordance with the provisions hereof and of any Confidentiality Statement executed by a Representative but shall not be responsible for such actions of any informed official or Representative of the other Union. ..

(c) In the event that a Union, its Representatives or anyone to whom a Union or its Representatives supply Confidential Information are requested or required through legal process (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, any informal or formal investigation by any government or governmental agency or authority or otherwise) to disclose any Confidential Information, the Union will, upon learning of such request or requirement, (i) immediately notify the Company of the existence, terms and circumstances surrounding such a request, (ii) consult with the Company on the advisability of taking legally available steps to resist or narrow such request and (iii) if disclosure of such information is required, furnish only that portion of the Confidential Information which, in the opinion of the Union's legal counsel, it is legally compelled to disclose and cooperate with any action by the Company to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information.

(d) Except in respect of any Confidential Information that is in this Agreement (or may in the future be) the subject of an express representation by the Company, (i) neither the Company nor its employees, agents, affiliates or representatives (collectively hereinafter referred to as the "Company Representatives") makes any express or implied representation as to the accuracy or completeness of the Confidential Information and (ii) each Union and its Representatives agree that neither the Company nor any Company Representative shall have any liability to such Union or its Representatives resulting from the use by such Union or its Representatives of Confidential Information. So long as neither Union is in material breach of its obligations under this Section 6.1, nothing in this Section 6.1(d) is intended to limit Section 5.3.

(e) Each Union hereby acknowledges that it is aware, and that it will advise its Representatives who are informed in accordance with the terms of this Agreement, as to the matters which are the subject of this Agreement, that the United States securities laws prohibit any person who has received from an issuer material, non-public information concerning the matters which are the subject of this Agreement from purchasing or selling securities of such issuer due to the receipt of Confidential Information or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities due to the receipt of Confidential Information.

(f) Each Union expressly acknowledges that (i) the preservation of the confidentiality of the Confidential Information has highly important commercial significance for the Company and (ii) its unauthorized disclosure could have serious and irreparable adverse commercial, financial and legal consequences for the Company. It accordingly agrees that the Company shall be entitled to injunctive relief to prevent breaches of this Agreement and to specifically enforce the terms and provisions of this Section, in addition to any other remedy to which the Company may be entitled, at law or in equity or pursuant to this Agreement.

(g) Each Union and its Representatives hereby acknowledge that the Confidential Information is being furnished to them solely in connection with a review in connection with the transactions contemplated by this Agreement and analysis of the Company's business and financial condition and none of such Unions or their Representatives shall use the Confidential Information other than in connection with such review and analysis and potential responses thereto made directly to the Company (which may be discussed among and be made by the Unions). No right or license, express or implied, under any patent, copyright, trademark, trade secret, or other proprietary right in the Confidential Information is granted hereunder by United to a Union or its Representatives.

(h) Each Union will keep a record of the location of the Confidential Information. If the Agreement is terminated prior to the Effective Time, each Union agrees for itself and for its Representatives who reviewed the Confidential Information, to return to the Company or destroy all documents reflecting the Confidential Information and to certify in writing to the Company that such documents have been so returned or destroyed.

SECTION 6.2 *Labor Agreements.* Such Union shall execute and deliver, at the Effective Time, the relevant Labor Agreement.

SECTION 6.3 *No Public Director Nominations.* Such Union shall not, directly or indirectly, nominate or cause to be nominated any individual for election as an Outside- Public Director (as defined in Article FIFTH, Section 2.3 of the Restated Certificate) of the Company; provided, *however*; that any such nomination by an employee of the Company or United, acting in his or her individual capacity as a shareholder of the Company, shall not be deemed to violate this Section 6.3 so long as such nomination was not made with the advice, support, or assistance of any officer of such Union.

SECTION 6.4 *Independent Director Vacancies.* The Unions agree to use their best efforts to cause any Independent Director vacancy resulting after the Effective Time promptly to be filled in accordance with Article FIFTH, Section 4.1.6 of the Restated Certificate.

ARTICLE VII

COVENANTS OF EACH OF THE UNIONS AND THE COMPANY

The parties hereto agree that:

SECTION 7.1 *Best Efforts.* Subject to the terms and conditions of this Agreement, including Section 5.4, each party (a) will use its best efforts, and will cause all of its directors, officers and advisors retained by such party to use their best efforts, to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations that may be necessary or useful, to consummate the transactions contemplated by this Agreement and (b) will, and will cause its directors, officers and advisors retained by such party to, refrain from taking any actions detrimental to or inconsistent with the foregoing. In the event that any action, suit, proceeding or investigation relating hereto or to the transactions contemplated hereby is commenced, whether before or after the Effective Time, the parties hereto agree to cooperate and use their best efforts to defend against the same and respond thereto. As used in this Agreement, the term "best efforts" shall mean efforts of a type that a prudent person desirous of achieving a result would use in similar circumstances in seeking to achieve such result reasonably promptly in light of the Outside Termination Date (as defined in Section 9.1); provided, however, that a party required to use its best efforts under this Agreement will not be required to take actions that would not normally be taken by the parties in similar circumstances or that would result in a materially adverse change in the benefits intended to be conferred upon such party pursuant to this Agreement and the transactions contemplated hereby.

SECTION 7.2 *Certain Filings.* The Company and each of the Unions shall cooperate with one another (a) in connection with any preparation of the Company Disclosure Documents, the Company Proxy Statement, the Schedule 13E-3, the Registration Statement and the Underwriting Registration Statements, (b) in determining whether any action by or in respect of, or filing with, any governmental body, agency, official or authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, permits, licenses and franchises, in connection with the consummation of the transactions contemplated by this Agreement and (c) in seeking any such actions, consents, approvals or waivers or making any such filings, furnishing information required in connection therewith or with the Company Disclosure Documents, the Company Proxy Statement, the Schedule 13E-3, the Registration Statement or the Underwriting Registration Statements, and seeking timely to obtain any such actions, consents, approvals or waivers. As soon as practicable after the date hereof, the Company shall, in accordance with Section 5.2, (a) file with the SEC the Company Proxy Statement, the Schedule 13E-3 and the Registration Statement, (b) obtain and furnish the information required to be included therein, (c) after consultation with each Union, respond promptly to comments made by the SEC with respect to the Company Proxy Statement, the Schedule 13E-3 and Registration Statement and any preliminary version thereof and (d) cause the Registration Statement to become effective and the Company Proxy Statement to be mailed to the Company's stockholders at the earliest practicable date. Prior to the effective date of the Registration Statement, the Company shall obtain all necessary state securities laws or "blue sky" permits and approvals required to carry out the Recapitalization and the transactions contemplated by this Agreement.

SECTION 7.3 *Participation.* If, prior to the Effective Time, the Association of Flight Attendants ("AFA") agrees to provide, in the sole judgment of the Company, an investment equal to \$416 million (present value in January 1994 dollars for a five year AFA mainline investment and a twelve year AFA Competitive Action Plan (as defined in Schedule 1.1) investment and assuming semi-annual payments, first period not discounted, and annual discount rate of 10%) then, provided that the parties hereto agree upon all aspects of the AFA's participation in the transactions contemplated hereby (e.g. governance provisions set forth in Schedule 1.1, ESOP provisions set forth in Section 1.6 and related schedules) other than the matters described in clauses (i) and (ii) below, the parties hereto shall revise all applicable documents such that (i) the employee investment period with respect to ALPA, IAM and salaried and management employees shall be reduced by nine months; and (ii) 12.62% of the ESOP Preferred Stock otherwise to be allocated to ALPA-represented employees, IAM-represented employees and Salaried and Management Employees (the "Allocated Shares") shall be made available for allocation to the AFA-represented employees, such that after such allocation, 40.4% of the Allocated Shares shall be allocated to ALPA-represented employees, 32.44% of the Allocated Shares shall be allocated to the IAM-represented employees, 14.54% of the Allocated Shares shall be allocated to the Salaried and Management Employees and 12.62% of the Allocated Shares shall be allocated to the AFA-represented employees.

ARTICLE VIII

CONDITIONS TO THE RECAPITALIZATION

SECTION 8.1 *Conditions to the Obligations of Each Party.* The obligation of the Company to file the Restated Certificate at the Effective Time pursuant to Section 1.1 and the obligations of each of the Unions to enter into the Labor Agreements at the Effective Time are subject to the satisfaction of the following conditions:

(i) the Shareholder Vote Matters shall have been approved and adopted by the stockholders of the Company in accordance with the Certificate of Incorporation and Bylaws of the Company and in accordance with Delaware Law;

(ii) any applicable waiting period under the HSR Act relating to the Recapitalization shall have expired or been terminated;

(iii) the Registration Statement shall have become effective under the 1933 Act and shall not be the subject of any stop order or governmental proceedings seeking a, stop order;

(iv) all material actions by or in respect of or filings with any governmental body, agency, official, or authority required to permit the consummation of the Recapitalization shall have been obtained;

(v) the New Shares issuable as part of the Recapitalization (including New Shares issuable upon conversion of the ESOP Preferred Stock and upon conversion of the Convertible Company Securities) shall have been authorized for listing on the NYSE subject to official notice of issuance;

(vi) there shall have been no change in Delaware Law enacted or any applicable decision of a court of competent jurisdiction decided after the date hereof and prior to the Effective Time that would cause the Restated Certificate or Restated Bylaws to fail to comply in any material respect with the applicable provisions of Delaware Law;

(vii) the ESOP Trustee shall have received the written opinion of Houlihan, Lokey, Howard & Zukin to the effect that, as of the Effective Time, the acquisition of the ESOP Preferred Stock pursuant to Section 1.6(d) hereof by the ESOPs is fair, from a financial point of view, to the ESOP participants;

(viii) the Board of Directors of the Company shall have received the Solvency Letter; and

(ix) (A) there shall not be instituted or pending any action, proceeding, application, claim, or counterclaim by any United States federal, state or local government or governmental authority or agency, including the DOT, before any court or governmental regulatory or administrative agency, authority or tribunal, which (x) restrains or prohibits or is reasonably likely to restrain or prohibit the making or consummation of, or is reasonably likely to recover material damages or other relief as a result of, the Recapitalization, or the receipt by holders of the Old Shares of the full amount of the Recapitalization Consideration, or restrains or prohibits or is reasonably likely to restrain or prohibit the performance of, or is reasonably likely to recover material damages or other relief as a result of, this Agreement or any of the transactions contemplated hereby or (y) prohibits or limits or seeks to prohibit or limit the ownership or operation by either Union, the ESOP Trustee, any of the ESOPs or any participant therein of all or any substantial portion of the capital stock, business or assets of the Company or any of its Subsidiaries or compels or seeks to compel either Union, the ESOP Trustee, any of the ESOPs or any participant therein to dispose of or hold separate aA or any substantial portion of the capital stock, business or assets of the Company or any of its Subsidiaries or imposes or seeks to impose any material limitation on the ability of either Union, the ESOP Trustee, any of the ESOPs or any participant therein, to conduct such business or own such assets, (B) there shall not have been instituted or be pending any action, proceeding, application, claim or counterclaim by any other person, before any such body, that is reasonably likely to result in any of the consequences referred to in clauses (A)(x) or (A)(y) above, and (C) there shall not be any United States federal, state or local statute, rule, regulation, decree, order or injunction promulgated, enacted, entered, or enforced by any United States federal, state or local government agency or authority or court, that has any of the effects referred to in clauses (A)(x) or (A)(y) above;

(x) all conditions to the obligations of the parties to the Closing Agreements to consummate such transactions shall have been satisfied or are capable of being satisfied concurrently upon the occurrence of the Effective Time;

(xi) the Closing Agreements shall be legal, valid and binding agreements of the Company and the other parties thereto from and after the Effective Time, enforceable against the Company and such other parties in accordance with their terms; and

(xii) Gerald Greenwald (or such other person as shall be proposed by the Unions prior to the Effective Time and not found unacceptable by the Company) shall be ready, willing and able to assume the office of Chief Executive Officer of the Company and United.

(i) the Company shall have performed, both individually and collectively, in all material respects all of its covenants, agreements or other obligations hereunder required to be performed by it at or prior to the Effective Time; and

(ii) the representations and warranties of the Company set forth in this Agreement shall be true and correct, both individually and collectively, in all material respects at and as of the Effective Time as if made at and as of such time; provided that the representations and warranties of the Company set forth in Section 3.10 and each representation and warranty of the Company set forth in this Agreement that is qualified by a "materiality" or similar standard (including, Material Adverse Effect), shall be true in all respects (taking into account all "materiality" and similar qualifications (including, Material Adverse Effect) contained in such representation or warranty) at and as of the Effective Time, as if made at and as of such time.

SECTION 8.3 *Conditions to the Obligations of the Company.* The obligation of the Company to file the Restated Certificate at the Effective Time pursuant to Section 1.1 is subject to the satisfaction of the following further conditions:

(i) Each Union shall have performed, both individually and collectively, in all material respects all of its covenants, agreements or other obligations hereunder required to be performed by it at or prior to the Effective Time;

(ii) the representations and warranties of the Unions set forth in this Agreement shall be true and correct, both individually and collectively, in all material respects at and as of the Effective Time as if made at and as of such time; provided that each representation and warranty of the Unions set forth in this Agreement that is qualified by a "materiality" or similar standard shall be true in all respects (taking into account all "materiality" and similar qualifications contained in such representation or warranty) at and as of the Effective Time, as if made at and as of such time;

(iii) the Board of Directors of the Company shall have received the written opinions of each of First Boston and Lazard, each dated as of the Announcement Date, confirming their earlier opinions, to the effect that the Recapitalization is fair from a financial point of view to the holders of Old Shares; and

(iv) the Labor Agreements shall have been executed and delivered by the Unions and shall be in full force and effect as of the Effective Time.

(v) the Board of Directors of the Company shall have received the written opinions of Skadden, Arps, Slate, Meagher & Flom to the effect that (A) when issued, all New Shares, all Depositary Shares and all shares of Public Preferred Stock represented thereby will be duly authorized, validly issued, fully paid and nonassessable, (B) the revaluation of the Company's and United's assets contemplated by Section 5.9 hereof may be effected in connection with the Recapitalization consistent with Delaware Law, (C) when issued, the Debentures will be validly issued and enforceable obligations of United, (D) the consummation of the transactions contemplated by Section 1.6(d) hereof will not result in a non-exempt prohibited transaction under Section 4975(c)(1) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), or Section 406(a) of the Employee Retirement Income Security Act of 1974, (E) the Recapitalization and Reclassification will not result in the recognition of income, gain or loss to the Company for United States federal income tax purposes and (F) the contributions made by the Company to the ESOPs and, assuming the Company has sufficient earnings and profits, the dividends paid on the ESOP Preferred Stock that, in each case, are used to repay the debt evidenced by the ESOP Note issued in connection with the transactions contemplated by Section 1.6(d) hereof will be deductible under Section 404 of the Internal Revenue Code;

(vi) the Company shall have determined that it is reasonably likely to have sufficient earnings and profits such that, based on the opinion of counsel described in Section 8.3(v)(F) above, the dividends paid on the ESOP Preferred Stock that are used to repay the debt evidenced by the ESOP Note issued in connection with the transactions contemplated by Section 1.6(d) hereof are reasonably likely to be deductible under Section 404 of the Internal Revenue Code; and

(vii) the Company shall have determined that the Company will be reasonably likely to have sufficient surplus (whether revaluation surplus or earned surplus) or net profits under Delaware Law to permit the legal payment of dividends on the ESOP Preferred Stock and the Public Preferred Stock when due.

ARTICLE IX

TERMINATION

SECTION 9.1 *Termination.* This Agreement shall terminate and the Recapitalization shall be abandoned (notwithstanding any approval of the Shareholder Vote Matters by the stockholders of the Company, any legal action or otherwise) if the Effective Time shall not have occurred by 11:59 p.m. on August 31, 1994 (the "Outside Termination Time"). In addition, this Agreement may be terminated and the Recapitalization may be abandoned at any time prior to the Outside Termination Time and prior to the Effective Time (notwithstanding any approval of the Shareholder Vote Matters by the stockholders of the Company):

(a) by mutual written consent of each of the Unions and the Company;

(b) by either of the Unions or the Company if (i) the stockholders of the Company shall not have approved the Shareholder Vote Matters at the Company Stockholder Meeting; or (ii) any court of competent jurisdiction in the United States or other United States federal, state or local governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Recapitalization and such order, decree, ruling or other action shall have become final and nonappealable;

(c) by either Union if (i) the Board shall have withdrawn or modified in a manner materially adverse to such Union its approval or recommendation of the Recapitalization or the Shareholder Vote Matters or shall have recommended, or shall have failed to recommend against, another Acquisition, (ii) the Board shall have resolved to do any of the foregoing, (iii) the Company shall have breached, either individually or collectively, in any material respect any of its material representations, warranties, covenants or other agreements contained in this Agreement, (iv) any person shall have acquired "beneficial ownership" (as defined in the Rights Agreement) or the right to acquire beneficial ownership of, or any "group" (as such term is defined in Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) shall have been formed which beneficially owns, or has the right to acquire beneficial ownership of, more than 15% of the then outstanding Old Shares, or shall have become an "Acquiring Person" under the Rights Agreement, or (v) there shall have occurred a "Share Acquisition Date" or "Distribution Date" under the Rights Agreement; or

(d) by the Company if (i) either Union shall have breached, either individually or collectively, in any material respect any of its material representations, warranties, covenants or other agreements contained in this Agreement or (ii) the Board, in accordance with Section 5.4, shall have withdrawn or modified in a manner adverse to either Union its approval or recommendation of the Recapitalization or shall have recommended another Acquisition, or shall have resolved- to do any of the foregoing.

SECTION 9.2 *Termination of Status Quo.* If the Effective Time shall not have occurred on or before the earlier of expiration of four months following the date of the filing by the Company of the preliminary Company Proxy Statement with the SEC and August 31, 1994, the Company may, by written notice to each of the Unions, terminate its obligations under Section 5.1 of this Agreement; provided that the Company's right to so terminate its obligations under Section 5.1 shall not be available in the event the Company's failure to fulfill any obligation under this Agreement has been the cause of or resulted in the failure of the Effective Time to occur on or before such date. In the event the Company elects to terminate its obligations under Section 5.1 in accordance with the preceding sentence, either of the Unions may terminate this Agreement.

SECTION 9.3 *Effect of Termination.* Except as provided in the next sentence, if this Agreement is terminated pursuant to Section 9.1 or 9.2, this Agreement shall become void and of no effect with no liability on the part of any party hereto, except that the agreements contained in Sections 6.1, 9.3 and 10.4 shall survive the termination hereof. Notwithstanding the preceding sentence, if the failure of the Effective Time to occur on or prior to the Outside Termination Date results directly from either (i) a material breach of a specific material representation or warranty contained in this Agreement by one of the parties hereto under circumstances where the breaching party had actual knowledge at the date of this Agreement that such representation or warranty was materially false or misleading or (ii) a material breach of a specific material covenant (a breach described in clause (i) or (ii), as modified by proviso (A) hereto, being called a "Willful Breach"), and one of the other parties hereto has established, as determined by a court of competent jurisdiction, that such Willful Breach has occurred, the breaching party shall be liable to the other parties hereto for proximate and provable damages resulting from such Willful Breach (which shall include the reasonable fees and expenses of such non-breaching parties, including reasonable attorney's fees and expenses, incurred in connection with the transactions contemplated hereby other than in connection with any litigation or other dispute between or among parties hereto); provided (A) to the extent that the material breach of a specific material covenant is not determinable solely by an objective fact (e.g. any best efforts obligation or requirement of reasonableness) such breach shall be actionable hereunder only if the breaching party knew (or demonstrated reckless disregard for whether) its action or failure to act was in violation of such covenant; and (B) such calculation of damages shall not

include consequential or punitive damages and shall be the sole and exclusive remedy of the non-breaching parties in the event of a Willful Breach. With respect to a Willful Breach, "knowledge" (or any corollary thereof) or "reckless disregard" shall mean the knowledge or reckless disregard of the senior executives or officials of the Company and United or the Unions, as the case may be, each of whom shall conclusively be deemed to have read this Agreement.

ARTICLE X

MISCELLANEOUS

SECTION 10.1 *Notices.* All notices, requests and other communications to any party hereunder shall be in writing (including telex or similar writing) and shall be given,

if to ALPA, to:

UAL-MEC/ALPA
6400 Shafer Court
Suite 700
Rosemont, IL 60018
Telephone: (708) 292-1700
Telecopy: (708) 292-1760

Attention: Captain Roger D. Hall

and copies to;

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, NY 10019
Telephone: (212) 373-3000
Telecopy: (212) 757-3990

Attention: Stuart I. Oran, Esq.

and to:

Cohen, Weiss and Simon
330 West 42nd Street
New York, NY 10036

Telephone: (212) 563-4100

Telecopy: (212) 695-5436

Attention: Stephen Presser, Esq.

If to IAM, to:

International Association of Machinists and Aerospace Workers Machinists Building 1300 Connecticut Avenue Washington,
D.C. 20036 Telephone: (202) 857-5200 Telecopy: (202) 331-9076

Attention: William L. Scheri

IAM Local 1487

321 Allerton Avenue

San Francisco, CA 94080

Telephone: (415) 873-0662

Telecopy: (415) 873-1676

Attention: Ken Theide

and copies to:

Taylor Roth Bush & Geffner

3500 W. Olive, Suite 1100

Burbank, CA 91505

Telephone: (818) 973-3200

Telecopy: (818) 973-3201

Attention: Robert A. Bush, Esq.

Lowenstein Sandler Kohl Fisher & Boylan

65 Livingston Avenue

Roseland, New Jersey 07068

Telephone: (201) 992-8700

Telecopy: (201) 992-5820

Attention: Peter H. Ehrenberg, Esq.

If to the Company to:

UAL Corporation

1200 E. Algonquin Road

Elk Grove Township, Illinois 60007

Telephone: (708) 956-2400

Telecopy: (708) 952-4683

Attention: Stephen M. Wolf and

Lawrence M. Nagin, Esq.

with a copy to:

Skadden, Arps, Slate, Meagher & Flom

919 Third Avenue

New York, NY 10022

Telephone: (212) 735-3000

Telecopy: (212) 735-2000

Attention: Peter Allan Atkins, Esq.

or such other address or telecopy number as such party may hereafter specify for the purpose by notice to the other parties hereto. Each such notice, request or other communication shall be effective (i) if given by facsimile, when received by the addressee using the facsimile number specified in this Section, as evidenced by an automated confirmation receipt from the sending facsimile machine or (ii) if given by any other means, when delivered at the address specified in this Section.

SECTION 10.2 *Survival.* The representations and warranties contained herein and in any certificate or other writing delivered pursuant hereto shall not survive the Effective Time. The agreements of the parties contained herein and in any certificate or other writing delivered pursuant hereto shall not survive the Effective Time unless expressly provided in such agreement (it being understood that, without limiting the survival of any other agreements contained herein the survival of which is expressly provided for in such agreement, the following agreements shall survive the Effective Time: Sections 1.2, 1.3, 1.5, 1.6, 1.7, 1.8, 1.9, 1.10, 2.3, 2.4, clause (iii) of the last sentence of Section 5.1, 5.7, 5.8(b), 5.10, 5.11, 6.3, 6.4, 10.2 and 10.4) (all such surviving agreements being referred to herein as the "Express Agreements"). Except with respect to any Collective Bargaining Agreement (as defined in the Restated Certificate) and the Express Agreements, from and after the consummation of each of the transactions contemplated to take place at or about the Effective Time, each of the parties hereto (in their capacities as such) fully releases, discharges, waives, and renounces (collectively "Releases") any and all claims, controversies, demands, rights, disputes and causes of action it may have had at or prior to the Effective Time against, and agrees not to initiate any suit, action or other proceeding involving, each of the other parties hereto, its officials, officers, directors, employees, accountants, counsel, consultants, advisors and agents and, if applicable, security holders relating to or arising out of this Agreement or the transactions contemplated hereby (including, but not limited to, matters contemplated under Section 5.11 and matters involving claims, controversies, demands, rights, disputes or cause of action based on securities laws, ERISA, common law tort theory or any other similar bodies of law); provided that the foregoing Releases shall not apply to any claims, controversies, demands, rights, disputes and causes of action arising from and after the Effective Time (and based on facts and circumstances arising from and after the Effective Time) under any of the documents, instruments or transactions entered into, filed or effected in connection with the Recapitalization (other than this Agreement, to the extent provided in this Section 10.2).

SECTION 10.3 *Amendments; No Waivers.*

(a) Any provision of this Agreement may be amended or waived prior to the Effective Time (including, without limitation, an amendment to this Agreement to extend the Outside Termination Time) if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Company and each Union or in the case of a waiver, by the party against whom the waiver is to be effective; provided that

no amendment to or waiver of an Express Agreement shall be effective against a person entitled to enforce such Express Agreement pursuant to Section 10.8 unless agreed to in writing by such person; and provided, *further*, that after the adoption of the Shareholder Vote Matters by the stockholders of the Company, no such amendment or waiver shall, without the further approval of such stockholders if and to the extent such approval is required by Delaware Law, alter or change (i) the amount or kind of consideration to be received in connection with the Recapitalization, (ii) any term of the Restated Certificate or (iii) any of the terms or conditions of this Agreement if such alteration or change would materially adversely affect the holders of any shares of capital stock of the Company.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 10.4 *Fees and Expenses; Indemnification.*

(a) Except as provided in the fee letter agreement, dated the date hereof, among the Company and the Unions (the "Fee Letter"), or hereafter agreed by the parties in writing or as set forth in this Section, all fees, costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such fee, cost or expense. The parties agree that the fees, costs and expenses of the Deadlock Firm and the Solvency Firm shall be paid by the Company. The Company represents and agrees that the fees of its principal financial and legal advisors to be incurred by the Company in connection with the transactions contemplated by this Agreement other than fees in connection with the underwriting described in Section 1.11 hereof shall not exceed \$25 million.

(b) Upon the occurrence of a Triggering Event (as defined below), the Company shall promptly pay to or at the direction of the Unions any amounts the Company would otherwise have been required to pay pursuant to the Fee Letter had the Effective Time occurred at the time of the occurrence of such Triggering Event. Such amounts shall be exclusive of any amounts paid or payable pursuant to indemnification or contribution arrangements. For purposes of this paragraph (b), "Triggering Event" shall mean the occurrence of each of the following: (i)(A) following the public announcement of a proposal for an Acquisition, either the stockholders of the Company shall not have approved the Shareholder Vote Matters at the Company Stockholder Meeting or (B) the Board shall have withdrawn or modified in a manner materially adverse to the Unions its approval or recommendation of the Recapitalization or the Shareholder Vote Matters or shall have recommended, or failed to recommend against, another Acquisition; (ii) subsequent to the stockholder or Board action referred to in clause (i) above, this Agreement shall have been terminated by the Company pursuant to Sections 9.1(b)(i) or 9.1(d)(ii) or by either Union pursuant to Sections 9.1(b)(i) or 9.1(c)(i); and (iii) within 12 months of the termination of the Agreement in accordance with clause (ii) above, an Acquisition shall have been consummated.

(c) All amounts payable by the Company to either Union under this Section 10.4 shall be paid directly to such Union or directly to persons designated in writing by such Union as such Union may specify.

(d) To the extent that the Company shall make payments to, or on behalf of, either Union under this Section 10.4 and such Union is reimbursed by another source (or otherwise receives a refund of the amount paid), such Union shall return such amounts to the Company to the extent of such reimbursement (or refund).

(e) The Company (the "Indemnitor") shall indemnify the Unions, their controlling persons, and their respective directors, trustees, officers, partners, affiliates, agents, representatives, advisors and employees (a "Union Indemnified Person") against and hold each Union Indemnified Person harmless from any and all liabilities, losses, claims, damages, actions, proceedings, investigations or threats thereof (all of the foregoing, and including expenses (including reasonable attorneys' fees, disbursements and other charges) incurred in connection with the defense thereof, except as set forth below, being referred to as "Liabilities") based upon, relating to or arising out of the execution, delivery or performance of this Agreement or the transactions contemplated hereby (including, without limitation, the underwriting described in Section 1.11 hereof); *provided, however*, that the Indemnitor shall not be liable in any such case to the extent that any such Liability arises out of any inaccurate information supplied by any such Union Indemnified Person specifically for inclusion in the proxy materials related to such transactions or any other filings made by the Company or any Union Indemnified Person with any federal or state governmental agency in connection therewith (including without limitation the prospectuses relating to the underwriting described in Section 1.11 hereof) or if any such Liability is finally judicially determined, not subject to further appeal, to have resulted from bad faith, willful misconduct or negligence on such Union Indemnified Person's part. Notwithstanding anything to the contrary contained herein, "Liabilities" shall not include any losses, claims, damages or expenses (including attorneys' fees, disbursements and other charges) based upon, relating to or arising out of any action, claim, proceeding, investigation or threat thereof (i) brought by a Union against the other Union, (ii) brought by any employee of the Company or a subsidiary of the Company, as such, represented by a Union or any member of a Union (whether or not an employee of the Company or a subsidiary of the Company), in his or her capacity as such, if, and only if, the underlying action, claim, proceeding or threat is made against (1) his or her Union or (2) against the other Union, (iii) brought by any Union or any Union Indemnified Person against the Company or any controlling persons, directors, officers, partners, agents, representatives, advisors or employees of the Company (a "Company Related Person") or by the Company or any Company Related Person against any Union or Union Indemnified Person or (iv) which arise primarily as a result of acts by a Union Indemnified Person following the Effective Time.

(f) In connection with the Indemnitor's obligation to indemnify for expenses as set forth above in subsection (e) of this Section, the Indemnitor further agrees to reimburse each Union Indemnified Person for all such expenses (including reasonable attorneys' fees, disbursements and other charges) as they are incurred by such Union Indemnified Person, provided, however, that if a Union Indemnified Person is reimbursed hereunder for any such expenses, such reimbursement of expenses shall be refunded to the extent it is finally judicially determined, not subject to further appeal, that the Union Indemnified Person is not entitled to indemnification by reason of the proviso clause in the first sentence or the last sentence of subsection (e) of this Section. The Company shall not be required to reimburse any Union Indemnified Person for the reasonable attorney's fees, disbursements or other charges of more than one counsel (plus local counsel, if appropriate), or of more than one counsel (plus local counsel, if appropriate) for any one Union (together with Union Indemnified Persons who are controlling persons, directors, officers, partners, affiliates, agents, representatives, advisors and employees of such Union) who can be represented by common counsel so long as no conflict of interest or different or additional colorable defenses are reasonably believed by such Indemnified Persons to exist between or among them relative to the claims asserted.

(g) Promptly after receipt by a Union Indemnified Person of notice of any claim or the commencement of any action, proceeding or investigation in respect of which indemnity or reimbursement may be sought as provided in this Section, such Union Indemnified Person will notify the Indemnitor in writing of the receipt or commencement thereof, but the failure to so notify shall not relieve the Indemnitor from any obligation or liability which it may have pursuant to this Section or otherwise except to the extent that the Indemnitor is materially prejudiced thereby. In case any such action, proceeding or investigation is brought or threatened against a Union Indemnified Person, the Indemnitor will be entitled to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel selected by the Indemnitor and approved by the Union Indemnified Person (such approval not to be unreasonably withheld). After notice from the Indemnitor to such Union Indemnified Person of its election to assume the defense thereof, the Indemnitor will not be liable to such Union Indemnified Person for any legal expense subsequently incurred for services rendered by any other counsel retained by such Union Indemnified Person in connection with the defense unless such Union Indemnified Person, in the opinion of its counsel, has colorable defenses which are different from or in addition to defenses available to the Indemnitor or the Indemnitor has an interest which conflicts with the interests of such Union Indemnified Person and which makes separate representation advisable, in which event all legal expenses of such Union Indemnified Person (subject to the last sentence of subsection (f) above) shall continue to be paid by the Indemnitor. Notwithstanding Section 10.4(f), the indemnification provided for in this Section 10.4 shall include reimbursement for all expenses (including reasonable attorneys' fees, disbursements and other charges) incurred by Union Indemnified Persons to enforce their rights under this Section 10.4. The Indemnitor shall not settle any action, claim, proceeding or investigation which is the subject of this Section 10.4 without the prior written approval of the Union Indemnified Person (such approval not to be unreasonably withheld), unless such settlement involves solely the payment of money and the Indemnitor is not contesting any right of a Union Indemnified Person to receive indemnification hereunder. References to Union Indemnified Persons shall in all cases include the controlling persons, directors, officers, affiliates, agents, representatives, advisors and employees of each Union Indemnified Person.

(h) If the indemnification provided for in this Section 10.4 is finally judicially determined, not subject to further appeal, to be unavailable to a Union Indemnified Person, then the Indemnitor shall, in lieu of indemnifying such Union Indemnified Person, contribute to the amount paid or payable in respect of any Liability by such Union Indemnified Person in such proportion as shall be fair and equitable after taking into account the relative benefits received by the parties, the relative fault of the parties and such other equitable considerations as any court of competent jurisdiction shall determine. For purposes of the preceding sentence, the benefits received by a Union Indemnified Person that is an advisor shall not be deemed to exceed the amount of fees payable to such Union Indemnified Person. The rights accorded to the Indemnified Persons under this Section 10.4 shall be in addition to any rights that any Union Indemnified Person may have at common law, by separate agreement or otherwise.

(i) All rights to indemnification existing in favor of the present or former directors, officers, employees, fiduciaries and agents of the Company or any of its Subsidiaries (collectively, the "Company Indemnified Persons") as provided in the Company's Certificate of Incorporation or By-laws or other agreements or arrangements, or articles of incorporation or by-laws (or similar documents) or other agreements or arrangements of any Subsidiary as in effect as of the date hereof with respect to matters occurring at or prior to the Effective Time shall survive the Effective Time and shall continue in full force and effect. In addition, the Company shall provide, for a period of not less than six years following the Effective Time, for directors' and officers' liability insurance for the benefit of directors and officers of the Company immediately prior to the Effective Time with respect to matters occurring at or prior to the Effective Time by electing, in its sole discretion, one of the two alternatives set forth below (which election shall be reported to the Unions prior to the Effective Time): (i) maintain for a period of not less than six years following the Effective Time, the current policies of directors' and officers' liability insurance with respect to matters occurring at or prior to the Effective Time, provided that in satisfying its obligation under this clause (i), the Company shall not be obligated to pay premiums in excess of 150% of the amount per annum the Company paid for the policy year ending during calendar year 1994, which amount has been disclosed to the Unions or (ii) purchase, prior to the Effective Time, run-off coverage for the benefit of directors and officers of the Company immediately prior to the Effective Time for matters occurring at or prior to the Effective Time, which coverage shall provide for a separate insurance pool for such directors and officers of at least \$75 million in coverage, provided, that in satisfying the obligations under this clause (ii), the Company shall not pay in excess of an amount set forth in a letter previously delivered by the Company to counsel to the Unions. The Company shall also maintain for a period of not less than six years following the Effective Time, the current fiduciaries' liability insurance with respect to matters occurring at or prior to the Effective Time.

SECTION 10.5 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the written consent of the other parties hereto. In the event the Company or any of its successors, transferees or

assigns (i) consolidates with or merges with or into any other person and shall not be the continuing or surviving entity of such consolidation or merger, (ii) transfers or conveys all or substantially all of its properties or assets to any transferee or (iii) engages in any similar transaction with any person, then, as a condition to the consummation of such transaction, proper provision shall be made so the successor, transferee or assignee of the Company pursuant to such transaction assumes the obligations of the Company set forth in each of the Express Agreements.

SECTION 10.6 *Governing Law.* This Agreement shall be construed in accordance with and governed by the law of the State of Delaware, without regard to the conflicts of laws principles thereof. The parties agree that this Agreement (including the Schedules and other attachments hereto), other than Schedules 1.6(a)(i), 1.6(a)(ii), 1.6(a)(iii), 1.6(a)(iv), 5.8(i) and 5.8(ii) (to the extent such Schedules relate to employees of the Company and its Subsidiaries represented by the Unions), shall not be subject to the jurisdiction of any System Board of Adjustment under the Railway Labor Act.

SECTION 10.7 *Counterparts; Effectiveness.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

SECTION 10.8 *Parties in Interest.* This Agreement shall be binding upon and inure solely, other than the provisions of Section 10.4, to the benefit of the parties hereto, and, except for the Express Agreements, nothing in the Agreement, express or implied, is intended to confer upon any other person any rights, benefits or remedies. With respect to the Express Agreements, the agreements set forth in the following Sections are for the benefit of, and may be enforced by, the following parties: Sections 1.2, 1.3, 1.5, 6.3 and 6.4: the holders of New Shares; Section 1.7: holders of Options; Section 1.8: holders of Company Convertible Securities; Sections 2.3 (other than the last sentence thereof) and 5.11: officers and directors of the Company prior to the Effective Time; the first sentence of Section 5.8(b): the ESOP Trustee; the first sentence of Section 5.10: Gerald Greenwald; Section 10.4(c)-(h): Union Indemnified Persons; and Section 10.4(i): Company Indemnified Persons.

SECTION 10.9 *Specific Performance.* Prior to the Effective Time or the termination of this Agreement, the parties agree that in the event a Willful Breach is established by a court of competent jurisdiction, the other parties hereto shall be entitled to specific performance of the terms hereof which were the subject of such Willful Breach; *provided, however, in* no event shall such remedy of specific performance in any way extend or modify the Outside Termination Date. The parties acknowledge that in the event of a Willful Breach, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine. No other remedy shall be available prior to the Effective Time or the termination of this Agreement except that the remedy of damages shall be available if such remedy (including the amount of damages) would be available after termination pursuant to the terms of Section 9.3 hereof.

SECTION 10.10 *Entire Agreement.* Except as otherwise explicitly set forth in this Agreement, or in other writings signed concurrently herewith, this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

UAL CORPORATION

By /S/ STEPHEN M. WOLF

Name: Stephen M. Wolf

Title: Chairman and Chief

Executive Officer

AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

By /S/ ROGER D. HALL

Name: Roger D. Hall

Title: Chairman, UAL-MEC

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By /S/ KEN THIEDE

Name: Ken Thiede

Title: President and General Chairman, District Lodge 141

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SECOND AMENDMENT TO THE AGREEMENT
AND PLAN OF RECAPITALIZATION

Second Amendment (this "Amendment"), dated as of June 29, 1994, to the Agreement and Plan of Recapitalization (as amended, the "Plan of Recapitalization"), dated as of March 25, 1994, by and among UAL Corporation, a Delaware corporation (the "Company"), Air Line Pilots Association, International, pursuant to its authority as the collective bargaining representative for the crafts or class of pilots employed by United Air Lines, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("United"), and the International Association of Machinists and Aerospace Workers, pursuant to its authority as the collective bargaining representative for the crafts or classes of mechanics and related employees, ramp and stores employees, food service employees, dispatchers and security officers employed by United, as amended by the First Amendment to the Plan of Recapitalization, dated as of June 2, 1994.

W I T N E S S E T H

WHEREAS, the parties hereto desire to amend the Plan of Recapitalization and certain Schedules thereto; and

WHEREAS, Section 10.3 (a) of the Plan of Recapitalization permits amendments to the Plan of Recapitalization and the Schedules thereto by written instrument signed by all parties;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Section 1.3 of the Plan of Recapitalization is hereby amended and restated in its entirety in the form attached to this Amendment as Exhibit A.
2. Section 1.5(b) of the Plan of Recapitalization is hereby amended and restated in its entirety in the form attached to this Amendment as Exhibit B.
3. Section 1.11 of the Plan of Recapitalization is hereby amended and restated in its entirety in the form attached to this Amendment as Exhibit C.
4. Article FOURTH, Part I.D, Section 2.5 of the Restated Certificate is hereby amended and restated in its entirety in the form attached to this Amendment as Exhibit D.

Miscellaneous

A. Definitions. Capitalized terms used in this Amendment and not defined herein shall have the meanings ascribed to them in the Plan of Recapitalization or the Schedules or other attachments thereto.

B. Entire Plan of Recapitalization; Restatement. The Plan of Recapitalization, as amended by this Amendment, is the entire agreement of the parties with respect to the subject matter hereof and the parties hereto hereby agree that the Plan of Recapitalization and all Schedules thereto may be restated to reflect all amendments provided for in this Amendment.

C. Governing Law. This Amendment shall be deemed to be made in and in all respects shall be interpreted, governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of laws principles thereof.

D. Counterparts. This Amendment may be executed in counterparts, each of which shall be an original and all of which shall together constitute one and the same instrument.

Second Amendment to the Agreement
and Plan of Recapitalization

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized on the date first above written.

UAL CORPORATION

By: /s/ Stephen M. Wolf
Name: Stephen M. Wolf
Title: Chairman and Chief
Executive Officer

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: /s/ Roger D. Hall
Name: Roger D. Hall
Title: Chairman, UAL-MEC

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By: /s/ Ken Thiede
Name: Ken Thiede
Title: President and
General Chairman,
District Lodge 141

EXHIBIT INDEX

Exhibit A - Section 1.3 of the Plan of Recapitalization

Exhibit B - Section 1.5 (b) of the Plan of Recapitalization

Exhibit C - Section 1.11 of the Plan of Recapitalization

Exhibit D - Article FOURTH, Part I.D, Section 2.5 of the Restated Certificate

SECTION 1.3 *Redemption*. Following the Effective Time, all outstanding shares of Redeemable Preferred Stock shall, to the extent of funds legally available therefor and subject to the provisions of the Restated Certificate, be redeemed immediately after issuance according to the terms thereof (the "Redemption"). Pursuant to the Redemption, the holders of Redeemable Preferred Stock, if any, shall be entitled to receive, in respect of each one one-thousandth of a share of Redeemable Preferred Stock, subject to the terms thereof and Section 1.5(f):

(i) 25.80 in cash;

(ii) either (a) if the Underwriting Alternative with respect to depositary shares (the "Depositary Shares") representing interests in Series B Preferred Stock of the Company, without par value (the "Public Preferred Stock"), is not consummated, both (I) an additional cash payment equal to \$12.20, plus (II) Depositary Shares representing interests in a liquidation preference of Public Preferred Stock equal to the excess of (xx) \$31.10 over (yy) the product of \$12.20 and a fraction (but in no event less than one) the numerator of which is the Applicable Rate with respect to the Depositary Shares assuming that the Underwriting Alternative with respect to the Depositary Shares is consummated, and the denominator of which is 11.375%, or (b) if the Underwriting Alternative with respect to the Depositary Shares is consummated, a cash payment equal to the Depositary Share Proceeds Amount (as defined in Section 1.11 below);

(iii) either (a) \$15.55 principal amount of Series A Senior Unsecured Debentures due 2004 of United issued as provided below (the "Series A Debentures") or (b) if the Underwriting Alternative with respect to the Series A Debentures is consummated, a cash payment equal to the Series A Debenture Proceeds Amount (as defined in Section 1.11 below); and

(iv) either (a) \$15.55 principal amount of Series B Senior Unsecured Debentures due 2014 of United issued as provided below (the "Series B Debentures" and, together with the Series A Debentures, collectively, the "Debentures") or (b) if the underwriting Alternative with respect to the Series B Debentures is consummated, a cash payment equal to

the Series B Debenture Proceeds Amount (as defined in Section 1.11 below).

The Depositary Shares shall be issued pursuant to a Deposit Agreement substantially in the form set forth on Schedule 1.3 (a) (the "Deposit Agreement"). The Depositary Shares shall be issued only in denominations of \$25.00 of liquidation preference and integral multiples thereof. The Public Preferred Stock shall have the rights, powers and privileges described in the Restated Certificate, which shall include a per share liquidation preference of \$25,000. The Debentures shall be issued pursuant to the Indenture, dated as of July 1, 1991, between United and the Bank of New York, and the Officers' Certificate (the "Officers' Certificate") in form and substance as set forth on Schedule 1.3 (b) (collectively, the "Indenture"). Such Indenture shall be qualified under the Trust Indenture Act of 1939, and the rules and regulations promulgated thereunder (the "TIA"). The Debentures shall be issued only in denominations of \$100 and integral multiples thereof or, if the Underwriting Alternative with respect to either series of Debentures is consummated at or prior to the Effective Time and the Company so elects, denominations of \$1,000 and integral multiple thereof, in which case conforming changes shall be made to this Agreement and the attachments hereto to take into account such greater denominations with respect to such series.

[SECTION 1.5 *Surrender and Exchange*.]

(b) Each holder of Old Shares that have been converted into New Shares and Redeemable Preferred Stock, upon surrender to the Exchange Agent of an Old Certificate or Certificates, together with a properly completed letter of transmittal covering such Old Shares, will be entitled to receive in respect of such Old Shares, subject to Section 1.5(f):

(i) a certificate or certificates representing 0.5 of a New Share for each Old Share formerly represented by such Old Certificate or Certificates in accordance with Section 1.2:

(ii) either (a) if the Underwriting Alternative with respect to Depositary Shares representing interests in the Public Preferred Stock is not consummated, for each Old Share formerly represented by such Old Certificate or Certificates in respect of the Redemption, both (I) a cash payment equal to \$12.20, plus (II) a depositary receipt or receipts representing Depositary Shares representing interests in a liquidation preference of Public Preferred Stock equal to the excess of (xx) \$31.10 over (yy) the product of \$12.20 and a fraction (but in no event less than one) the numerator of which is the Applicable Rate with respect to the Depositary Shares assuming that the Underwriting Alternative with respect to the Depositary Shares is consummated, and the denominator of which is 11.375%, or (b) if the Underwriting Alternative with respect to the Depositary Shares is consummated, a cash payment equal to the Depositary Share Proceeds Amount in respect of the Redemption;

(iii) either (a) \$15.55 principal amount of Series A Debentures for each Old Share formerly represented by such Old Certificate or Certificates in respect of the Redemption or (b) if the Underwriting Alternative with respect to the Series A Debentures is consummated, a cash payment equal to the Series A Debenture Proceeds Amount in respect of the Redemption;

(iv) either (a) \$15.55 principal amount of Series B Debentures for each Old Share formerly represented by such Old Certificate or Certificates in respect of the Redemption or (b) if the Underwriting Alternative with respect to the Series B Debentures is consummated, a cash payment equal to the Series B Debenture Proceeds Amount in respect of the Redemption; and

(v) a cash payment of \$25.80 for each Old Share formerly represented by such Old Certificate or Certificates in respect of the Redemption (the cash and/or securities distributed pursuant to clauses (i) through (v), collectively, the "Recapitalization Consideration").

Until so surrendered, each Old Certificate or Certificates formerly representing Old Shares shall, after the Effective Time, represent for all purposes only the right to receive such Recapitalization Consideration.

EXHIBIT C

Section 1.11 Underwriting Alternative

The Company has elected to pursue the underwriting of (a) a number of Depositary Shares calculated as provided in the next sentence, (b) \$382.5 million principal amount of Series A Debentures, subject to reduction as described below, and (c) \$382.5 principal amount of Series B Debentures, subject to reduction as described below (referred to collectively herein as the "Underwriting Alternative"), and the consummation of the underwritings with respect to the Depositary Shares and the Debentures shall be in lieu of issuing Depositary Shares and Debentures to holders of Old Shares pursuant to Section 1.5 hereof, to holders of Options pursuant to Section 1.7 hereof and to holders of Convertible Company Securities pursuant to Section 1.8 hereof. The number of Depositary Shares that shall be subject to the Underwriting Alternative (which may be rounded up to produce an aggregate amount of Depositary Shares that is consistent with customary aggregate underwriting denominations) shall equal one twenty-fifth of the excess of (I) the product of \$765 million and a fraction (such fraction, which shall in no event be greater than one, is referred to herein as the "Liquidation Preference Fraction"), the numerator of which is 11.375%, and the denominator of which is the Applicable Rate with respect to the Depositary Shares assuming that the Underwriting Alternative with respect to the Depositary Shares is consummated, over (II) \$300 million. The Company shall use its best efforts to accomplish such underwritings, including entering into a firm commitment underwriting agreement or agreements, provided, however, that the Company may elect to terminate the Underwriting Alternative at any time prior to the Effective Time. The Unions will cooperate and use their respective best efforts to facilitate the underwritings. The Underwriting Alternative will be effected in accordance with customary underwriting agreements which may reflect that, if the Company is advised by the managing underwriter or managing underwriters that the Series A Debentures or Series B Debentures would be priced in excess of the maximum price applicable to such security (so that such security, if priced at the applicable Maximum Pricing, could only be sold at less than par), and is further advised that consistent with industry practice the Underwriting Alternative will be facilitated by the sale of such securities at or closer to par, the Company may reduce the amount of such securities to be sold and increase the interest rate above the applicable Maximum Pricing so that such securities may be sold at or closer to par, provided that (1) the yield to maturity of the reduced par amount of Debentures will not exceed the yield to maturity that would result if the unreduced par amount of such Debentures were priced at a discount to par using the Maximum Pricing for the respective Debenture and (2) the proceeds from the issuance of the reduced par amount of Debentures will equal the proceeds that would result if the unreduced par amount of such Debentures were priced at a discount to par using the Maximum Pricing for the respective Debenture. If the Underwriting Alternative is consummated, the amount of cash payable in respect of each Old Share shall equal the sum of (i) \$25.80 per share, (ii) the sum of \$12.20 and the gross proceeds (price to the public without deducting any underwriting discount or other cost) received by the Company from the sale of the "Underwriting Liquidation Preference" of Public Preferred Stock as represented by Depositary Shares in the Underwriting Alternative (collectively, the "Depositary Share Proceeds Amount"), (iii) the gross proceeds (price to the public without deducting any underwriting discount or other costs) received by United from the sale of each \$15.55 principal amount of Series A Debentures in the Underwriting Alternative (subject to adjustment as described in the immediately preceding sentence, the "Series A Debenture Proceeds Amount") and (iv) the gross proceeds (price to the public without deducting any underwriting discount or other costs) received by United from the sale of each \$15.55 principal amount of Series B Debentures in the Underwriting Alternative (subject to adjustment as described in the immediately preceding sentence, the "Series B Debenture Proceeds Amount"). The "Underwriting Liquidation Preference" shall equal the excess of (I) the product of \$31.10 and the Liquidation Preference Fraction over (III) \$12.20.

EXHIBIT D

[D. DESIGNATION, PREFERENCES AND RIGHTS OF
SERIES D REDEEMABLE PREFERRED STOCK]

2.5 "Redemption Consideration" shall mean (subject to Section 6 hereof) (i) \$25.80 in cash, (ii) \$15.55 principal amount of Series A Debentures,* (iii) \$15.55 principal amount of Series B Debentures** and (iv) an additional \$12.20 in cash and Depositary Shares representing interests in \$_*** in liquidation preference of shares of Series B Preferred Stock, which Preferred Stock shall be issued in the name of the Depositary pursuant to the Deposit Agreement and against which the Depositary shall issue Depositary Shares to the holder of the fraction of a share of the Series D Preferred Stock being redeemed, as provided in the Deposit Agreement,**** such Redemption Consideration to be distributed by the Corporation in respect of each 1/1,000th of a share of Series D Preferred Stock to the holder thereof upon the redemption of such fraction of a share as provided in Section 6 hereof and as adjusted as provided in Section 6 hereof.

* If the Underwriting Alternative with respect to the Series A Debentures is consummated, delete clause (ii), increase the cash payment in clause (i) by the Series A Debenture Proceeds Amount and revise definitions as appropriate.

** If the Underwriting Alternative with respect to the Series B Debentures is consummated, delete clause (iii), increase the cash payment in clause (i) by the Series B Debenture Proceeds Amount and revise definitions as appropriate.

*** Amount to be calculated in accordance with Plan of Recapitalization.

**** If the Underwriting Alternative with respect to the Depositary Shares is consummated, delete clause (iv), increase the cash payment in clause (i) by the Depositary Share Proceeds Amount and revise definitions as appropriate.

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UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
(Effective as of July 12, 1994)

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UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN

(Effective as of July 12, 1994)

PREAMBLE

Nature of Plan

The Plan has been established to enable Eligible Employees of the Company and certain of its Affiliates to acquire stock ownership interests in the Company. The Plan is designed to invest exclusively in Company Stock (except for de minimis investments of cash pending investment in Company Stock or pending distribution to Participants) and, to the extent it is an employee stock ownership plan, primarily in "qualifying employer securities" (as defined in Code section 4975(e)(8)).

Subject to Section 13, the Plan is intended to be permanent and to benefit Eligible Employees of the Company and its participating Affiliates on the Effective Date, as well as the Eligible Employees entering employment thereafter.

The Plan consists of an employee stock ownership plan and a stock bonus plan. The employee stock ownership plan ("Part A" hereof) forms a part of the stock bonus plan, includes a money purchase pension plan and is intended to be qualified under Code sections 401(a) and 4975(e) (7). With respect to the portion of this Plan that is an employee stock ownership plan, as a single employee stock ownership plan: (i) the Initial Acquisition Loan and the Additional Acquisition Loans shall be a joint obligation of the component plans, (ii) the Plan shall not maintain separate Loan Suspense Accounts for the stock bonus and money purchase pension components, (iii) dividends paid on Company Stock in either such component plan shall be used to repay the Initial Acquisition Loan and the Additional Acquisition Loans to the extent provided in the Plan, and (iv) separate Accounts shall not be maintained for Participants with respect to such component plans. The Trust holding the assets of the Trust Fund is intended to be exempt from taxation under Code section 501(a).

The Plan consists of two portions, a "leveraged" portion (Part A) that is intended to be an employee stock ownership plan and an "unleveraged" portion (Part B). Part A consists of both a stock bonus plan component and a money purchase pension plan component and Part B consists solely of a stock bonus plan component. Unless the context otherwise requires or unless specifically provided, all provisions of this Plan document shall apply to both Part A and Part B.

Transaction

The Plan is part of an overall program (which includes the Supplemental Plan) resulting in the acquisition by Eligible Employees of a majority ownership stake in the Company as contemplated by the Agreement and Plan of Recapitalization, among UAL Corporation and Air Line Pilots Association, International and International Association of Machinists and Aerospace Workers, as amended (the "Recapitalization Agreement"). Specifically, on the Effective Date, Eligible Employees will become entitled to receive 55% of the equity and voting power of the Company through the Trust and the Supplemental Trust. The overall program will be accomplished by the allocation to individual Participant accounts over the Wage Investment Period of shares of Class 1 Non-Voting Preferred Stock, Class 2 Non-Voting Preferred Stock and Voting Preferred Stock under the Trust and Supplemental Trust (or equivalent fictional book-entry shares under the Supplemental Plan), which shares shall, in the aggregate, be convertible into shares of Common Stock in an amount that represents 55% of the Company's equity and voting power measured as of the Effective Date. In addition, as described under the paragraph entitled "Additional Shares" below, depending on the market price per share of the Common Stock during the one-year period commencing on the Effective Date, up to an additional 8% of the Company's equity and voting power may be allocated to Participants' accounts under the Plan and the Supplemental Plan, bringing the total up to 63% of the equity and voting power of the Company.

Of the overall Employee stake, 46.23% of the underlying shares, including the Additional Shares, if any, will be reserved for allocation to the ALPA Employee Group, 37.13% of the underlying shares will be reserved for allocation to the IAM Employee Group and 16.64 % of the underlying shares will be reserved for allocation to the Management and Salaried Employee Group.

If there were no Code limitations on compensation and allocations, all shares to be acquired under the overall program would be delivered solely under Part A and such shares would be allocated to Participants of the respective Employee Groups over the Wage Investment Period in accordance with the percentages set forth in the preceding paragraph. Because such Code limitations will, in fact, operate to limit the annual benefits available under Part A, only a portion (expected to be approximately 78.15% of the underlying shares of Preferred Stock) will be acquired by the Trust from time to time on and after the Effective Date and allocated to Participants under Part A. To maximize certain employee stock ownership plan-related tax benefits, the Employee Groups may receive less than their overall equity ownership interest under Part A, with the balance to be received under Part B and the Supplemental Plan. Most of the shares allocable under Part B and the Supplemental Plan will be allocable to the ALPA Employee Group. (The preceding does not refer to Voting Preferred Stock; it will be contributed and allocated for all Employee Groups as described below under the paragraph entitled "Part B: Voting Preferred Stock.")

Shares not acquired under Part A will be allocated to appropriate Participant Accounts under Part B, subject to Code limitations, including Code sections 401(a)(4), 401(a)(17) and 415. To the extent that shares cannot be allocated under Part B by reason of those Code limitations, such shares will be allocated to accounts of appropriate Participants in accordance with the provisions of the Supplemental Plan.

The combined effect of the allocations under the overall program (Part A, Part B and the Supplemental Plan) will be to put each Participant, to the extent possible, in the position such Participant would have been had all shares, including the Additional Shares, if any, been delivered to and allocated under Part A.

Part A

With respect to Part A, it is intended that, on the Effective Date and from time to time thereafter, the Trustee will enter into the Initial Acquisition Loan and Additional Acquisition Loans on behalf of the Trust and use the proceeds thereof to purchase shares of Preferred Stock, representing approximately 42.9825% of the equity of the Company (subject to increase due to any Additional Shares issued). The Preferred Stock purchased will be Class 1 Non-Voting Preferred Stock. The shares of Class 1 Non-Voting Preferred Stock will be allocated ratably, over the Wage Investment Period, to the Employee Groups in accordance with the following percentages:

ALPA Employee Group - 31.759437%

IAM Employee Group - 47.511196%

Management and Salaried Employee Group - 20.729367%

Part B: Class 2 Non-Voting Preferred Stock

With respect to Part B, it is intended that the Company will contribute (or will cause the trustee of the Supplemental Trust to transfer), during the Wage Investment Period, shares of Class 2 Non-Voting Preferred Stock (including Additional Shares, if any) to the Plan. Subject to certain Code limitations, Such shares will be allocated to Participants who receive less than their full entitlement under the overall program under Part A. In general, the formula for determining the amount of allocations under Part B to make up for the shortfall of Company Stock delivered under Part A is set forth in Section 5.4(c).

Part B: Voting Preferred Stock

With respect to Part B, it is also intended that the Company will contribute, during the Wage Investment Period, shares of Voting Preferred Stock to the Plan. The Voting Preferred Stock contributed will be comprised of three classes. A separate class of Voting Preferred Stock, representing 25.4265% of the voting power of the Company, will be reserved for allocation to Participants who are members of the ALPA Employee Group ("Class P"); a separate class of Voting Preferred Stock, representing 20.4215% of the voting power of the Company, will be reserved for allocation to Participants who are members of the IAM Employee Group ("Class M"); and a separate class of Voting Preferred Stock, representing 9.152% of the voting power of the Company, will be reserved for allocation to Participants who are members of the Management and Salaried Employee Group ("Class S"). (The shares reserved above include shares reserved for allocation to the respective Employee Groups under the Supplemental Plan and Supplemental Trust.) Such percentages shall be appropriately adjusted in the event the initial Employee ownership percentage is increased (up to 63% in the aggregate) as provided below. It is intended that the number of shares of Voting Preferred Stock to be allocated to each Participant's Account on each Valuation Date will equal the number of shares of Preferred Stock allocated to that Participant under Part A and Part B on such Valuation Date (taking into account the special Effective Date contribution and allocation described below). The terms of each class of Voting Preferred Stock provide that the shares outstanding at any particular time (in combination with any shares of Common Stock held by the Trustee or trustee under the Supplemental Trust allocable or allocated to the relevant Employee Group) will command the aggregate voting power reserved for such Employee Group. Thus, for example, if there are 100 shares of Class P outstanding, each such share will command 1% of the voting power reserved for the ALPA Employee Group (25.4265%, assuming 55% ownership by Employees). As additional shares of Class P are issued, the per share voting power will decrease proportionately.

As a special Employer Contribution, one share of each of Class P, Class M and Class S will be contributed by the Company to Part B on the Effective Date. These three shares will be allocated, per capita, to the Accounts of the appropriate Participants under Part B on the Effective Date.

Supplemental Plan and Supplemental Trust

To the extent that, in any Plan Year during the Wage Investment Period, shares of Company Stock cannot be allocated to a Participant's Account by reason of any Code limitations, including Code section 401(a)(17), Code section 415 and Code section 401(a)(4), appropriate credits will be made to the accounts of the affected Participants under the Supplemental Plan (attached hereto as Exhibit A) in accordance with the terms thereof and shares of Voting Preferred Stock (and in certain circumstances, Class 2 Non-Voting Preferred Stock) used to satisfy the relevant credits will be held in the Supplemental Trust (attached hereto as Exhibit B) in accordance with the terms thereof for the benefit of the affected Participants.

Part B: Flowback

During and after the Wage Investment Period, to the extent that the allocation of shares of Company Stock under the Plan for any Participant was limited in a prior Plan Year by reason of the limitations of Code section 401(a)(17), Code section 415 or Code section 401(a)(4) (with the result that the Participant received corresponding credits under the Supplemental Plan), it is intended that the Company will contribute (or the Company will cause the trustee of the Supplemental Trust to transfer) to such Participant's Account shares of Class 2 Non-Voting Preferred Stock and shares of Voting Preferred Stock, as the case may be, in a subsequent Plan Year, and that such shares will be allocated under this Plan to the Accounts of the affected Participants in accordance with the terms hereof, subject to any applicable Code limitations as applied to the subsequent Plan Year (and corresponding debits will be made under the Supplemental Plan).

Additional Shares:

Depending on the fair market value per share of the Common Stock during the one-year period commencing on the Effective Date, a number of additional shares determined in accordance with Section 1.6 and Section 1.10 of the Recapitalization Agreement will be allocated to Participants' Accounts under the Plan and participants' accounts under the Supplemental Plan over the remainder of the Wage Investment Period. Such number of shares of Company Stock will be allocated to the Employee Groups in accordance with the percentages specified in the paragraph above entitled "Transaction. "

In general, 78.15% of the Additional Shares which are Preferred Stock will be Class 1 Non-Voting Preferred Stock; provided, however, that the portion of the Additional Shares attributable to Preferred Stock allocated as of December 31, 1994 will be Class 2 Non-Voting Preferred Stock contributed to Part B or allocated as credits under the Supplemental Plan as of December 31, 1994. Except as described in the foregoing proviso, it is intended that such Additional Shares of Class 1 Non-Voting Preferred Stock will increase, on a pro rata basis, the number of such shares acquired pursuant to each Additional Acquisition Loan. Unless the parties agree otherwise, these Class 1 shares will be allocated over the remainder of the Wage Investment Period in accordance with the percentages set forth under Part A above.

Any Additional Shares not sold to the Trustee pursuant to Part A will be contributed by the Company to Part B or credited to the Supplemental Plan during the remainder of the Wage Investment Period. Subject to certain Code limitations, such shares will be allocated to Participants who receive less than their full entitlement, giving effect to the allocation of the Additional Shares, of shares of Class 1 Non-Voting Preferred Stock under Part A. To the extent possible, the formula in Section 5.4(c) will be applied by assuming all Additional Shares (other than the shares of Voting Preferred Stock) had been sold to the Trust under Part A on the Effective Date and allocated ratably over the following 69 months.

SECTION 1

Definitions

In this Plan (including the preamble), whenever the context so indicates, the singular or plural number and the masculine or feminine gender shall be deemed to include the other, the terms "he," "his," and "him" shall refer to a Participant or Beneficiary, as the case may be, and, except as otherwise provided, or unless the context otherwise requires, the capitalized terms shall have the following meanings:

- (a) "Account" or "Accounts" mean a Participant's or Beneficiary's ESOP Stock Account and/or his ESOP Cash Account, as the context so requires.
- (b) "Acquisition Loan" means a loan (or other extension of credit, including an installment obligation to a party in interest (as defined in ERISA section 3(14))) incurred by the Trustee in connection with the purchase of Company Stock.
- (c) "Additional Acquisition Loans" means the Acquisition Loans entered into from time to time after the Effective Date between the Trustee and the Company as contemplated by Section 1.6 of the Recapitalization Agreement.
- (d) "Additional Shares" means the number of additional shares, if any, of Company Stock to be issued by the Company in accordance with Section 1.10 of the Recapitalization Agreement. Any reference herein to additional shares shall only be applicable when, if and to the extent that additional shares are determined to be issuable in accordance with Section 1.10 of the Recapitalization Agreement.
- (e) "Affiliate" means any corporation, trade or business, which, at the time of reference, is together with the Company, a member of a controlled group of corporations, a group of trades or businesses (whether or not incorporated) under common control or an affiliated service group, as described in Code sections 414(b), 414(c) and 414(m), respectively, or any other organization treated as a single employer under Code section 414(o); provided, however, that, where the context so requires, the ten-n "Affiliate" shall be construed to give full effect to the provisions of Code sections 409(1)(4) and 415(h).
- (f) "ALPA" means the Air Line Pilots Association, International.
- (g) "ALPA Employee Group" means Eligible Employees in classifications represented by ALPA under the Railway Labor Act who are either listed on the Pilots' System Seniority List or Second Officer Eligibility Seniority List.
- (h) "Beneficiary" means the person or persons to whom a deceased Participant's benefits are payable under the Plan all as provided in Section 7.9.
- (i) "Board of Directors" means the board of directors of the Company.
- (j) "Class 1 Non-Voting Preferred Stock" means the shares of Class 1 ESOP Convertible Preferred Stock issued by the Company and allocated under Part A.

- (k) "Class 2 Non-Voting Preferred Stock" means the shares of Class 2 ESOP Convertible Preferred Stock issued by the Company and allocated under Part B. Any reference to such shares credited under the Supplemental Plan shall be deemed to be a reference to fictional book-entry shares of Class 2 Non-Voting Preferred Stock credited under the Supplemental Plan.
- (l) "Code" means the provisions of the Internal Revenue Code of 1986, as amended, and all successor laws thereto. Where the Plan refers to a particular section of the Code, such reference shall also apply to any successor to that section.
- (m) "Common Stock" means common stock issued by the Company that meets the requirements of Code section 409(1), which on the Effective Date includes the common stock that may be received upon the conversion of the Preferred Stock and Voting Preferred Stock.
- (n) "Company" means UAL Corporation and any successor corporation or entity to the Company by merger, consolidation or otherwise.
- (o) "Company Stock" means Voting Preferred Stock, Common Stock and/or Preferred Stock, as the context so requires.
- (p) "Compensation" means (i) the total cash compensation paid to the Participant, for services while a Participant and an Eligible Employee, during the Plan Year for services rendered to his Employer, including bonuses and overtime pay, plus (ii) elective deferrals under a plan meeting the requirements of Code section 401(k) or Code section 125 for such Plan Year, but excluding reimbursement of moving expenses, relocation allowances, housing allowances, reimbursement of membership costs and dues, other expense reimbursement payments and allowances, severance pay or other special payments relating to termination of employment by retirement or otherwise and cash payments in respect of stock appreciation rights. With respect to the Management and Salaried Employee Group only, Compensation shall not include pay received for vacation time that was accrued but not actually taken as vacation before termination of employment by retirement or otherwise. A Participant's Compensation shall not exceed \$150,000 (as adjusted pursuant to Code section 401(a)(17)); provided, however, that with respect to Part A, Compensation of a Participant who is a member of the ALPA Employee Group shall be limited to an amount equal to four times the dollar limitation under Code section 415(c)(1)(A) (as adjusted pursuant to Code section 415). Compensation for services performed prior to July 13, 1994 or after the end of the Wage Investment Period shall not be taken into account under the Plan, except for purposes of applying any Code limitations.
- (q) "Control Transaction" means (a) any tender offer or exchange offer for Company Stock or any other opportunity or series of opportunities for the Plan to dispose of (or convert in connection with a sale, exchange or disposition) at least 3% of its Company Stock (other than conversions or dispositions to effectuate distributions or diversification elections under the Plan), and (b) any transaction or series of related transactions pursuant to which any person or group (as defined in Rule 13d-3 under the Exchange Act) acquires or seeks to acquire, directly or indirectly, "control" (as defined in the Exchange Act) of the Company or of all or a substantial portion of the tangible or intangible assets of the Company and its subsidiaries, whether by merger, consolidation, share exchange, tender offer, exchange offer, sale, lease, exchange, conversion, voting trust, proxy or otherwise. For purposes of Plan provisions relating to a "Control Transaction," "person" means an individual, corporation, association, partnership, joint venture, limited liability company, trust, estate, unincorporated organization, governmental authority, judicial entity or other entity.
- (r) "Effective Date" means July 12, 1994.
- (s) "Eligible Employee" means any Employee of an Employer (other than any employee who is not a member of an Employee Group and any "leased employee" (as defined in Code section 414(n))), subject to the following:
- (i) if an Employee is included in a unit of Employees covered by a collective bargaining agreement, he shall not be an Eligible Employee unless the applicable collective bargaining agreement expressly provides that he shall be eligible to participate in this Plan. On the Effective Date, members of the ALPA Employee Group, the IAM Employee Group, and, if the Transport Workers Union collective bargaining agreement so provides, the meteorologist Employees who are members of a group represented by the Transport Workers Union (these meteorologists are members of the Management and Salaried Employee Group) are Eligible Employees;
 - (ii) an Employee shall not be an Eligible Employee if he is a non-resident alien with no earned income from U.S. sources;
 - (iii) an Employee shall not be an Eligible Employee as of the date his Compensation no longer reflects all of the wage concessions contemplated as part of the recapitalization of UAL effective July 12, 1994; and
 - (iv) with respect to an Employee who is a member of the Management and Salaried Employee Group, the Employer may provide in a resolution of its board of directors, additional limitations for participation with the consent of the Board of Directors; provided, however, that any such limitation shall not have the effect of reducing the amount of Company Stock intended to be allocated to the Management and Salaried Employee Group under Part A or affect the method or pace of allocations of Company Stock in a manner that would adversely affect the Plan's projected ability to meet the requirements of Code section 415(c)(6).
- (t) "Employee" means any person, including an officer or director, who is actually performing services for the Company or any of its Affiliates in a common-law, employer-employee relationship and treated as an employee on the payroll records and any "leased employee" (within the meaning of Code section 414(n)).

- (u) "Employee Group" means each of the ALPA Employee Group, the IAM Employee Group and the Management and Salaried Employee Group.
- (v) "Employer" means the Company or any of its Affiliates (or a division or business unit thereof) that has adopted the Plan with the consent of the Board of Directors.
- (w) "Employer Contribution" means the amount contributed, whether in cash or in kind, by each Employer pursuant to the provisions of Section 3.1.
- (x) "Entry Date" means, with respect to each Eligible Employee employed on the Effective Date, the Effective Date, and with respect to each Eligible Employee employed after the Effective Date, (i) in the case of members of the ALPA Employee Group, the employment commencement date (or reemployment commencement date), (ii) in the case of members of the IAM, the first day of the first payroll period coincident with or next following the date the Eligible Employee becomes a member of the IAM Employee Group, and (iii) in the case of members of the Management and Salaried Employee Group, the first day of the first payroll period coincident with or next following the anniversary date of the Eligible Employee's employment commencement date (or reemployment commencement date); provided, however, that if such Eligible Employee's employment with the Employers terminates before he becomes a Participant and such Eligible Employee returns to the employ of an Employer within one year of such termination, the Entry Date shall be the first day of the first payroll period coincident with or next following the later of (i) the reemployment commencement date or (ii) the anniversary date of such Eligible Employee's employment commencement date. Any Participant whose employment with the Employers terminates and who returns to the employ of an Employer as an Eligible Employee shall become a Participant immediately.
- (y) "ERISA" means the provisions of the Employee Retirement Income Security Act of 1974, as amended, and all successor laws thereto. Where the Plan refers to a particular section of ERISA, such reference shall also apply to any successor to that section.
- (z) "ESOP Cash Account" means the account established and maintained in the name of each Participant or Beneficiary to reflect his share of the Trust Fund, other than Company Stock.
- (aa) "ESOP Committee" means the committee appointed to administer the Plan pursuant to Section 11.
- (bb) "ESOP Stock Account" means the account established and maintained in the name of each Participant or Beneficiary to reflect his share of Company Stock.
- (cc) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (bb) "Financed Shares" means shares of Company Stock acquired by the Trustee with the proceeds of an Acquisition Loan, which shall constitute "qualifying employer securities" under Code section 409(1) and any shares of Company Stock received upon conversion or exchange of such shares.
- (cc) "IAM" means the International Association of Machinists and Aerospace Workers.
- (dd) "IAM Employee Group" means non-probationary regular Employees (other than Employees employed on a temporary basis) who are both (i) classified by the Company as Mechanic and Related Employees, Ramp and Stores Employees, Food Services Employees, Security Officers, Dispatchers, or Communications Employees and (ii) members of a group of employees represented by the International Association of Machinists and Aerospace Workers, AFL-CIO.
- (ee) "Initial Acquisition Loan" means the Acquisition Loan or Acquisition Loans entered into on the Effective Date between the Trustee and the Company pursuant to the Preferred Stock Purchase Agreement.
- (ff) "Loan Suspense Account" means the suspense account in the Trust to which Financed Shares are initially credited prior to release for allocation to Participants' ESOP Stock Accounts. Subaccounts shall be maintained to reflect Financed Shares acquired with the Initial Acquisition Loan and each applicable Additional Acquisition Loan.
- (gg) "Management and Salaried Employee Group" means Eligible Employees who perform the functions performed by the salaried and managerial Employees on the Effective Date (including any functions that such Employees will perform in the future).

Furthermore, Eligible Employees who are meteorologists represented by the Transport Workers Union are members of the Management and Salaried Employee Group.

(hh) "Normal Retirement Date" means (i) in the case of a Participant who is a member of the ALPA Employee Group, the date on which such Participant attains age 60, and (ii) in the case of any other Participant, the date on which such Participant attains age 65.

(ii) "Part A" means the portion of the Plan under which benefits are provided for Participants through the purchase of shares of Class 1 Non-Voting Preferred Stock acquired with the proceeds of the Initial Acquisition Loan and Additional Acquisition Loans.

(jj) "Part B" means the portion of the Plan under which benefits are provided for Participants through the contribution of shares of Class 2 Non-Voting Preferred Stock and Voting Preferred Stock by the Company or through the transfer of any such shares from the Supplemental Trust.

(kk) "Participant" means any Eligible Employee who has become a Participant in accordance with Section 2 or any other person with an Account balance under the Plan.

(ll) "Plan" means the UAL Corporation Employee Stock Ownership Plan, consisting of Part A and Part B, as amended from time to time. The Trust created in connection with the Plan shall be incorporated in, and form a part of, the Plan.

(mm) "Plan Year" means the calendar year; provided, however, that the initial Plan Year shall commence on the Effective Date and end on December 31, 1994.

(nn) "Preferred Stock" means the Class 1 Non-Voting Preferred Stock and the Class 2 Non-Voting Preferred Stock.

(oo) "Preferred Stock Purchase Agreement" means either (i) the stock purchase agreement, dated as of March 25, 1994, as amended, effective July 12, 1994, by and between the Company and the Trustee pursuant to which shares of Class 1 Non-Voting Preferred Stock will be purchased by the Trustee for allocation under Part A and/or (ii) the stock purchase agreements by and between the Company and the Trustee pursuant to which Additional Shares of Class 1 Non-Voting Preferred Stock will be purchased by the Trustee in connection with Additional Acquisition Loans for allocation under Part A, as the context so requires.

(pp) "Supplemental Plan" means the UAL Corporation Supplemental ESOP, effective July 12, 1994.

(qq) "Supplemental Trust" means the UAL Corporation Supplemental ESOP Trust, effective July 12, 1994.

(rr) "Total Disability" means that, in the opinion of a physician selected by the ESOP Committee, the Participant is permanently incapable of performing services for his Employer or any of its Affiliates due to a disability; provided, however, that for any member of the ALPA Employee Group, "Total Disability" shall have the meaning ascribed thereto in the United Air Lines, Inc. Pilots' Fixed Benefit Retirement Income Plan.

(ss) "Trust" means the UAL Corporation Employee Stock Ownership Plan Trust created in connection with the establishment of the Plan.

(tt) "Trust Agreement" means the trust agreement establishing the Trust.

(uu) "Trust Fund" means the assets held in the Trust for the benefit of the Participants and their Beneficiaries.

(vv) "Trustee" means the trustee or trustees from time to time in office under the Trust Agreement.

(ww) "Valuation Date" means the last day of each Plan Year, April 12, 2000 (except for Participants in the IAM Employee Group) and July 12, 2000 for Participants in the IAM Employee Group and any other date selected by the ESOP Committee as necessary for the equitable operation of the Plan.

(xx) "Voting Preferred Stock" means the shares of each class of ESOP Voting Junior Preferred Stock issued by the Company. Such preferred stock consists of Class P, Class M and Class S.

(yy) "Wage Investment" means, for a member of the IAM Employee Group, the sum of:

(i) The product of (A) the number of hours for which the Participant is compensated during a Plan Year, multiplied by (B) the difference between the "book rate of pay" as in effect immediately prior to the Effective Date and the "actual rate of pay" as in effect on the Effective Date for services rendered during a Plan Year; plus

(ii) the sum of the following: (A) the amount determined under item (i) times 7.6% (which represents the Employers' portion of the FICA tax), (B) the amount determined under item (i) times .46% (which represents the Employers' portion of the FUTA tax), (C) the amount determined under item (i) times .05% (which represents the Employers' contribution for long term disability coverage), and (D) the amount determined under item (i) times .4% (which represents the Employers' contribution for life insurance coverage); provided, however, that in the case of each of the items (A) through (D) above, the members of the ESOP Committee appointed by the IAM may require the substitution of an alternative percentage which they deem appropriate and which is uniformly applicable to each member of the IAM Employee Group; plus

(iii) the book rate of pay as in effect immediately prior to the Effective Date for each hour, or fraction thereof, of lunch (or other meal) periods multiplied by the number of days services are rendered during a Plan Year.

For purposes hereof, "book rate of pay" means the hourly rate of pay including increases due to overtime, premium pay and shift differentials that would have been paid to each IAM Employee Group member on the day immediately preceding the Effective Date, and as adjusted over the Wage Investment Period to account solely for increments due based on changes in the scale or step for each such member, and "actual rate of pay" means the hourly rate of pay for each IAM Employee Group member on the Effective Date, as adjusted over the Wage Investment Period to account solely for increments based on changes in the scale or step and not on account of negotiated changes effective during the Wage Investment Period. If a member of the IAM Employee Group changes job classifications (for example, due to a promotion), then such member's book rate of pay and actual rate of pay shall, following the change of job classifications, be determined by reference to the member's new job classification. The calculation of the Wage Investment shall be made by using the information reasonably available to the Employers under the Employers' recordkeeping and payroll systems. The Wage Investment may be calculated by using reasonable estimates, and the members of the ESOP Committee appointed by the IAM shall adopt any such reasonable estimates as are necessary for the Wage Investment to be determined. Such members of the ESOP Committee shall consult with the Employers to calculate the Wage Investment. Pursuant to Section 11.4, the Employers shall furnish the members of the ESOP Committee such data and information as may be reasonably required to calculate

the Wage Investment and to formulate such reasonable estimates. The determination of the Wage Investment based upon such estimates shall be final and binding for all purposes hereunder.

(zz) "Wage Investment Period" means the period commencing on July 13, 1994 and ending on April 12, 2000 (July 12, 2000, for members of the IAM Employee Group).

SECTION 2

Plan Participation

2.1 Eligibility for Participation. Subject to the conditions and limitations of the Plan, each Eligible Employee of an Employer shall become a Participant on the applicable Entry Date.

2.2 Participation Not Guarantee of Employment. Participation in the Plan does not constitute a guarantee or contract of employment and will not give any Employee the right to be retained in the employ of his Employer or any of its Affiliates nor any right or claim to any benefit under the terms of the Plan unless such right or claim has specifically accrued under the terms of the Plan.

2.3 Transferred Participants. If a Participant transfers from one Employee Group to another Employee Group, the ESOP Committee shall maintain separate Accounts for such Participant, such Accounts reflecting such Participant's participation in the Plan as a member of the respective Employee Groups.

SECTION 3

Contributions

3.1 Employer Contributions. Subject to the conditions and limitations of the Plan, for each Plan Year, the Employers shall contribute to the Trust cash equal to, or Company Stock having an aggregate fair market value equal to, such amount, if any, as the respective boards of directors of the Employers shall determine by resolution; provided, however, that:

(a) Part A.

(i) The Company shall contribute to Part A an amount in cash equal to the amount required to enable the Trustee (together with dividends used to repay the Initial Acquisition Loan and the Additional Acquisition Loans in accordance with Section 10) to pay any principal and interest on the Initial Acquisition Loan and the Additional Acquisition Loans payable during the Plan Year. Of the contribution amount required to enable the Trustee to discharge the aggregate principal and interest on such indebtedness, 60% shall be made to the money purchase pension plan component of Part A of the Plan. The balance of the required contribution amount shall be made to the stock bonus plan component of Part A of the Plan. The Trustee shall apply such money purchase pension plan component contributions to repay the principal on each of the respective Acquisition Loans in proportion to the excess of the principal due on such Acquisition Loan for the Plan Year over the dividends available to repay the principal on such Acquisition Loan.

(ii) In lieu of the foregoing, the Company may forgive an amount of indebtedness equal to the required Employer Contribution (or any portion thereof).

(iii) On the Effective Date, the Company shall contribute an amount in cash equal to the aggregate par value of the Company Stock to be acquired under the Initial Acquisition Loan. In addition, the Company shall contribute an amount in cash equal to the aggregate par value of the Company Stock, if any, to be acquired under each Additional Acquisition Loan. Such contributions shall first be divided, pro rata, among the Employee Groups in accordance with Section 5.4(a)(i)(A), and then shall be allocated to the ESOP Cash Accounts of Participants as follows: (A) in the case of the ALPA Employee Group and the Management and Salaried Employee Group, according to the Compensation paid to such Participants in such Employee Group for the Plan Year, and (B) in the case of the IAM Employee Group, according to Wage Investments of such Participants for the Plan Year. Such contribution shall be used by the Trustee as partial consideration for the purchase of shares of Class 1 Non-Voting Preferred Stock under the applicable Preferred Stock Purchase Agreement, and the ESOP Cash Accounts of the Participants shall be charged accordingly. Shares of Class 1 Non-Voting Preferred Stock equal in value (based on the prices per share paid by the Trustee under the applicable Preferred Stock Purchase Agreement) to the amount of such contribution shall be allocated, as of the last day of the applicable Plan Year, from the shares purchased under the applicable Preferred Stock Purchase Agreement to the ESOP Stock Accounts of the Participants, pro rata, according to the allocations of such contribution above.

(b) Part B.

(i) On the Effective Date, the Company shall contribute to Part B, as a special Employer Contribution, one share of each of Class P, Class M and Class S.

(ii) As soon as practicable after the end of each Plan Year, the Company shall contribute (or shall cause the trustee of the Supplemental Trust to transfer) to Part B shares of Class 2 Non-Voting Preferred Stock and shares of Voting Preferred Stock in accordance with Section 5.4(c)(vii); provided, however, that any shares of Company Stock transferred by the trustee of the Supplemental Trust in respect of such obligation shall satisfy, to the extent of such transfer, the Company's obligation under this Section 3.1(b). Such contributions may not be used to repay Acquisition Loan indebtedness and shall be made to the stock bonus plan component of the Plan.

(iii) If cash dividends have been paid to the holders of Common Stock during any Plan Year and if dividends are applied to repay the Initial Acquisition Loan or any Additional Acquisition Loan pursuant to Section 10 during that Plan Year, the Company shall make an additional Employer Contribution to Part B in the amount, if any, set forth

in the next sentence as soon as practicable after the last day for that Plan Year (and for the purpose of this clause (iii), "Plan Year" shall be defined to include only the period from the Effective Date to 12/31/94, the five 12-month periods ending 12/31/95 through 12/31/99, and the three-month period ending 3/31/2000). The amount of such contribution shall equal the excess of A plus B over C; where A equals the least of:

(I) the cash dividends (excluding dividends that constitute Participating Dividends and Extraordinary Distributions with respect to the outstanding Class 1 Non-Voting Preferred Stock) that would have been received by the Plan during that Plan Year if the outstanding Class 1 Non-Voting Preferred Stock had been converted into Common Stock immediately prior to each dividend record date, which amount shall be reduced by the excess, if any, of the amount described in clause (II) below over the amount described in clause (III) below;

(II) the Fixed Dividends that have been paid on the Class 1 Non-Voting Preferred Stock during that Plan Year; and

(III) the amount of the cash dividends used to repay the Initial Acquisition Loan and the Additional Acquisition Loans pursuant to Section 10.1(a) during such Plan Year;

B equals the cash dividends (excluding dividends that constitute Extraordinary Distributions with respect to the Class 1 Non-Voting Preferred Stock) that would have been received by the Plan during the Plan Year if the Class 1 Non-Voting Preferred Stock contemplated for future sale to this Plan as part of the future Additional Acquisition Loans had been, immediately prior to each dividend record date, sold to this Plan and converted into Common Stock. The number of shares of Class 1 Non-Voting Preferred Stock contemplated for future sale shall equal 13,813,282 (adjusted for the issuance of Additional Shares of Class 1 Non-Voting Preferred Stock) reduced by the number of shares of Class 1 Non-Voting Preferred Stock sold to this Plan prior to the dividend record date; and

C equals the amount of cash contributions previously made pursuant to this clause (iii) with respect to such Plan Year.

For the purposes of the Plan, "Participating Dividends", "Extraordinary Distributions" and "Fixed Dividends" shall have the meanings ascribed to such terms in the Certificate of Incorporation of the Company, Article Fourth, Part II relating to Class 1 Non-Voting Preferred Stock.

3.2 Limitation on Contributions. In no event may any Employer Contributions under Section 3.1 for any Plan Year exceed the maximum amount deductible as an expense for federal income tax purposes under Code section 404; provided, however, that if Employer Contributions are so limited, appropriate arrangements will be made in accordance with Section 1.6(1) of the Recapitalization Agreement to protect the substantive rights of each Employee Group (hereinafter "Appropriate Arrangements").

3.3 Timing of Contributions. For each Plan Year, Employer Contributions shall be due no later than the time prescribed for filing the Employer's federal income tax return for that Plan Year, including any extensions of time; provided, however, that Employer Contributions shall be made at such times as to enable the Trustee to meet its repayment obligations under the documents governing the Initial Acquisition Loan, the Additional Acquisition Loans or as otherwise required by the terms of the Plan.

3.4 Participant Contributions. Contributions by Participants are neither required nor permitted.

SECTION 4

Investment of Trust Fund

4.1 Exclusive Benefit of Participants. All Employer Contributions, Company Stock acquired with Employer Contributions and with proceeds of Acquisition Loans, and dividends and distributions thereon, shall become a part of the Trust Fund and shall be held and disbursed by the Trustee in accordance with the provisions of the Plan and Trust Agreement. No person shall have any Interest in or right to assets held in the Trust Fund except as provided in the Plan and Trust Agreement. The Trust Fund shall be held for the exclusive benefit of the Participants and their Beneficiaries, and shall be used solely to pay benefits to such persons. The Trust Fund shall not revert to the benefit of the Company or any of its Affiliates, except as provided in Section 15.2.

4.2 Investment in Company Stock. The Trust Fund shall be invested exclusively in shares of Company Stock, subject to the Trustee's power to hold cash pending investment in Company Stock or pending distribution to Participants, and, accordingly, the Trustee may invest and hold up to 100% of the Trust Fund in Company Stock.

4.3 Acquisition Loans. In respect of Part A, the Trustee may incur the Initial Acquisition Loan and the Additional Acquisition Loans. In addition, the Trustee, with the consent of the Company, may incur other Acquisition Loans from time to time to finance the acquisition of Company Stock for the Trust or to repay a prior Acquisition Loan. Each Acquisition Loan shall meet all applicable legal requirements, including those set forth under Code section 4975 and ERISA section 408. Financed Shares shall initially be credited to the Loan Suspense Account and shall be released for allocation to the ESOP Stock Accounts of Participants only as payments of principal and interest, or principal, on the Acquisition Loan are made by the Trustee. The number of Financed Shares to be released from the Loan Suspense Account (or subaccount attributable to that Acquisition Loan) for allocation to Participants' ESOP Stock Accounts for each Plan Year, shall be based upon either: (x) the ratio that the payments of principal made on the Acquisition Loan for that Plan Year bear to the sum of principal payments during that Plan Year, plus the projected payments of principal during the remainder of the Acquisition Loan repayment period, provided that the special conditions set forth under Treasury Regulation section 54.4975-7(b)(8)(ii) are satisfied, or (y) the ratio that the payments of principal and interest on the Acquisition Loan for that Plan Year, bear to the sum of principal and interest payments during that Plan Year, plus the projected payments of principal and interest during the remainder of the Acquisition Loan repayment period. A separate ratio will be calculated for each Acquisition Loan. The applicable loan documents will specify whether clause (x) and/or clause (y) shall apply. Shares released from the Loan Suspense Account in connection with the Initial Acquisition Loan and the Additional Acquisition Loans shall be released in accordance with clause (x) above.

4.4 Fiduciary Concerns. With respect to the exercise of any fiduciary responsibility with respect to the Plan or Trust, including, without limitation, the voting, sale, exchange, other disposition or conversion of Company Stock, the relevant fiduciary may, to the extent permitted by law, take into consideration any relevant economic factors affecting the interests of current and future Participants (and Beneficiaries), including, but not limited to, the prospect for continued Employee enfranchisement through the voting power of Company Stock held in the Plan, the prospect for future benefits under the Plan as a result of the prospective release and allocation of Company Stock held in the Loan Suspense Account and the prospect for future employment with the Company and its Affiliates.

SECTION 5

Plan Accounting

5.1 Accounting for Allocations. The ESOP Committee shall establish the Accounts (and sub-accounts, if deemed necessary) for each Participant, and the accounting procedures for the purpose of making the allocations to the Participants' Accounts provided for in this Section 5. The ESOP Committee shall maintain adequate records of the cost basis of shares of Company Stock allocated to each Participant's ESOP Stock Account. The ESOP Committee also shall keep separate records of Financed Shares attributable to each Acquisition Loan and of Employer Contributions (and of any earnings thereon) made for the purpose of enabling the Trust to repay any Acquisition Loan. From time to time, the ESOP Committee may modify its accounting procedures for the purposes of achieving equitable and nondiscriminatory allocations among the Accounts of Participants, in accordance with the provisions of this Section 5 and the applicable requirements of the Code and ERISA. In accordance with Section 11, the ESOP Committee may delegate the responsibility for maintaining Accounts and records.

5.2 Allocation and Crediting of Participants' ESOP Stock Accounts. As of each Valuation Date, the ESOP Committee shall:

- (a) First, charge to each Participant's ESOP Stock Account all distributions and payments made to him since the last preceding Valuation Date that have not been previously charged;
- (b) Next, credit to each Participant's ESOP Stock Account the shares of Company Stock, if any, that have been purchased with amounts from his ESOP Cash Account since the last preceding Valuation Date, and adjust such ESOP Cash Account in accordance with the provisions of Section 5.3; and
- (c) Finally, allocate and credit to each Participant's ESOP Stock Account the shares of Company Stock representing Employer Contributions made in the form of Company Stock and the number of Financed Shares released under Section 4.3 that are to be allocated and credited as of that date in accordance with the provisions of Section 5.4.

5.3 Allocation and Crediting of Participants' ESOP Cash Accounts. As of each Valuation Date, the ESOP Committee shall adjust the ESOP Cash Accounts to reflect activity since the last preceding Valuation Date as follows:

- (a) First, charge to each Participant's ESOP Cash Account all distributions and payments made to him that have not been previously charged;
- (b) Next, if Company Stock is purchased with assets from a Participant's ESOP Cash Account, such shares shall be credited to the ESOP Stock Account of such Participant, and the Participant's ESOP Cash Account shall be charged accordingly;
- (c) Next, subject to the dividend provisions of Section 10, the ESOP Committee shall also credit to the ESOP Cash Account of each Participant any cash dividends paid to the Trustee on shares of Company Stock held in that Participant's ESOP Stock Account (as of the record date for such cash dividends) and dividends paid on shares of Company Stock held in the Loan Suspense Account that have not been used to repay any Acquisition Loan. Cash dividends and any earnings that have not been used to repay any Acquisition Loan and have been credited to a Participant's ESOP Cash Account shall be applied by the Trustee to the purchase of shares of Common Stock, which shares shall then be credited to the ESOP Stock Account of such Participant. The Participant's ESOP Cash Account shall then be charged by the amount of cash used to purchase such Common Stock or used to repay any Acquisition Loan. In addition, any earnings (i) on ESOP Cash Accounts will be allocated to Participants' ESOP Cash Accounts, pro rata, based on such ESOP Cash Account balances and (ii) on the Loan Suspense Account, other than dividends used to repay the Acquisition Loan, will be allocated to Participants' Accounts, pro rata, based on their Account balances in Part A;
- (d) Next, allocate and credit the Employer Contributions made for the purpose of repaying any Acquisition Loan in accordance with Section 5.4. Such amount shall then be used to repay any Acquisition Loan and such Participant's ESOP Cash Account shall be charged accordingly; and
- (e) Finally, allocate and credit the Employer Contributions (other than amounts contributed to repay an Acquisition Loan) that are made in cash for the Plan Year to the ESOP Cash Account of each Participant (including Participants whose employment with the Company and its Affiliates terminated for any reason during the Plan Year) in accordance with Section 5.4(b).

5.4 Allocation and Crediting of Employer Contributions. As of the Valuation Date for each Plan Year, all cash contributions and shares of Company Stock transferred by each Employer to the Trustee for that Plan Year under Section 3.1 and the number of Financed Shares released from the Loan Suspense Account for allocation to Participants' ESOP Stock Accounts under Section 4.3 (except as provided under Section 10.3) during the Plan Year shall be allocated among and credited to the Accounts of Participants (including Participants whose employment with the Company and its Affiliates terminated for any reason during the Plan Year) as follows:

- (a) Part A. On each Valuation Date, the cash contributions used to repay the Acquisition Loan indebtedness and the shares of Class 1 Non-Voting Preferred Stock released for that Plan Year shall be allocated and credited to each Participant's Account as follows:

(i) First, the Employer Contributions made in cash used to repay each Acquisition Loan (or treated as cash due to forgiveness of such Acquisition Loan indebtedness) shall be allocated among the Employee Groups as follows:

(A) The allocation percentage for the Class 1 Non-Voting Preferred Stock released for that Plan Year shall be as follows: ALPA Employee Group--31.759437%; IAM Employee Group--47.511196%; and Management and Salaried Employee Group--20.729367%. All such shares released for such Plan Year shall be allocated to the Employee Groups in accordance with such allocation percentages.

(B) There shall be calculated for each Participant an allocation of shares of Class 1 Non-Voting Preferred Stock on account of dividends paid during the Plan Year on such Preferred Stock previously allocated to such Participant's ESOP Stock Account and applied in accordance with Sections 10.1(a) and 10.3. The foregoing allocations for each Participant shall be made out of the Class 1 Non-Voting Preferred Stock allocated to that Participant's Employee Group under subclause (A) above.

(C) Employer Contributions to be allocated in accordance with this clause (i)(C) shall be allocated to each Employee Group in the proportion that (x) shares of Class 1 Non-Voting Preferred Stock allocated to that respective Employee Group pursuant to subclause (A) reduced by the shares allocated to members of that Employee Group pursuant to subclause (B), bears to (y) all shares of Class 1 Non-Voting Preferred Stock released for the Plan Year reduced by all shares allocated pursuant to subclause (B).

(ii) Second, the allocations of Employer Contributions under clause (i)(C) shall be reduced by all of the interest on the Initial Acquisition Loan and the Additional Acquisition Loans paid during that period. Such reduction shall be made in proportion to the allocations made under clause (i)(C).

(iii) Third, there shall be tentatively allocated to the Accounts of each Participant in each Employee Group that portion of the resulting Employer Contributions which such Participant's Compensation (or, in the case of the [AM Employee Group, such Participant's Wage Investments) for the Plan Year bears to the aggregate Compensation (or, in the case of the IAM Employee Group, Wage Investments) for all such Participants for such Plan Year; provided that such Employer Contributions shall not be allocated to any Participant's Account to such extent the allocation would exceed the limitation of Code section 415(c). The amount, if any, by which the allocation to any such Participant's Account shall be reduced under the foregoing proviso shall be, subject to the Code section 415(c) limitation, tentatively allocated (and, if necessary, reallocated) to the Accounts of all other Participants in his Employee Group (x) for the Management and Salaried Employee Group, in proportion to their Compensation, (y) in the case of the IAM Employee Group, Wage Investments, and (z) in the case of the ALPA Employee Group, first in proportion to (but not more than) the amount of Class 2 Non-Voting Preferred Stock otherwise scheduled for contribution and allocation to each Participant's Account under Part B for the current Plan Year (absent this clause (iii)) and otherwise in proportion to Compensation.

(iv) Fourth, if the total Employer Contributions tentatively allocated to "highly compensated employees" (as defined in Code section 414(q)) under clause (iii) do not exceed one-third of the total Employer Contributions tentatively allocated to the Accounts of all Participants under clause (iii), the tentative allocations of Employer Contributions to Participants shall become final. The foregoing limitation shall be applied by aggregating all Participants in all Employee Groups.

(v) Fifth, if the one-third limitation described in clause (iv) is exceeded, the amount of Employer Contributions allocated to Accounts of Participants in the ALPA Employee Group who are highly compensated employees shall be reduced, pro rata, based on Compensation and reallocated to Participants in the ALPA Employee Group who are not highly compensated employees, to the extent necessary to meet the one-third limitation described in clause (iv), subject, however, to Code section 415(c). The foregoing reallocations to each non-highly compensated employee shall be allocated in proportion to (but not more than) the number of shares of Class 2 Non-Voting Preferred Stock otherwise scheduled for contribution and allocation to his Account under Part B for the current Plan Year (absent this clause (v)). If and to the extent appropriate arrangements are made between the Company and ALPA to protect the interests of the ALPA Employee Group (which arrangements shall be consistent with Section 13.1 and which the Company agrees to do upon reasonable request and which shall not require IAM consent), contributions for the highly compensated ALPA Employee Group members may be reduced, pro rat.T, to meet the one- third limitation described in clause (iv).

(vi) Sixth, if, after the reallocation of Employer Contributions described in clause (v), the one-third limitation described in clause (iv) is still exceeded, then the computations described in foregoing clauses (i) through (v) shall be disregarded. In lieu thereof the allocation shall be made in accordance with clauses (i) through (iii), but clause (ii) shall be disregarded. If such allocations do not result in a violation of Code section 415(c) for all members of any Employee Group, the tentative allocations shall become final.

(vii) Seventh, if the allocation of Employer Contributions described in clause (vi) results in a violation of Code section 415(c) for all members of any Employee Group (after reallocating any excess allocations owing to members of such Employee Group), then clause (vi) shall be disregarded. The computations described in foregoing clauses (i) through (v) (including clause (ii)) shall be repeated, but, after applying clause (v), the amount of Employer Contributions allocated to Accounts of Participants who are members of the Management and Salaried Employee Group who are highly compensated employees shall be reduced, pro rata, based on Compensation, and reallocated to Participants in the Management and Salaried Employee Group who are not highly compensated employees, pro rata, based on Compensation, to the extent necessary to meet the one- third limitation described in clause (iv), subject, however, to Code section 415(c). In making the foregoing reallocations, no non-highly compensated employee shall be allocated more shares under this clause (vii) than the number of shares of Class 2 Non-Voting Preferred Stock

otherwise scheduled for contribution and allocation to his Account under Part B for the current Plan Year (absent this clause (vii)). If and to the extent appropriate arrangements are made by the Company to protect the interests of the Management and Salaried Employee Group (which arrangements shall be consistent with Section 13.1 and which shall not require IAM consent, but which shall require ALPA consent, which consent shall not be unreasonably withheld), contributions for the highly compensated Management and Salaried Employee Group members may be reduced, pro rata, to meet the one-third limitation described in clause (iv).

(viii) Eighth, all shares of Class 1 Non-Voting Preferred Stock released from the Loan Suspense Account as of the Valuation Date shall be allocated first in respect of dividends paid on previously allocated shares of Class 1 Non-Voting Stock in accordance with Sections 10.1(a)(i) and 10.3 and then allocated in proportion to the percentage of the Employer Contributions allocated to each Participant's Account under clauses (i) through (vii) above.

(b) Special Contributions to Part B.

(i) The special Employer Contribution made by the Company on the Effective Date pursuant to Section 3.1(b)(i) shall be allocated, per capita, to the appropriate Participants' ESOP Stock Accounts under Part B on the Effective Date.

(ii) Employer Contributions made in cash for the Plan Year under Section 3.1(b)(iii) shall be allocated under Part B and credited to the ESOP Cash Accounts of the appropriate Participants to which those cash contributions relate, as follows: to the extent that the calculation of the amount of such contributions refers to shares of Class 1 Non-Voting Preferred Stock held in the Loan Suspense Account or Class 1 Non-Voting Preferred Stock contemplated for further sale, divide such cash contributions among the Employee Groups in accordance with Section 5.4(a)(i)(A); to the extent it refers to shares of Class 1 Non-Voting Preferred Stock allocated to the Participants' ESOP Stock Accounts, apportion those contributions to the relevant Employee Group; then, allocate to the appropriate Participants' Accounts, pro rata, in the case of (i) the ALPA Employee Group and the Management and Salaried Employee Group, according to the Compensation paid to such Participants for the Plan Year, and (ii) the IAM Employee Group, according to Wage Investments made by such Participants for the Plan Year; subject, however, in all cases to Code section 415(c).

(c) Regular Contributions to Part B. Shares of Class 2 Non-Voting Preferred Stock and Voting Preferred Stock contributed to the Plan pursuant to Section 3.1(b) shall be allocated among and credited to the ESOP Stock Accounts of Participants for that Plan Year as set forth below, provided, however, that no allocations (other than allocations under clauses (i) and (vii) below) shall be made to Accounts of Participants who are members of the IAM Employee Group:

(i) First, subject to the applicable Code limitations, one share of Voting Preferred Stock shall be allocated to the Participant's Account for each share of Class 1 Non-Voting Preferred Stock allocated to that Participant under Part A on that Valuation Date. The shares of Voting Preferred Stock shall be allocated under Part B and shall be of the appropriate class for each such Participant. The special allocation under Section 5.4(b)(i) shall be credited against the allocation required pursuant to this clause (i) on the first Valuation Date.

(ii) Second, for each Participant, a "hypothetical share number" shall be calculated for the Valuation Date. Such number shall equal the number of shares that would have been allocated to the Participant under Part A on such Valuation Date if (A) all the shares of Class 1 and Class 2 Non-Voting Preferred Stock to be issued pursuant to the Recapitalization Agreement (including, with respect to Valuation Dates occurring on or after December 31, 1995 and after the allocation in subsection (viii) be low, any Additional Shares issued or to be issued) had been (I) purchased by the Trust under a single loan on the Effective Date and held under the Loan Suspense Account pursuant to Part A, and (II) in the case of such Class 2 shares, considered Class 1 Non-Voting Preferred Stock under Part A having the same fair market value as the Class 1 Non-Voting Preferred Stock; provided, however, that such Class 2 shares shall not, except as provided in subclause (E), bear any dividend; (B) the shares of Class 1 and Class 2 Non-Voting Preferred Stock were released under Part A ratably over the 69 months starting on the Effective Date; (C) Section 5.4(a)(i)(A) were applied by allocating the Class 1 Non-Voting Preferred Stock and the Class 2 Non-Voting Preferred Stock among the Employee Groups as follows: ALPA Employee Group - 46.23%; IAM Employee Group - 37.13%; and Management and Salaried Employee Group - 16.64%; (D) allocations under Part A were made as if: (I) the limitations of Code sections 401(a)(4), 401(a)(17) and 415 did not apply; (II) Compensation was based on "compensation" as defined in the Supplemental Plan and (III) clauses (ii), (iv), (v), (vi) and (vii) of Section 5.4(a) did not apply; and (E) each share of Class 2 Non-Voting Preferred Stock that was in fact allocated on a prior Valuation Date to a Participant's account under the Supplemental Plan or under Part B shall, after the date of such allocation, be considered Class 1 Non-Voting Preferred Stock held by Part A (bearing the same Fixed Dividend as the Class 1 Non-Voting Preferred Stock that was allocated under Part A (but not bearing any other dividend)). By way of illustration, assume a member of the ALPA Employee Group has a total of 130 shares of Class 2 Non-Voting Preferred Stock allocated to his account under the Supplemental Plan and 70 shares of Class 2 Non-Voting Preferred Stock allocated to his Account under Part B. Assume further that each share of Class 1 Non-Voting Preferred Stock under Part A has a value of \$100, pays an \$8 Fixed Dividend, no dividends are paid on Common Stock and that each share of Class 2 Non-Voting Preferred Stock has a \$75 value. For purposes of making the allocations under this subclause (E), such individual shall be treated as having received a dividend of \$1600 with respect to the shares of Class 2 Non-Voting Preferred Stock allocated under the Supplemental Plan and under Part B. For purposes of calculating the hypothetical share number, that individual shall receive an allocation of 16 shares of Class 2 Non-Voting Preferred Stock to make up for such dividend, notwithstanding the fact that the value of the shares of Class 2 Non-Voting Preferred Stock is \$75 per share.

(iii) Third, for each ESOP Participant, the "actual share number" for a Valuation Date shall be the actual number of shares of Class 1 Non-Voting Preferred Stock that are allocated to such Participant under Part A on that Valuation Date.

(iv) Fourth, for each ESOP Participant, the excess of the hypothetical share number over the actual share number shall be referred to herein as the respective "tentative allocation." If the sum of the tentative allocations (ignoring negative tentative allocations) for all Participants in an Employee Group exceeds the number of shares of Class 2 Non-Voting Preferred Stock released from the "phantom suspense account" to all such Participants' accounts for that Employee Group under Section 2.2 of the Supplemental Plan, each such tentative allocation for Participants of that Employee Group shall be proportionately reduced.

(v) Fifth, on each Valuation Date, the number of shares of each of the Class 2 Non-Voting Preferred Stock and Voting Preferred Stock, if any, to be allocated to a Participant under Part B (excluding Voting Preferred Stock described in Section 5.4(c)(i) and 5.4(c)(vi)) shall be the same and shall equal the least of the following numbers: (A) the maximum number of shares of each of the Class 2 Non-Voting Preferred Stock and the Voting Preferred Stock that can be allocated to the Participant for the Valuation Date under Part B without violating Code section 415 or Code section 401(a)(4) (if applicable), (B) the tentative allocation and (C) the excess of the hypothetical share number (calculated for this purpose only by applying the Code section 401(a)(17) limitation) over the actual share number. The hypothetical share number described in this subclause (C) shall be determined by recalculating the allocations made on the current and all prior Valuation Dates by assuming the Participant's Compensation for each Plan Year had been limited to the amount then allowed under Code section 401(a)(17). Accordingly, for purposes of calculating the hypothetical share number under this subclause (C), the Participants' Compensation in the current Plan Year shall be limited to the amount provided by Code section 401(a)(17) and the amount of dividends allocated to each Participant's Account during the Plan Year shall be calculated by assuming the allocations of shares made on earlier Valuation Dates were also based on Compensation, as limited by Code section 401(a)(17) limitation then in effect. The excess of the tentative allocations over the amount allocated under clause (v) shall not be allocated under Part B, but shall be allocated in accordance with the terms of the Supplemental Plan.

(vi) Sixth, on the last Valuation Date of each Plan Year, in addition to the shares of Class 2 Non-Voting Preferred Stock and Voting Preferred Stock transferred to Part B under clause (v) above, shares credited under the Supplemental Plan, in a prior Plan Year, due to the limitations under Code section 401(a)(4), 401(a)(17) or Code section 415, shall be allocated to Participants' Accounts under Part B, subject to applicable Code limitations in accordance with the following priorities:

(A) first, by a number of shares, if any, of Voting Preferred Stock equal to the excess of the number of shares of Class 1 and Class 2 Non-Voting Preferred Stock allocated to his Account over the number of shares of Voting Preferred Stock allocated to his Account, to the extent such number may be contributed by the Company or transferred from the Supplemental Trust to Part B without disqualifying the Plan or any other qualified plan; provided, however, that the number of shares transferred may include any shares that were not previously contributed or transferred to Part B because of the limitations of Code section 401(a)(17);

(B) second, by the maximum number of shares of Class 2 Non-Voting Preferred Stock and Voting Preferred Stock (such numbers to be the same) that may be contributed by the Company (or transferred from the Supplemental Trust) to Part B without disqualifying the Plan or any other qualified plan; provided, however, that the number of shares transferred may include any shares that were not previously contributed or transferred to Part B because of the limitations of Code section 401(a)(17); and

(C) third, by the maximum number of shares of Common Stock that may be transferred from the Supplemental Trust to Part B without disqualifying the Plan or any other qualified plan; provided, however, that the number of shares may include any shares that were not previously contributed or transferred to Part B because of the limitations of Code section 401(a)(17).

The reductions described in subclauses (A) through (C) shall not include any Voting Preferred Stock, Class 2 Non-Voting Preferred Stock or Common Stock allocated during the current Plan Year.

(vii) Seventh, the Company shall contribute (or, to the extent applicable, the Company shall direct the trustee of the Supplemental Trust to transfer) a number of shares of Voting Preferred Stock and Class 2 Non-Voting Preferred Stock and Common Stock equal to the sum of the number of such respective shares calculated for each Participant under clauses (i), (v) and (vi) above to Part B. Such shares shall be transferred as soon as practicable after the applicable Valuation Date.

(viii) Eighth, Prior to the December 31, 1995 Valuation Date, the aggregate hypothetical share numbers for all Participants for the 1994 Plan Year shall be retroactively increased by an additional number equal to X multiplied by Y, where X is the total number of shares of Preferred Stock to be issued as Additional Shares and Y is the release fraction (as defined in the Supplemental Plan) for December 31, 1994. Such shares shall be divided among the Employee Groups (including the IAM Employee Group) in accordance with Section 5.4(c)(ii)(C) and allocated to Participants based upon 1994 data (that is, 1994 Compensation and Wage Investments, as applicable.) The excess of such new hypothetical share number (including such numbers for the IAM Employee Group) for the 1994 Plan Year over the hypothetical share number previously determined for 1994 shall be allocated hereunder or credited under the Supplemental Plan in accordance with clause (v) above, provided that the number in (v)(A) shall be calculated and credited as if the contributions were attributable to 1995, rather than 1994, unless the additional shares calculated in clause (v) to be contributed to ESOP (Part B) are in fact contributed to the ESOP no later than September 15, 1995. The calculations required by this clause (viii) shall be performed prior to calculating the regular allocations for the 1995 year. The additional shares of Class 2 Non-Voting Preferred Stock credited pursuant to this clause (viii) shall, for all purposes, including Section 5.4(c)(ii)(E), be allocated as of December 31, 1994.

(d) Purpose. The purpose of the foregoing contribution and allocation provisions is to place each Participant, to the extent possible, in the same position such Participant would have been if (i) Code sections 401(a)(4), 401(a)(17) and 415 did not apply, (ii) all of the shares of Preferred Stock to be sold to Part A during the Wage Investment Period had instead been sold on the Effective Date, (iii) all of the shares (excluding shares of the Voting Preferred Stock) contributed to Part B or credited under the Supplemental Plan during the Wage Investment Period had instead been purchased by the Trust on the Effective Date pursuant to Part A as Class 1 Non-Voting Preferred Stock and (iv) the Preferred Stock and Voting Preferred Stock had been allocated ratably (over the 69 months beginning at the Effective Date) to Participants in their respective Employee Groups in accordance with the overall program ownership percentages, that is, the ALPA Employee Group - 46.23%, the IAM Employee Group - 37.13% and the Management and Salaried Employee Group - 16.64%. To the extent any interpretative issues arise in calculating contributions and allocations, such issues shall be resolved, if possible, by effectuating such purpose. To the extent that any shares of Company Stock are converted into shares of Common Stock prior to the end of the Wage Investment Period, an appropriate number of shares of Common Stock will be contributed (if applicable) and allocated hereunder in lieu of the shares of the Company Stock that would have been contributed and/or allocated hereunder and, if appropriate, the number of Class 1 and/or Class 2 Non-Voting Preferred Stock shares set forth in various places in this Plan shall be revised; provided, except to the extent the shares of Voting Preferred Stock are converted into shares of Common Stock, the calculation of the number of shares of Voting Preferred Stock to be contributed and allocated shall continue as if no shares of Company Stock had been converted.

(e) Special Allocation Provision. For purposes of making allocations under Section 5.4, the period from January 1, 2000 through April 12, 2000 shall be treated as a Plan Year (for the ALPA Employee Group and the Management and Salaried Employee Group) and the period from January 1, 2000 through July 12, 2000 shall be treated as a Plan Year (for the IAM Employee Group).

5.5 Limitation on Allocations to Participants.

(a) General. Subject to the provisions of this Section 5.5, Code section 415, including the effect of any transitional rule, shall be incorporated by reference into the terms of the Plan. No allocation shall be made under Section 5.4 that would result in a violation of Code section 415.

(b) Code Section 415 Compensation. For purposes of this Section 5.5, Compensation shall be adjusted to reflect the general rule of Treasury Regulation section 1.415-2(d).

(c) Limitation Year. The "limitation year" (within the meaning of Code section 415) shall be the calendar year.

(d) Multiple Defined Contribution Plans. In any case where a Participant also participates in another defined contribution plan of the Company or its Affiliates, the appropriate committee of such other plan shall first reduce the after-tax contributions under any such plan, shall then reduce any elective deferrals under any such plan subject to Code section 401(k), shall then reduce all other contributions under any other such plan and, if necessary, shall then reduce contributions under this Plan (Part B to be reduced before Part A); provided, however, in the case of any Participant who is a member of the ALPA Employee Group, contributions (excluding after-tax contributions and elective deferrals) under the United Air Lines, Inc. Pilots' Directed Account Retirement Income Plan shall be reduced last.

(e) Combined Plan Limitations. To the extent necessary to comply with the requirements of Code section 415(e), the appropriate committee shall first reduce the annual benefit payable under any defined benefit plan in which the Participant participates and, if necessary, the ESOP Committee shall thereafter reduce the contributions under the defined contribution plans in which such Participant participates in accordance with Section 5.5(d).

(f) Excess Allocations. If, after applying the allocation provisions under Section 5.4, allocations under Section 5.4 would otherwise result in a violation of Code section 415, the ESOP Committee shall reduce Employer Contributions for the next limitation year for the affected Participant or shall hold excess amounts in a suspense account for allocation in a subsequent Plan Year in accordance with Reg. section 1.415-6(b)(6)(ii). Such suspense account, if permitted, will be created before any reallocation of contributions for the affected individual. If the limits of Code section 415 would cause total allocations to each Participant in an Employee Group to exceed the permitted amount, appropriate arrangements will be made to protect the interests of that Employee Group, consistent with the principles of Section 3.2.

5.6 Valuations. All valuations of shares of Company Stock that are not readily tradeable on an established securities market shall be valued by an "independent appraiser" (within the meaning of Code section 170(a)(1)).

SECTION 6

Vesting

A Participant's Account shall be fully vested (nonforfeitable) at all times, and will be distributed to him or, in the event of his death, to his Beneficiary, in accordance with the applicable provisions of Section 7.

SECTION 7

Distributions

7.1 Pre-Retirement Diversification Rights.

(a) General. Any Participant who has attained age 55 and has 10 years of participation under the Plan ("Qualified Participant") may elect to diversify the investment of a portion of his Account under this Section 7.1. During the six-Plan Year period beginning with the Plan Year in which such Qualified Participant attains age 55 and has 10 years of participation under the Plan, such Qualified Participant shall be entitled to request, within 90 days after the close of each Plan Year in such period (each such period referred to as an "Election Period"), the diversification of up to 25% of the balance of his Account, to the extent such amount exceeds the amount to which any prior election under this Section 7.1 applies. During the last Election Period, the preceding sentence shall be applied by substituting "50%" for "25%".

(b) Amount. In the case of a Qualified Participant who has made one or more elections during the period, the extent to which a subsequent election exceeds the amount to which any prior election applies shall be (i) in the case of the Qualified Participant's ESOP Cash Account, (A) 25 % or 50 %, as the case may be, of the sum of the balance of such Account as of the Valuation Date of the Plan Year with respect to which the subsequent election is made and the amounts diversified pursuant to prior elections, less (B) the amounts diversified pursuant to prior elections; and (ii) in the case of the Qualified Participant's ESOP Stock Account, (A) 25% or 50%, as the case may be, of the sum of the number of shares of Company Stock in the Qualified Participant's ESOP Stock Account as of the Valuation Date of the Plan Year with respect to which the subsequent election is made and the number of shares of Company Stock diversified pursuant to prior elections, less (B) the number of shares of Company Stock diversified pursuant to prior elections. For the purposes of this Section 7, fractional shares for which a Qualified Participant might be entitled to receive shall be rounded down to the nearest whole share. The diversification of a Participant's Account under this Section 7.1 shall only be effected within 90 days following the 90-day period in which the Qualified Participant makes his request. Notwithstanding the foregoing, if the fair market value of the Company Stock allocated to the ESOP Stock Accounts of a Qualified Participant is \$500 or less as of the Valuation Date immediately preceding the first day of an Election Period, such Qualified Participant shall not be entitled to an election under this Section 7.1 for that Election Period.

(c) Method. A Participant's diversification election pursuant to this Section 7.1 shall only be effected by having the ESOP Committee cause the Trustee to transfer the portion of the Account to be diversified to the Company's Code section 401(k) plan applicable to such Participant. An equal number of shares of Voting Preferred Stock and Preferred Stock shall be diversified.

7.2 Distributions on Account of Termination of Employment. Subject to the following provisions of this Section 7, a Participant (or, in the case of a Participant's death, his Beneficiary) shall become eligible (but shall not be required) to receive a distribution of the balance of his Account, as of the Valuation Date coincident with or next following the date the Participant's employment with the Company and its Affiliates terminates for any reason, provided, however, that, except as provided in Section 7.4, no distributions shall be made prior to July 13, 1995.

7.3 Manner and Form of Distributions.

(a) Manner. A Participant may elect to receive a distribution of his Account balance in either of the following methods:

- (i) By payment in a lump sum; or
- (ii) By payment in a series of five substantially equal annual installments (to consist of equal numbers of Voting Preferred Stock and Preferred Stock).

If a Participant so desires he may direct how his benefits are to be paid to his Beneficiary. If a deceased Participant did not file a direction with the ESOP Committee, the Beneficiary may elect to receive a distribution of the Account in accordance with this Section 7.3.

(b) Form. At the Participant's election, the ESOP Committee shall direct the Trustee to make distribution of a Participant's Account in (i) cash, (ii) Company Stock or (iii) in cash equal to the amount held in such Participant's ESOP Cash Account and in shares of Company Stock with respect to such Participant's ESOP Stock Account; provided, however, that Company Stock (if convertible) shall only be distributed in the form of Common Stock received in the conversion of the Preferred Stock held in his Account and any fractional share shall be paid in cash. If a Participant elects to receive a distribution of his ESOP Stock Account in cash, the Trustee shall be directed to convert (if convertible) the Company Stock in his ESOP Stock Account into Common Stock and to sell the Common Stock and any Company Stock that is not convertible; the amount of cash so distributed shall equal the net proceeds received from the sale of such shares of Common Stock. If a Participant elects to receive a distribution of his ESOP Cash Account in Common Stock, the Trustee will be directed to purchase Common Stock in the open market and the number of shares of Common Stock so distributed shall equal the number of whole shares purchased with such Participants' Account balance, with any excess cash distributed to the Participant.

7.4 Special Distribution Rules. Notwithstanding any provision herein to the contrary:

(a) Required Distributions.

(i) a Participant whose employment with the Company and its Affiliates terminates by reason of attainment of his Normal Retirement Date, death or Total Disability must be eligible to receive a distribution of his Account balance no later than the end of the Plan Year following the Plan Year in which such termination occurs; provided, however, that this provision shall not apply to the shares of Company Stock held in the Participant's Account acquired with the proceeds of an Acquisition Loan until the close of the Plan Year in which such Acquisition Loan has been repaid in full;

(ii) unless a Participant otherwise elects under Section 7.4(b), a Participant whose employment with the Company and its Affiliates terminates must commence to receive a distribution of his Account no later than 60 days following the close of the Plan Year in which the latest of the following occurs; (A) a Participant reaches his Normal Retirement Date, (B) the Participant's employment with the Company and its Affiliates terminates and (C) the 10th anniversary of the year in which the Participant commenced participation in the Plan;

(iii) a Participant's Account balance must commence to be distributed no later than the April 1 of the calendar year next following the calendar year in which such Participant attains age 70-1/2. Any amount distributed pursuant to this clause (iii) shall, in the case of a Participant who is an Employee, be and be limited to the minimum amount required to be distributed pursuant to Code section 401(a)(9);

(iv) If a Participant's employment with the Company and its Affiliates terminates by reason of death, or if a Participant dies after his employment terminates but before a distribution commences from the Plan, then, unless the Participant's spouse is the Beneficiary, all of the Participant's interest in the Plan must be completely distributed within five years after the date of his death unless distributions begin within one year after the Participant's death; and

(v) to the extent permitted by law, Code section 401(a)(9) and any related transitional rule are incorporated by reference into the terms of the Plan.

(b) **Deferred Distributions.** A Participant (or a spousal Beneficiary) may elect to defer the commencement of his distribution to any date on or prior to the April 1 of the calendar year next following the calendar year in which such Participant attains age 70-1/2.

7.5 Direct Rollover. To the extent required by Code section 401(a)(31), the Participant (or a spousal Beneficiary) shall have the right to elect to have any distribution that constitutes an "eligible rollover distribution" (as defined in Code section 401(a)(31)(C)) paid directly to an "eligible retirement plan" (as defined in Code section 401(a)(31)(D)) specified by such Participant (or a spousal Beneficiary). If a Participant (or a spousal Beneficiary) fails to make the foregoing election he shall be deemed to have not made such election. The provisions of this Section 7.5 shall be administered in accordance with, and subject to, such rules as the ESOP Committee may prescribe, which rules may include any limitations permitted under Code section 401(a)(31).

7.6 Facility of Payment.

(a) **General.** Subject to Section 7.6(b), if, in the opinion of the ESOP Committee, a Participant or Beneficiary is under a legal disability or is in any way incapacitated so as to be unable to manage his financial affairs, the ESOP Committee may (but shall not be required to), until claim is made by a conservator or other person legally charged with the care of his person or of his estate, direct the Trustee to make payment to a relative or friend of such person for his benefit. Thereafter, any benefits under the Plan to which such Participant or Beneficiary is entitled shall be paid to such conservator or other person legally charged with the care of his person or his estate.

(b) **Minors.** In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead shall be paid (i) to that person's then living parent(s) to act as custodian, (ii) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (iii) if no parent of that person is then living, to a custodian selected by the ESOP Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the ESOP Committee decides not to select another custodian to hold the funds for the minor, payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

(c) **Discharge.** Any payment made under this Section 7.6 shall fully discharge, to such extent, the obligation of the Trustee to pay benefits under the Plan with respect to such Participant, Beneficiary or minor.

7.7 Interests Not Transferable. The interests of Participants and their Beneficiaries under the Plan are not subject to the claims of their creditors and may not be voluntarily or involuntarily assigned, alienated or encumbered, except as otherwise provided in Section 7.11.

7.8 Absence of Guaranty. The Trustee, the ESOP Committee and the Employers in no way guarantee the Trust Fund from loss or depreciation. Moreover, the Employers do not guarantee any payment to any person. The liability of the Trust to make any payment is limited to the available Trust Fund.

7.9 Designation of Beneficiary. In the event of the death of a married Participant, the Participant's Account balance will be paid to his surviving spouse, except as otherwise provided below. Each Participant from time to time, by signing a form furnished by the ESOP Committee, may designate any legal or natural person or persons (who may be designated contingently or successively) to whom his benefits are to be paid if he dies before he receives all of his benefits; provided, however, that if a married Participant designates a Beneficiary other than his spouse, his spouse must consent in writing to such designation and acknowledge in writing the effect of such designation, and such consent and acknowledgement must be witnessed by a notary public. Any designation by an unmarried Participant shall be rendered ineffective by any subsequent marriage and any consent of a spouse shall be effective only as to that spouse.

A Beneficiary designation form will be effective only when the signed form is filed with the ESOP Committee while the Participant is alive and will cancel all Beneficiary designation forms signed earlier. If a deceased Participant fails to designate a Beneficiary as provided above (or if the designated Beneficiary dies before the Participant or before receiving complete payment of the Participant's benefits), the ESOP Committee shall direct the Trustee to pay the Participant's benefits as follows:

(a) first, to the surviving spouse of the Participant, if any;

(b) second, to the children (including any adopted children) of the Participant, per stirpes; and

(c) third, if the Participant leaves no surviving spouse or has no descendants pursuant to paragraph (b) above, to the estate of the last to die of the Participant or his designated Beneficiary.

Upon the dissolution of marriage of a Participant, any designation of the Participant's former spouse as a Beneficiary shall be treated as though the Participant's former spouse had predeceased the Participant, unless (i) the Participant executes another Beneficiary designation that complies with this Section 7.9 and that clearly names such former spouse as a Beneficiary, or (ii) a court order presented to the ESOP Committee prior to distribution on behalf of the Participant explicitly requires the Participant to continue to maintain the former spouse as the Beneficiary. In any case in which the Participant's former spouse is treated under the Participant's Beneficiary designation as having predeceased the Participant, no heirs or other beneficiaries of the former spouse shall receive benefits from the Plan as a Beneficiary of the Participant except as provided otherwise in the Participant's Beneficiary designation.

7.10 Missing Participants or Beneficiaries. Each Participant and each Beneficiary must file with the ESOP Committee from time to time in writing his post office address and each change of post office address. Any communication, statement or notice addressed to a Participant or Beneficiary at his last post office address filed with the ESOP Committee, or if no address is filed with the ESOP Committee, then, in the case of a Participant, at his last post office address as shown on his Employer's records, will be binding on the Participant and his Beneficiary for all purposes of the Plan. The Employers, the ESOP Committee and the Trustee will not be required to search for or locate a Participant or his Beneficiary. In the event that all, or any portion, of the distribution payable to a Participant or his Beneficiary hereunder shall, at the expiration of five years after it shall become payable, remain unpaid solely by reason of the inability of the ESOP Committee, after sending a communication, statement or notice to the last post office address filed with the ESOP Committee, to ascertain the whereabouts of such Participant or his Beneficiary, the amount so distributable shall be reallocated in the same manner as a Company Stock contribution would be allocated under the provisions of Section 5.4. In the event a Participant or his Beneficiary is located subsequent to his benefit being reallocated, such benefit shall be restored first from Trust (including the Supplemental Trust) earnings and second from an Employer Contribution made solely for restoration purposes. The allocation and restoration referred to above shall be effected by giving effect to the class of Company Stock reallocated.

7.11 Qualified Domestic Relations Order. In addition to payments made under Section 7 on account of a Participant's termination of employment, payments may also be made to an Alternate Payee (as defined below) prior to, coincident with, or after a Participant's termination of employment if made pursuant to a "qualified domestic relations order" (as defined in Code section 414(p)). The ESOP Committee shall establish reasonable procedures to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders, including, in its sole discretion, the establishment of segregated accounts for Alternate Payees. The term "Alternate Payee" means any spouse, former spouse, child or other dependent of a Participant who is recognized by a Qualified Domestic Relations Order as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to the Participant.

SECTION 8

Voting and Certain Dispositions of Company Stock

8.1 Voting.

(a) Allocated Shares. Each Participant or Beneficiary, as a named fiduciary within the meaning of ERISA section 403(a)(1), in accordance with the procedures hereinafter set forth, may direct the Trustee with respect to the votes of the shares of Company Stock allocated to his ESOP Stock Account, and the Trustee shall follow the directions of those Participants (and Beneficiaries) who provide timely instructions to the Trustee; provided that, notwithstanding the foregoing, the Trustee shall vote the shares of Company Stock allocated to the Part B Accounts of Participants who are (or were) members of the ALPA Employee Group but are not Employees (or allocated to the Part B Accounts of their Beneficiaries).

(b) Unallocated and Uninstructed Shares.

(i) Part A. Each active Participant (which shall be defined for purposes of Sections 8.1 and 8.2 to mean a Participant who is an Employee) who directed the Trustee with respect to shares allocated to his Account under Part A in accordance with Section 8.1(a) may, again as a named fiduciary, direct the Trustee with respect to a portion of both the number of shares of Company Stock held in the Loan Suspense Account and the number of such shares allocated to any Participant's Account under Part A for which no instructions were timely, received by the Trustee. Such portion shall be determined as follows:

(A) Such portion shall be limited to the sum of: (I) the number of shares of Company Stock held in the Loan Suspense Account reserved for allocation to such Participant's Employee Group, plus (II) the number of shares of Company Stock allocated to the Accounts of Participants in such Participant's Employee Group under Part A for which no instructions were timely received.

(B) The number of shares of Company Stock determined under clause (i)(A) shall be multiplied by a fraction, the numerator of which is the number of shares of Company Stock allocable to Part A that such Participant directed the Trustee in accordance with Section 8.1(a) and the denominator of which is the aggregate number of shares allocable to Part A that were directed by active Participants in the same Employee Group in accordance with Section 8.1(a).

(C) Such Participant, as a named fiduciary, shall be entitled to direct the Trustee with respect to the number of shares determined under clause (i)(B).

(ii) Part B. Each active Participant who directed the Trustee with respect to shares allocated to his Account under Part B in accordance with Section 8.1(a) may, again as a named fiduciary, direct the Trustee with respect to a portion

of the number of such shares allocated to any Participant's Account under Part B for which no instructions were timely received by the Trustee. Such portion shall be determined as follows:

(A) Such portion shall be limited to the number of shares of Company Stock allocated to the Accounts of Participants in such Participant's Employee Group under Part B for which no instructions were timely received.

(B) The number of shares of Company Stock determined under clause (ii)(A) shall be multiplied by a fraction, the numerator of which is the number of shares of Company Stock allocable to Part B that such Participant directed the Trustee in accordance with Section 8.1(a) and the denominator of which is the aggregate number of shares allocable to Part B that were directed by active Participants in the same Employee Group in accordance with Section 8.1(a).

(C) Such Participant, as a named fiduciary, shall be entitled to direct the Trustee, with respect to the number of shares determined under clause (ii)(B).

(c) Procedure. Such directions shall be provided directly to the Trustee and shall be held in confidence and not be divulged or released to any other person. Within a reasonable time prior to each annual or special meeting of holders of Company Stock, the ESOP Committee shall furnish to all Participants (and Beneficiaries) entitled to direct the Trustee as to the voting of shares of Company Stock copies of any proxy solicitation material provided to holders of voting Company Stock generally together with appropriate instruction forms or cards and information concerning the method of providing such instructions to the Trustee. To the extent permitted by law, if the Trustee cannot follow directions of Participants (or Beneficiaries), the ESOP Committee shall direct the Trustee.

8.2 Control Transaction.

(a) General. The provisions of this Section 8.2 shall apply in the event a Control Transaction is commenced or proposed by a person or persons. In the event a Control Transaction is commenced or proposed, the ESOP Committee, promptly after receiving notice, shall transfer certain of the ESOP Committee's record keeping functions under the Plan to an independent record keeper (which if the Trustee consents in writing, may be the Trustee). The functions so transferred shall be those necessary to preserve the confidentiality of any directions given by the Participants (and Beneficiaries) in connection with the Control Transaction. Within a reasonable time after a Control Transaction is commenced, the ESOP Committee shall furnish to all Participants (and Beneficiaries) entitled, as hereinafter set forth, to direct the Trustee with respect to the Control Transaction, copies of all offering material provided to holders of Company Stock generally, together with appropriate instruction forms or cards and information concerning the method of providing such instructions to the Trustee. Except as otherwise required by ERISA, the Trustee shall have no discretion or authority to sell, exchange, transfer, convert or otherwise dispose of any of shares of Company Stock pursuant to such Control Transaction except to the extent that the Trustee is timely directed to do so in writing as follows:

(i) Allocated Shares. Each Participant (or Beneficiary) to whose ESOP Stock Account shares of Company Stock have been allocated may, as a named fiduciary within the meaning of ERISA section 403(a)(1), direct the Trustee with respect to the sale, exchange, transfer, conversion or other disposition of the shares of Company Stock allocated to his ESOP Stock Account, and the Trustee shall follow the directions of those Participants (and Beneficiaries) who provide timely instructions to the Trustee.

(ii) Unallocated and Uninstructed Shares.

(A) Part A. Each active Participant who directed the Trustee with respect to shares allocated to his Account under Part A in accordance with Section 8.2(a)(i) may, again as a named fiduciary, direct the Trustee with respect to a portion of both the number of shares of Company Stock held in the Loan Suspense Account and the number of such shares allocated to any Participant's Account under Part A for which no instructions were timely received by the Trustee. Such portion shall be determined as follows:

(I) Such portion shall be limited to the sum of: (x) the number of shares of Company Stock held in the Loan Suspense Account reserved for allocation to such Participant's Employee Group, plus (y) the number of shares of Company Stock allocated to the Accounts of Participants in such Participant's Employee Group under Part A for which no instructions were timely received.

(II) The number of shares of Company Stock determined under clause (ii)(A)(I) shall be multiplied by a fraction, the numerator of which is the number of shares of Company Stock allocable to Part A that such Participant directed the Trustee in accordance with Section 8.2(a)(i) and the denominator of which is the aggregate number of shares allocable to Part A that were directed by active Participants in the same Employee Group in accordance with Section 8.2(a)(i).

(III) Such Participant, as a named fiduciary, shall be entitled to direct the Trustee with respect to the number of shares determined under clause (ii)(A)(II).

(B) Part B. Each active Participant who directed the Trustee with respect to shares allocated to his Account under Part B in accordance with Section 8.2(a)(i) may, again as a named fiduciary, direct the Trustee with respect to a portion of the number of such shares allocated to any Participant's Account under Part B for which no instructions were timely received by the Trustee. Such portion shall be determined as follows:

(I) Such portion shall be limited to the number of shares of Company Stock allocated to the Accounts of Participants in such Participant's Employee Group under Part B for which no instructions were timely received.

(II) The number of shares of Company Stock determined under clause (ii)(B)(1) shall be multiplied by a fraction, the numerator of which is the number of shares of Company Stock allocable to Part B that such Participant directed the Trustee in accordance with Section 8.2(a)(i) and the denominator of which is the aggregate number of shares allocable to Part B that were directed by active Participants in the same Employee Group in accordance with Section 8.2(a)(i).

(III) Such Participant, as a named fiduciary, shall be entitled to direct the Trustee with respect to the number of shares determined under clause (ii)(B)(II).

All such instructions from Participants (and beneficiaries) shall be provided directly to the independent record keeper which, if different from the Trustee, shall then instruct the Trustee as to the amount of shares to be sold, tendered, exchanged, transferred, converted or otherwise disposed of in accordance with the above directions. To the extent the Trustee cannot follow Participant (or Beneficiary) instructions, the ESOP Committee, as a named fiduciary, shall direct the Trustee. Except as contemplated by the foregoing or as required to facilitate the making of Plan distributions or diversification elections or as required by law, the Trustee shall have no authority to dispose of Company Stock in a Control Transaction or otherwise.

(b) Records. Following any Control Transaction that has resulted in the sale or exchange of any shares of Company Stock held in the Plan, the record keeper shall continue to maintain on a confidential basis the Accounts of Participants (and Beneficiaries) to whose Accounts shares of Company Stock were allocated at any time during such offer, until complete distribution of such Accounts or such earlier time as the record keeper determines that the transfer of the record keeping functions back to the ESOP Committee will not violate the confidentiality of the directions given by the Participants (and Beneficiaries). In the event that there is no sale or exchange of any shares of ESOP Stock held in the Plan pursuant to the Control Transaction, the record keeper shall transfer back to the ESOP Committee the record keeping functions; provided, however, that the record keeper shall keep confidential any instructions which it may receive from Participants (and Beneficiaries) relating to the Control Transaction.

(c) Proceeds. For purposes of allocating the proceeds of any sale or exchange pursuant to a Control Transaction, the ESOP Committee or the independent record keeper, as the case may be, shall determine the portion, expressed as a percentage, of shares of each class tendered by the Trustee that were actually sold or exchanged (the "applicable percentage" for that class). For each class, the ESOP Committee or the independent record keeper, as the case may be, shall then treat as having been sold or exchanged from the portion of the Loan Suspense Account applicable to that Employee Group and each of the individual Accounts of Participants (and Beneficiaries) that number of shares (of that class) that is obtained by multiplying (i) the applicable percentage for that class, times (ii) the total number of shares in such Account of that class that were directed to be tendered, exchanged or sold in connection with the Control Transaction. The adjustments to individual Accounts shall be made by the ESOP Committee or the independent record keeper, as the case may be, on information supplied by the Company, the ESOP Committee or the Trustee.

(d) Actions To Be Taken Following a Control Transaction. Notwithstanding Section 4.2 or any other provision of this Plan or the Trust Agreement that requires that the Trust Fund be invested exclusively in shares of Company Stock, this Section 8.2(d) shall apply if a Control Transaction results in the sale or exchange or other disposition of any shares of Company Stock held in the Plan. If the consideration received by the Trust as a result of the Control Transaction consists solely of "appropriate securities" (as defined below), the terms of the Plan, all outstanding Acquisition Loans, and future sales under Additional Acquisition Loans, shall continue as if the Control Transaction had not occurred. If the consideration received includes cash, property or securities, other than appropriate securities, the Trustee shall invest the proceeds in appropriate securities to the extent possible; if the Trustee is able to reinvest all such proceeds in appropriate securities, the Plan, all outstanding Acquisition Loan and future sales under Additional Acquisition Loans, shall continue as if the Control Transaction had not occurred; if the Trustee is unable to reinvest all such proceeds in appropriate securities, then the Company shall make appropriate arrangements (which shall be reasonably satisfactory to ALPA and the IAM and shall take into account and recognize the position that ESOP Participants would have enjoyed had all of the shares of Class 1 Non-Voting Stock been sold to the ESOP on the Effective Date at a price per share equal to the purchase price with respect to the shares sold on the Effective Date) to protect the substantive interests of each Employee Group, provided, however, that it is not currently intended that such arrangements will consist of forgiveness of any portion of any Acquisition Loan. For purposes of this Section 8.2(d), "appropriate securities" shall mean stock (i) that is described in Code section 409(1), (ii) that is either common stock described in Code section 409 (1)(1) or preferred stock that converts into such common stock, and (iii) the issuer of which stock (A) has a Moody's senior long-term debt rating which is at least as good as the better of the Moody's senior long-term debt rating of the Company or United Airlines, Inc. at such time and (B) is a "public company" as defined in Article Fifth of the Articles of Incorporation of the Company.

(e) Special Funding Rules. (i) If (x) any person or persons commence (which, for purposes of this paragraph, shall mean filing a tender offer statement on Schedule 14D-1 (or successor form) with the Securities and Exchange Commission or mailing appropriate solicitation materials to the shareholders) a bona fide tender offer or exchange offer for Company Stock which, if successful, would require the offeror (if a person other than the Company or any of its affiliates) to file a Form 13D (or successor form) with the Securities and Exchange Commission with respect thereto, or (y) the Board of Directors or shareholders approve a Control Transaction described in Section 1(q)(b), then all of the remaining shares of Class 1 Non-Voting Preferred Stock that are to be issued to the Plan pursuant to the Recapitalization Agreement shall be sold ("Top-Off Sale") by the Company to the Plan as soon as possible (and, in all circumstances, in adequate time to allow the Plan to respond to such event), pursuant to an Additional Acquisition Loan (conforming to the first sentence of Section 1.6(g) of the Recapitalization Agreement, provided that the consent of ALPA and the IAM required by that sentence shall not apply), unless and to the extent that ALPA and the IAM jointly request otherwise in writing. (All disputes between the Company and ALPA and the IAM as to whether any such tender offer or exchange offer is bona fide shall be made in accordance with the arbitration procedures described in Section 11.2(b)(ii)(G)-(J) hereof.) In the Company's sole discretion such Top-Off Sale may be made subject to a Condition that prevents, to the extent permitted by law, the consummation of such Top-Off Sale if the event in question does not result in the sale, exchange or other disposition of Company Stock, provided that such contingency does not materially interfere with the Plan's ability to so respond to the event in question. The purchase price of the shares of Class 1 Non-Voting Preferred Stock to be sold pursuant to this subsection (e) shall be the fair market value of such shares of Class 1 Non-Voting Preferred Stock.

(ii)(A) If a person or persons make a bona fide offer to the Plan (not covered by paragraph (e)(i)) to acquire, directly or indirectly, at least 5% of the Company Stock held by the Plan (the "Offer"), such Offer shall be treated as if an event described in (e)(i) and the resultant Top-Off Sale shall be effected in accordance with (e)(i), subject, however, to the provisions of (e)(11)(B).

(B) In the event of an Offer, the Trustee shall seek directions from Participants regarding the Offer, in accordance with the provisions of this Section 8.2, both as to the actual shares held by the Plan and as to the additional shares that would be held in the Loan Suspense Account if the Top-Off Sale had been effected. If following those directions as to both actual shares and the shares that would be acquired in a Top-Off Sale, and following those directions only as to actual shares would in each case not result in the direct or indirect acquisition of any Company Stock pursuant to the Offer, then the Top-Off Sale shall not be effected; otherwise, the Top-Off Sale shall be effected as contemplated by (e)(i) and (e)(ii)(A).

(C) Subject to the next sentence, the provisions of (e)(ii)(B) shall not apply and the Top-Off Sale shall be made in accordance with (e)(ii)(A) if following the (e)(ii)(B) procedures could reasonably be expected to prevent a Top-Off Sale from being effected in adequate time to allow the Plan to accept the Offer. Under the circumstances described in this (e)(ii)(C), however, the Top-Off Sale shall be consummated immediately before the consummation of the transaction contemplated by the Offer and shall, to the extent legally permitted, be subject to the consummation of the transaction contemplated by the Offer.

(iii) If a Top-Off Sale required by (e)(i) or (e)(ii) is not consummated, the Company shall make appropriate arrangements (which shall be reasonably satisfactory to ALPA and the IAM) to protect the substantive interests of the Employee Groups with respect to the ESOP and the relevant transaction and the purposes of this subsection (e). The appropriate arrangements contemplated by the foregoing shall take into account and recognize the position that Participants would have enjoyed had all of the shares of Class 1 Non-Voting Preferred Stock been sold to the Plan on the Effective Date at a price per share equal to the purchase price with respect to the shares of Class 1 Non-Voting Preferred Stock sold on the Effective Date. The provisions of this subsection (e) and subsection (d) are not mutually exclusive, provided that to the extent the sales or other appropriate arrangements described in this subsection (e) occur, the future sales in connection with Additional Acquisition Loans described in subsection (d) shall not be required.

8.3 No Illegal Actions. Notwithstanding any other provision of this Plan, the Trustee shall not be obligated to follow the direction of a named fiduciary unless such direction is in accordance with the terms of the Plan and is proper under ERISA section 403(a)(2) and not contrary to Title I of ERISA.

SECTION 9

Rights, Restrictions and Options on Company Stock

9.1 Right of First Refusal. If Company Stock distributed is not readily tradable on an established market (within the meaning of Code section 409(h)), any shares of Company Stock distributed by the Trustee shall be subject to a "Right of First Refusal." The Right of First Refusal shall provide that, prior to any subsequent transfer, such shares of Company Stock must first be offered in writing to the Trust and, if refused by the Trust, to the Company, at the greater of its independently appraised value as of the Valuation Date coinciding with or next preceding such offer, or the price stated in a bona fide written offer and on the same terms. The Trustee (on behalf of the Trust) and the Company, as the case may be, shall have a total of 14 days (from the date the Trust or the Company, as the case may be, receives the offer) to exercise the Right of First Refusal. The ESOP Committee shall determine whether a written offer from a prospective buyer has been made in good faith. A Participant (or Beneficiary) entitled to a distribution of Company Stock may be required to execute an appropriate stock transfer agreement (evidencing the Right of First Refusal) prior to receiving a certificate for Company Stock.

9.2 Put Option. If Company Stock distributed is not readily tradable on an established market (within the meaning of Code section 409(h)), the Company shall issue a "Put Option" to each Participant (or his Beneficiary) receiving a distribution of such Company Stock from the Plan. The Put Option shall permit the Participant (or his Beneficiary) to sell such Company Stock to the Company, at any time during two put option periods (described below), at the then fair market value, such fair market value to be determined at least annually as of the

respective Valuation Date by an independent appraiser selected by the ESOP Committee. The first put option period shall be a period of at least 60 days beginning on the date of distribution of Company Stock to the Participant (or his Beneficiary). The second put option period shall be a period of at least 60 days beginning after the new determination of the fair market value of Company Stock is made by an independent appraiser (and notification is given to the Participant or his Beneficiary) in the next following Plan Year. The Company shall permit the Trustee, in its discretion, to purchase the Company Stock tendered to the Company under a Put Option. If the Company or the Trustee purchases Company Stock tendered under a Put Option and [he Company Stock was distributed to the Participant (or his Beneficiary) in the form of a lump sum, the payment, at the discretion of the Company or Trustee, may be made (a) in five substantially equal annual installments commencing not later than 30 days after the exercise of the Put Option- ' provided, however, that the purchaser provides adequate security and reasonable interest (as determined by the ESOP Committee) on unpaid installments, or (b) in a lump sum. If the Company or Trustee purchases Company Stock tendered under a Put Option and the Company Stock was distributed as part of an installment distribution, the payment, in the form of a lump sum, must be made not later than 30 days after the exercise of the Put Option. The Trustee, on behalf of the Trust, may offer to purchase any shares of Company Stock (which are not sold pursuant to a Put Option) from any former Participant or Beneficiary at any time in the future, at its then fair market value.

9.3 Share Legend. Shares of Company Stock held or distributed by the Trustee may include such legend restrictions on transferability as the Company may reasonably require in order to assure compliance with applicable federal and state securities laws. Except as otherwise provided in this Section 9, no shares of Company Stock held or distributed by the Trustee may be subject to a put, call or other option, or buy-sell or similar arrangement.

9.4 Nonterminable Rights. The provisions of this Section 9 shall continue to be applicable to Company Stock even if the Plan ceases to be an "employee stock ownership plan" (as defined under Code section 4975(e)(7)).

SECTION 10

Dividends

10.1 Class 1 Non-Voting Preferred Stock.

(a) Application of Fixed Dividend.

(i) Allocated Shares. Any cash dividends paid with respect to shares of Class 1 Non-Voting Preferred Stock allocated to the Participants' ESOP Stock Accounts which were acquired with the proceeds of a particular Acquisition Loan, but excluding dividends in excess of the Fixed Dividend paid on such Preferred Stock, shall be used by the Trustee to pay the principal balance of such Acquisition Loan.

(ii) Unallocated Shares. Any cash dividends paid with respect to shares of Class 1 Non-Voting Preferred Stock held in the Loan Suspense Account which were acquired with the proceeds of a particular Acquisition Loan, but excluding dividends in excess of the Fixed Dividend paid on such Preferred Stock, shall be used by the Trustee to pay the principal balance of such Acquisition Loan.

(iii) Any cash dividends described in clauses (i) or (ii) in excess of the principal balance of the Acquisition Loan which are attributable to prior fixed dividends that are not paid due to a lack of earnings and profits shall be used to pay interest on such Acquisition Loan if the Company made additional contributions to the Plan to make up for such unpaid fixed dividends.

(iv) Any cash dividends described in clauses (i) or (ii) above not used to repay the Acquisition Loan in accordance with clauses (i), (ii) or (iii) above shall be allocated pursuant to subsection (b) below as if they were dividends in excess of the Fixed Dividend.

(b) Application of Excess Dividend.

(i) Allocated Shares. Any cash dividends paid with respect to shares of Class 1 Non-Voting Preferred Stock allocated to the Participants' ESOP Stock Accounts in excess of the Fixed Dividend paid on such Preferred Stock shall be allocated to such Accounts, pro rata, according to the number of shares of such Preferred Stock held in such Accounts on the dividend record date; such amounts shall be used by the Trustee to purchase shares of Common Stock.

(ii) Unallocated Shares. Any cash dividends paid with respect to shares of Class 1 Non-Voting Preferred Stock held in the Loan Suspense Account in excess of the Fixed Dividend paid on such Preferred Stock shall be allocated among the Employee Groups in proportion to the allocation percentages set forth in Section 5.4(a)(i)(A). The amount allocated to each Employee Group shall then be allocated to the Participants from that Employee Group, pro rata, according to their Part A Account balances on the dividend record date; such amounts shall be used by the Trustee to purchase shares of Common Stock.

10.2 Other Dividends. Any other cash dividends paid on Company Stock (excluding Class 1 Non-Voting Preferred Stock) shall be used by the Trustee to purchase additional shares of Company Stock as provided in Section 5.3.

10.3 Special Allocated Share Rule. Any Financed Shares released from a Loan Suspense Account subaccount by reason of dividends paid with respect to Company Stock that was acquired with the proceeds of the Acquisition Loan applicable to that subaccount shall be allocated in the same manner as provided in Section 5.4(a) for Employer Contributions; provided, however, that prior to said allocation, Financed Shares so released from such subaccount with a fair market value (on the applicable dividend payment date) equal to the dividends allocated to Participants' ESOP Cash Accounts and applied to repay such particular Acquisition Loan as provided in Section 10.1 shall first be allocated among and credited to those ESOP Stock Accounts, pro rata, according to the amount of their dividends so applied. To the extent that the fair market value of the shares released from a subaccount is less than the dividends described in the foregoing proviso, Financed Shares released from other Loan Suspense Account subaccounts shall be used to make up the insufficiency (after first applying the foregoing proviso with

respect to Financed Shares released from such other subaccount). Notwithstanding any provision of the Plan to the contrary, in any Plan Year the total dividends allocated to a Participant's ESOP Cash Account used to repay Acquisition Loan(s) shall not, to the extent required by law, exceed the fair market value of the Financed Shares released from the Loan Suspense Account and allocated to that Participant's Account.

SECTION 11

Administration

11.1 General. The Company shall be the administrator of the Plan and shall have the rights, duties and obligations of an "administrator" as that term is defined in ERISA section 3(16)(A) and of a "plan administrator" as that term is defined in Code section 414(g). Some administrative functions have been allocated to the ESOP Committee, which shall have the rights, duties and obligations set forth herein. The ESOP Committee shall be the "named fiduciary," as described in ERISA section 402, with respect to its authority under the Plan, except to the extent provided in Section 8, for which each Participant (or Beneficiary) shall be the named fiduciary, and except with respect to the Initial Acquisition Loan and Additional Acquisition Loans and the use of the proceeds thereof to purchase Preferred Stock, for which the Trustee shall be the named fiduciary.

11.2 Membership and Authority.

(a) General. The ESOP Committee shall consist of six members: three members shall be appointed by ALPA, two members shall be appointed by the IAM and one member shall be appointed by the Company. Meetings of the ESOP Committee shall be held at the executive offices of the Company unless a majority of all members unanimously agree upon another location. The ESOP Committee shall have the following powers, rights and duties:

(i) to adopt such rules of procedure and regulations for the proper and efficient administration of the Plan and as are consistent with the provisions of the Plan;

(ii) to enforce the Plan in accordance with its terms and with such applicable rules and regulations as may be adopted by the ESOP Committee-

(iii) to determine all questions arising under the Plan, to resolve all ambiguities, to correct defects, to supply omissions, including the power to determine the rights or eligibility of Employees or Participants and their Beneficiaries and their respective benefits; provided, however, that the ESOP Committee will not have jurisdiction or power to add to or subtract from the Plan or any amendments thereto;

(iv) to give such directions to the Trustee with respect to the Trust Fund as may be provided in this Plan or in the Trust Agreement;

(v) to maintain and keep adequate books, records and other data as shall be necessary to administer the Plan, except those that are maintained by the Company or by the Trustee;

(vi) to direct all payments of benefits to Participants and Beneficiaries, consistent with the terms of the Plan and the Trust Agreement;

(vii) to establish an investment policy and objective for the Plan, except that it is understood that the Plan is designed to invest exclusively in Company Stock;

(viii) to elect a Chairman and to appoint a Secretary, who need not be a member of the ESOP Committee, who shall keep minutes of the proceedings and have custody of all records and documents pertaining to administration of the Plan;

(ix) to be agent for the service of legal process on behalf of the Plan;

(x) to authorize one or more of its members to execute any documents on behalf of the ESOP Committee, in which event the ESOP Committee shall notify the Trustee in writing of such action. The certificate of the Secretary or any authorized member of the ESOP Committee that the ESOP Committee has taken or authorized any action shall be conclusive in favor of any person relying on such certificate;

(xi) to obtain an independent appraisal of the fair market value of the Company Stock held by the Trust from an independent appraiser who meets the requirements of Code section 170(a)(1); and

(xii) perform any other acts, consistent with the Plan and Trust Agreement, necessary or appropriate to the administration of the Plan and the discharge of its duties.

(b) Special Provisions.

(i) If the ESOP Committee unanimously agrees that a matter affects members of only one Employee Group, the matter shall be considered by an ESOP Committee consisting solely of members who were appointed on behalf of such Employee Group, which appointees must act by a majority vote, and the provisions of this Section 11.2 shall be construed accordingly. If the ESOP Committee is unable to agree unanimously that the matter affects only members of one such Employee Group, the jurisdictional determination, that is, whether the matter affects only members of one such Employee Group, shall be made by a neutral arbitrator selected in accordance with clause (iii) below.

(ii) As set forth in Section 12.3, the ESOP Committee will have the exclusive power to hear and determine all appeals of claims denied under Section 12.2 of the Plan pursuant to the procedures hereinafter provided. With respect to such disputes, the ESOP Committee will function as a System Board of Adjustment as provided in Title 11 of the

Railway Labor Act, as amended, and the following provisions will govern:

- (A) The jurisdiction of the ESOP Committee will be exclusive. Appeals may be submitted to the ESOP Committee either by a Participant or a Beneficiary.
- (B) The ESOP Committee will establish rules of procedure for the conduct of appeals before it, which rules will not be inconsistent with the provisions of the Plan. Insofar as possible, such procedures will follow the procedure of the American Arbitration Association. The Chairman will promptly advise the Company, the IAM and ALPA of such rules of procedure.
- (C) All appeals properly referred to the ESOP Committee for consideration will be addressed to the Chairman in the form of a submission as prescribed by the rules of procedure. Six copies of each submission, including all papers and exhibits in connection therewith, will be forwarded to the Chairman, who will promptly transmit one copy thereof to each member of the ESOP Committee. The submission in each dispute will include the question to be decided by the ESOP Committee, the provisions of the Plan involved in the dispute, the position of the petitioner and all asserted facts supporting such position.
- (D) The submission will state the names of the parties to whom the petitioner sent copies of the submission. A copy of the submission will be served by the petitioner upon ALPA, the IAM and the Company.
- (E) The submission will state whether or not the petitioner requests both a hearing on the facts and oral argument, or only oral argument. The answer of each party may request a hearing on the facts and oral argument or only oral argument. If neither the submission nor any answer requests a hearing, the ESOP Committee may waive a hearing and dispose of the dispute on the basis of the submission and answers.
- (F) When a hearing has been requested in a dispute, the ESOP Committee will fix a date for such hearing as soon as reasonably possible after receipt of the submission. The date for the hearing will not be more than 60 days after receipt of the submission (unless circumstances require a longer period which can be no more than 60 days). If two or more members of the ESOP Committee consider the question involved in the dispute to be of sufficient urgency, the ESOP Committee may fix an earlier date, which will not be less than ten days after filing of the answer. If requested by the ESOP Committee or the Participant, a transcript of each proceeding will be made and retained in the files of the ESOP Committee. Such hearing will be heard at the Company's Executive Offices in Elk Grove Township, Illinois, unless the entire ESOP Committee, by a majority vote, otherwise determines.
- (G) Appeals before the ESOP Committee shall be decided by a majority vote of the members of the ESOP Committee. However, a majority of the members of the ESOP Committee appointed on behalf of any Employee Group has the power to require that any submission (except for matters described in subsection (iv) below) be referred for decision to a neutral arbitrator. Furthermore, if the ESOP Committee deadlocks in the case of any vote, the matter shall be referred for decision to a neutral arbitrator. In any case in which a neutral arbitrator is to be appointed, the parties will, within 10 days after notice of the need to appoint a neutral arbitrator, agree upon a neutral arbitrator. If the parties fail to agree upon the selection of a mutually acceptable neutral arbitrator the parties will select an arbitrator by alternate striking from a panel of arbitrators supplied by the American Arbitration Association, preferably a panel with knowledge of employee stock ownership plans. When a neutral arbitrator is selected, the power to take further action with respect to the dispute shall rest with the neutral arbitrator until the final decision is made in the dispute,
- (H) When a neutral arbitrator is selected, any party to a dispute may make a written request to the neutral arbitrator for a further hearing or oral argument provided it is made within 15 days after such selection. The neutral arbitrator will decide such requests. If no further hearing or argument is held, the neutral arbitrator will consider and review the prior record in the dispute. The decision of the neutral arbitrator will be rendered within 30 days after the close of any further hearing or argument. The neutral arbitrator shall decide the matter based upon the record before him and the terms of the Plan and shall not give weight to any previous votes of the ESOP Committee concerning the matter.
- (I) The decision of the ESOP Committee, or neutral arbitrator, if any, will be final and binding upon the Company, ALPA, the [AM, a Participant or Beneficiary and any other person claiming under the Plan.
- (J) Subject to Section 11.12, the expenses and reasonable compensation of the neutral arbitrator selected as provided herein shall be borne by the Company.

(iii) Except as provided in Section 11.2(b)(i), for all other purposes under the Plan, five members of the ESOP Committee will constitute a quorum, except that to constitute a quorum, one member appointed on behalf of each Employee Group must be present. All actions and decisions of the ESOP Committee under this Section 11 shall be by (A) the affirmative vote of a majority of the members present at the meeting at which the vote is being taken or (B) the unanimous written consent of all members then in office. However, a majority of the members of the ESOP Committee appointed on behalf of any Employee Group has the power to require that any action or decision (except as limited in clause (iv) below) be referred for decision to a neutral arbitrator. Furthermore, if the ESOP Committee deadlocks in the case of any vote, the matter shall be referred for decision to a neutral arbitrator. The procedures set forth in subsections 11.2(b)(ii)(G) through (J) shall apply.

(iv) The ESOP Committee is the named fiduciary with respect to the management and disposition of assets held in the Trust Fund. The power of a majority of the members of the ESOP Committee appointed on behalf of any Employee Group to require that a matter be referred to a neutral arbitrator shall not apply to a matter if it concerns the exercise of authority respecting management or disposition of assets held in the Trust Fund. Notwithstanding the preceding sentence, the power of a majority of the members of the ESOP Committee appointed on behalf of any Employee Group to require that a matter be referred to a neutral arbitrator shall apply if (A) the matter does not involve a Control Transaction and (B) it is reasonably determined that the resolution of such matter might reasonably be expected to subject the Company to a material liability. Any dispute with respect to the application of this clause (iv) shall be resolved in accordance with the arbitration procedures described in Section 11.2(b)(ii)(G)-(J).

11.3 Delegation by ESOP Committee. The ESOP Committee may establish procedures for allocation of fiduciary responsibilities among its members and delegation of fiduciary responsibilities to persons other than named fiduciaries; provided, however, that the delegation of the power to manage or control the assets of the Trust Fund may only be delegated to an investment manager" (as defined in ERISA section 3(38)). In exercising its authority to control and manage the operation and administration of the Plan, the ESOP Committee may employ agents and counsel (who may also be employed by or represent any Employer) and to delegate to them such powers as the ESOP Committee deems desirable. Any such delegation or appointment shall be in writing and shall reflect the unanimous action of the ESOP Committee members then acting. The writing contemplated by the foregoing sentence shall fully describe the advice to be rendered or the functions and duties to be performed by the delegate.

11.4 Information To Be Furnished to ESOP Committee. The Employers shall furnish the ESOP Committee such data and information as may be reasonably required to administer this Plan; provided, however, that the preceding phrase shall not in any case restrict the ability of ESOP Committee members to see individual Account data with respect to the Participants in the Employee Groups they represent and, provided, further, that individualized information shall be treated in a confidential manner. The ESOP Committee shall be entitled to rely on any information furnished by the Employers that is needed for calculation of benefits due under the Plan, or any matters relating to administration of the Plan. A Participant or Beneficiary entitled to benefits under the Plan must furnish to the ESOP Committee such evidence, data or information as the ESOP Committee considers desirable to carry out its obligations under the Plan. Any benefits under the Plan may be conditional upon the prompt submission of such information.

11.5 ESOP Committee's Decision Final. Except as otherwise provided herein, to the extent permitted by law, any interpretation of the Plan and any decision on any matter within the discretion of the ESOP Committee made by the ESOP Committee in good faith is binding on all persons. Except as provided in ERISA section 405, a dissenting member is not responsible for any action or failure to act if within a reasonable time he registers his dissent with the other members, the Company and the Trustee.

11.6 Remuneration and Expenses. No remuneration shall be paid to any ESOP Committee member who is an Employee of the Company or an Affiliate for services performed hereunder. However, subject to Section 11.12, the reasonable expenses of an ESOP Committee member incurred in the performance of an ESOP Committee function shall be reimbursed by the Employers. For purposes of the preceding sentence, flight pay loss and pay loss for each IAM member shall be treated as an expense.

11.7 Indemnification of the ESOP Committee. To the extent permitted by applicable law, the ESOP Committee and its members and any employee, director, or officer of the Company or its Affiliates, shall be indemnified by the Company against any and all liabilities, settlements, judgments, losses, costs, and expenses (including reasonable legal fees and expenses) of whatever kind and nature which may be imposed on, incurred by or asserted against them by reason of the performance or nonperformance of their duties in connection with the Plan if such action or inaction did not constitute gross negligence or willful misconduct. Furthermore, the Company agrees to indemnify any such persons against any liability imposed as a result of a claim asserted by any person or persons under federal or state law where such persons act in good faith or in reliance on a written direction or certification of the Company. The foregoing right of indemnification shall be in addition to other rights such persons may have by law or by reason of insurance coverage of any kind. The Company may, at its own expense, settle any claim asserted or proceeding brought against any such persons when such settlement appears to be in the best interests of the Company. If the Company obtains fiduciary liability insurance to protect the ESOP Committee or any of its members, the provisions of this Section 11.7 shall be applicable only to the extent that such insurance coverage is insufficient. The Company shall secure fidelity bonding for the fiduciaries of the Plan, as required by ERISA section 412 and shall secure insurance for ESOP Committee members coextensive with any ERISA insurance coverage provided to any member of the Board of Directors or, if more favorable, to any Employee.

11.8 Resignation or Removal of ESOP Committee Member. An ESOP Committee member may resign at any time by -delivering his written resignation to the Company. Each of the Company, ALPA and the IAM may remove its ESOP Committee members for any reason. In addition, the Company, at its discretion, may remove any ESOP Committee member for cause upon delivery of written notice to him. Except as provided in the preceding sentence, such resignation or removal, as the case may be, shall become effective only upon the appointment of a qualifying successor member being duly appointed in accordance with Section 11.9. For purposes hereof, "cause" shall be construed to mean an action permitting a member of the Board of Directors to be for cause.

11.9 Appointment of Successor ESOP Committee Members. ALPA, the IAM or the Company, as the case may be, shall, in accordance with the composition of the ESOP Committee described in Section 11.2, promptly fill any vacancy in the membership of the ESOP Committee and shall give prompt written notice thereof to the other ESOP Committee members, the Company and the Trustee.

11.10 Interested ESOP Committee Member. A member may not decide or determine any matter or question concerning his own benefits under the Plan or as to how they are to be paid to him unless either such decision could be made by him under the Plan if he were not a member of the ESOP Committee, or such decision applies to all affected Participants similarly. If a member is disqualified to act, and the remaining members of the ESOP Committee cannot agree on a decision, ALPA, the IAM or the Company, as the case may be, may appoint a temporary member to exercise the powers of the interested member concerning the matter as to which he is disqualified.

11.11 Compliance with Laws. Notwithstanding anything in the Plan or the Trust Agreement to the contrary, every individual who is a fiduciary with respect to the Plan shall exercise his responsibilities with respect to the Plan in a manner consistent with ERISA and other applicable laws.

11.12 Expenses of the Plan and Trust. All reasonable expenses of administering the Plan and Trust shall be charged to and paid by the Employers; provided, however, that, in the case of a dispute between the Company and the Committee, the reasonableness of any expense shall

be determined without regard to Sections 11.5 and 11.2(b)(ii)(1), and, provided, further, that in the event of any disagreement with respect to the reasonableness of an expense, neither a determination of the ESOP Committee that an expense is reasonable nor a determination by the Company that an expense is unreasonable shall be accorded any presumption of correctness. Unless the Company and ESOP Committee otherwise agree, such disagreement shall be resolved through the judicial process and the Company shall pay the reasonable expenses of litigation (and with regard to these expenses, the ESOP Committee's determination of reasonableness shall be conclusive). The reasonableness of any expense with respect to the Plan or Trust shall be determined by taking into account, inter alia, (a) the appropriateness and magnitude of the expense, (b) comparative reference to the types and amounts of expenses incurred by other very large employee stock ownership plans that own a significant portion of the employer's outstanding stock, (c) the complexity and size of this Plan and (d) the special purposes for which this Plan was established. Payment of expenses shall not be deemed to be Employer Contributions.

SECTION 12

Claims Procedure

12.1 **Written Claim.** The Company, which may delegate its authority, shall be the fiduciary for the initial decision on claims for benefits under the Plan. A Participant (or Beneficiary) may present a claim to the Company for any unpaid benefits. The Company shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than 90 days after the claim is received, unless special circumstances require an extension of time for processing the claim. If an extension is required, notice of the extension shall be furnished the claimant prior to the end of the initial 90-day period, which notice shall indicate the reasons for the extension and the expected decision date. The extension shall not exceed 90 days. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within the period described in the three preceding sentences. If the claim for benefits is wholly or partially denied, the Company shall notify the Participant (or Beneficiary) in writing of such denial of benefits within 90 days after the Company initially received the benefit claim. Such 90-day period may be extended for an additional 90 days if the Company provides written notice of the extension to the claimant prior to the termination of such 90-day period and the extension is based on special circumstances.

12.2 **Notice of Denial.** A notice of a denial of benefits shall advise the Participant (or Beneficiary) of:

- (a) the specific reason or reasons for the denial;
- (b) the specific provisions of the Plan on which the denial is based;
- (c) any additional material or information necessary for the Participant (or Beneficiary) to perfect his claim and an explanation of why such material or information is necessary; and
- (d) the steps which the Participant (or Beneficiary) must take to have his claim for benefits reviewed.

12.3 **Review Procedure.** Each Participant (or Beneficiary) whose claim for benefits has been denied shall have the opportunity to file a written request pursuant to Section 11.2(b)(ii) for a full and fair review of his claim by the ESOP Committee, to review all documents pertinent to his claim, and to submit a written statement regarding issues relative to his claim. Such written request for review of his claim must be filed pursuant to the procedure set forth in Section 11.2(b)(ii) by the Participant (or Beneficiary) within 60 days after receipt of written notification of the denial of his claim.

12.4 **Notices.** All notices denying a claim for benefits, and all decisions on requests for a review of the denial of a claim for benefits, shall be written in a manner calculated to be understood by the Participant (or Beneficiary) filing the claim or requesting the review.

SECTION 13

Amendment and Termination

13.1 **Amendment.**

(a) While the Company expects and intends to continue the Plan, the Company must necessarily reserve, and does hereby reserve, the right to amend the Plan, at any time; provided, however, that, subject to Sections 13.1(b), (c), and (d) hereof and Section 1.6(g) of the Recapitalization Agreement (relating to skipped dividends), no amendment may be adopted without the approval of both ALPA and the IAM.

(b) With respect to selected "intragroup matters," however, the Company may amend the Plan with respect to the Salaried and Management Group and shall amend the Plan as reasonably requested by ALPA and the IAM for their respective Employee Groups. An amendment relates to an "intra-group matter" only if it relates to eligibility, or allocation and does not relate to any other matter, including, without limitation, withdrawal, loan, voting, vesting or fiduciary provisions; provided, however, that no amendment may be made which shall disqualify the Plan or extend allocations hereunder beyond the year 2000 or affect the pace of allocations of Company Stock in a manner that would adversely affect the Plan's projected ability to meet the requirements of Code Section 415(c)(6) (which last requirement may be waived by ALPA). Notwithstanding the preceding sentence, with respect to an intragroup matter, the Company need not and cannot (without the required consent) adopt any amendment if it would entail an additional annual expense in excess of approximately \$25,000 or if the Company reasonably believes the Company will be exposed to a material liability if the amendment is adopted and, provided, further, that disputes under this subsection (b) shall be resolved by the arbitration procedures of Section 11.2(b)(ii). Finally, the Company may not adopt with respect to Management and Salaried Employees and neither ALPA nor the IAM may require the Company to adopt more than three amendments under this Section 13.1(b) and, in the case of the ALPA Employee Group and the Management and Salaried Employee Group, no amendment may require that allocations be based on factors other than Compensation, Account balances, dividends, and dividend credits.

(c) ALPA and the IAM shall be accorded an adequate opportunity to review any submission referred to in the first sentence of Section 7(a) of the Preferred Stock Purchase Agreement, and they shall have the right to participate in the consideration of any amendment required by the second sentence of Section 7(a) of the Preferred Stock Purchase Agreement. If an amendment to the Plan or Trust is required to result in the issuance of a determination letter described in such Section 7(a), and if there is more than one form of amendment that would result in such issuance, the Company, ALPA, and the IAM shall agree on the form of such amendment; provided, that if the three persons cannot timely agree, an arbitrator shall be immediately selected pursuant to the procedures set forth in Section 11.2(b)(ii). Such arbitrator shall select the amendment that would result in such issuance and that best carries out the purposes of this Plan at a reasonable expense.

(d) Finally, the approval of ALPA and the IAM shall not be required with respect to an amendment if such amendment (w) is in connection with an extension of an Acquisition Loan in accordance with its terms, (x) extends the allocation period applicable to the Salaried and Management Group, (y) will not cause any extension in the allocation period applicable to the ALPA Employee Group or the IAM Employee Group, and (z) the failure to adopt the amendment would make it impossible to successfully complete the steps described in Section 5.4(a)(i) through (vii) without changing the percentages set forth in Section 5.4(a)(i)(A). The Company agrees that its authority to extend an Acquisition Loan shall be conditioned on enactment of an amendment accomplishing the goals of the prior sentence. ALPA and the IAM shall have the unilateral power to require the Company to extend an Acquisition Loan and adopt an amendment identical to that described in the preceding two sentences, so long as the protections described in the preceding two sentences are accorded to the Employee Groups for which the amendment is not required.

(e) An amendment under Subsection (b) or (d) shall not be effective unless advance notice of at least 10 days before adoption is given to ALPA, the IAM, and the Board of Directors. Such advance notice may be waived by the party to whom notice is otherwise due.

13.2 Termination. Subject to the approval of ALPA and the IAM, the Plan will terminate as to all of the Employers on any date specified by the Company.

13.3 Merger and Consolidation of Plan; Transfer of Plan Assets. No merger or consolidation with, or transfer of assets to, any other plan may be effected without the consent of ALPA and the IAM. In the case of any merger or consolidation with, or transfer of assets and liabilities to, any other plan, provisions shall be made so that each Participant in the Plan on the date thereof, if the Plan was then terminated, would receive a benefit immediately after the merger, consolidation or transfer that is equal to or greater than the benefit he would have been entitled to receive immediately prior to the merger, consolidation or transfer, if the Plan had then terminated. Notwithstanding the preceding language, in the event of a merger, if the surviving corporation of the merger agrees to continue the Plan, no termination or partial termination will be deemed to have occurred. This Section 13.3 does not apply to transfers or rollovers described in Sections 7.1 and 7.5.

13.4 Distribution on Termination. If, on termination of the Plan, a Participant remains an Employee of his Employer or any of its Affiliates, the amount of the Participant's benefits may be retained in the Trust until after the Participant's termination of employment with his Employer and any of its Affiliates and shall be paid to such Participant or, in the event of the Participant's death, to his Beneficiary, in a lump sum. The benefits payable to a Participant whose employment with his Employer or any of its Affiliates is terminated coincident with the termination of the Plan shall be paid to the Participant or, in the event of the Participant's death, to his Beneficiary, in a lump sum. All appropriate accounting provisions of the Plan will continue to apply until the benefits of all affected persons have been distributed to them. Affected Participants will be notified of an amendment, termination or partial termination of the Plan, as required by law.

SECTION 14

Top-Heavy Provisions

14.1 Top-Heavy Provisions. If, as of the last day of the first Plan Year, or thereafter, if as of the day next preceding the beginning of any Plan Year (the "Determination Date"), the Plan is a "top-heavy plan" (determined in accordance with the provisions of Code section 416(g)) that is, the aggregate present value of the accrued benefits and account balances of all "Key Employees" (within the meaning of Code section 416(i) and for this purpose using the definition of Compensation, as modified under Section 5.5(b)) and their Beneficiaries exceeds 60% of the aggregate present value of the accrued benefits and account balances of all Participants and Beneficiaries, the amendments specified in this Section 14 will automatically become effective as of the first day of the Plan Year. For purposes of the above sentence, the aggregate present value of the accrued benefits and account balances of a Participant who has not performed any services for the Company or any of its Affiliates during the five year period ending on the Determination Date shall not be taken into account. This calculation shall be made in accordance with Code section 416(g), taking into consideration plans which are considered part of the Aggregation Group. The term "Aggregation Group" shall include each plan of the Company or any of its Affiliates that includes a Key Employee and each plan of the Company or any of its Affiliates that allows the Plan to meet the requirements of Code section 401(a)(4) or Code section 410 and may include any other plan of the Company or any of its Affiliates, if the Aggregation Group would continue to meet the requirements of Code sections 401(a)(4) and 410.

14.2 Amendments.

(a) Minimum Accruals. Section 3 will be modified to provide that the aggregate amount of Employer Contributions allocated in each Plan Year to the Accounts of each Participant who is a Non-Key Employee (within the meaning of Code section 416(i)(1)), and who is employed by an Employer as of the last day of the Plan Year, may not be less than the lesser of:

- (i) three percent of his Compensation for the Plan Year; and
- (ii) a percentage of his Compensation equal to the largest percentage obtained by dividing the sum of the amount credited to the Accounts of any Key Employee by that key Employee's Compensation; and

(b) Code section 415(e). Section 5.5 will be amended to provide that the dollar limitations in the denominators of the "defined benefit plan fraction" and "defined contribution plan fraction" (as such terms are defined in Code section 415(e)) will be multiplied by 1.0 instead of 1.25. However, the above sentence shall not apply if "four percent" is substituted for "three percent" in paragraph (a) above.

The preceding provisions will remain in effect for the period in which the Plan is top-heavy. If, for any particular year thereafter, the Plan is no longer top-heavy, the provisions contained in this Section 14 shall cease to apply, except that any previously vested portion of any Account balance shall remain nonforfeitable.

14.3 Super Top-Heavy Provisions. If, as of a Determination Date, the aggregate present value of the accrued benefits and Account balances of all "Key Employees" (within the meaning of Code section 416(i)) and their Beneficiaries exceeds 90% of the aggregate present value of the accrued benefits and Account balances of all Participants and Beneficiaries, paragraph (a) of Section 14.2 will automatically become effective as of the first day of such Plan Year, except that Section 14.2(b) will be modified to provide that the dollar limitations in the denominators of the defined benefit plan fraction and defined contribution plan fraction in Section 5.5 shall be multiplied by 1.0 instead of 1.25, whether or not the minimum benefit is increased under Section 14.2(a).

14.4 Special Rule. The provisions of this Section 14 shall not apply to Employees included in a unit of Employees covered by a collective bargaining agreement to the extent provided by Code section 416(i)(4).

SECTION 15

Miscellaneous

15.1 Qualification. The Plan is designed and intended to comply with the requirements of Code section 401(a) so that contributions and the income on assets in Participants' Accounts will be exempt from Federal income tax until distributed. Accordingly, the adoption of the Plan and the implementing Trust and contributions hereunder are contingent upon and subject to obtaining a written determination of the Internal Revenue Service that the Plan complies with the requirements of Code section 401(a) and that the Trust is exempt from taxation under Code section 501(a).

15.2 Reversions to Employer. All contributions hereunder are expressly conditioned on their deductibility under Code section 404 and the initial qualification of the Plan. Notwithstanding anything to the contrary contained in the Plan, or in any amendment hereto, if (a) any contribution has been made by an Employer by a mistake of fact, or (b) the initial qualification of the Plan under Code section 401(a) has been denied, or (c) any deduction for a contribution has been disallowed, the Trustee shall return the entire Trust assets if clause (a) applies or such contribution (or the value thereof if lower than the amount of such contribution) to the Company, but in no event shall any such return be made after the expiration of one year following (i) the payment thereof in the case of clause (a) above, (ii) the denial of qualification in case of clause (b) above, or (iii) the disallowance of the deduction in the case of clause (c) above; provided, however, that prior to any such return, Appropriate Arrangements shall be made with ALPA and the IAM to protect the substantive rights of each Employee Group under the Plan.

15.3 Governing Law. The Plan shall be construed and administered according to the laws of the State of Illinois to the extent that such laws are not preempted by the laws of the United States of America.

15.4 Notices. Any notice, communication or document required hereunder to be given to, or filed with, the ESOP Committee, any union, the Company or any other person shall be properly given or filed if it is in writing and delivered in person or by mail (including federal express, telex and facsimile transmission) addressed,

If to ALPA, to:

UAL-MEC/ALPA
6400 Shafer Court
Suite 700
Rosemont, IL 60018
Telephone: (708) 292-1700
Telecopy: (708) 292-1760

Attention: Captain Roger D. Hall

If to IAM, to:

International Association of Machinists
and Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687
Telephone: (301) 967-4500
Telecopy: (301) 967-4591
Attention: William L. Scheri

IAM District Lodge 141
321 Allerton Avenue
South San Francisco, CA 94080
Telephone: (415) 873-0662
Telecopy: (415) 873-1676

Attention: Kenneth W. Thiede

If to the Company, to:

UAL Corporation
1200 E. Algonquin Road
Elk Grove Township, IL 60007
Telephone: (708) 956-2400
Telecopy: (708) 9524683

Attention: Chief Executive Officer and Chief Legal Officer

If to any member of the ESOP Committee, to such member at his or her home address. With a copy to his or her respective Union at the address set forth above.

If to any other person, to:

such address or telecopy number as such person may hereafter specify for such purpose.

or such other address or telecopy number as any of the above may hereafter specify for such purpose by notice in accordance with the foregoing. Each such notice, request or other communication shall be effective (i) if given by facsimile, when received by the addressee using the facsimile number specified in this Section, as evidenced by an automated confirmation receipt from the sending facsimile machine or (ii) if given by any other means, when delivered at the address specified in this Section.

15.5 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

15.6 Action by Employer. Any action required or permitted to be taken by an Employer under the Plan (including any power of the Company to amend or to terminate the Plan as provided herein) shall be by resolution of its board of directors or by a person or persons authorized by its board of directors.

15.7 Execution. To record the adoption of this Plan, the undersigned duly authorized officers of the Company have caused this document to be executed and to bear the corporate seal of the Company, all as of the Effective Date.

15.8 Adjustments. This Plan contains various references to Class 1 and/or Class 2 Non-Voting Preferred Stock. If and to the extent appropriate, an appropriate revision shall be made to such references if the outstanding number of shares of Class 1 and/or Class 2 Non-Voting Preferred Stock is changed into, or exchanged for, a different number or kind of shares or securities of the Company through a reorganization or merger, or through a combination, recapitalization, reclassification, stock consolidation or otherwise.

UAL CORPORATION

Dated: July 12, 1994

By: J.R. O'Gorman

Title: Executive Vice President

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**FIRST AMENDMENT
OF
UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN**

(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under section 13.1(a) of the UAL Corporation Employee Stock Ownership Plan (Effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots and Association, International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, as follows, effective July 12, 1994:

1. Section 1(g), defining "ALPA Employee Group" is amended to read as follows effective July 12, 1994:

"(g) 'ALPA Employee Group' means (i) Eligible Employees who are in classifications represented by ALPA under the Railway Labor Act who are listed on the Pilots' System Seniority List or the Second Officer Eligibility Seniority List, and (ii) notwithstanding the fact that they are not in classifications represented by ALPA under the Railway Labor Act, Eligible Employees in the classification of Student Flight Officer who, upon completion of the necessary training, expect to become listed on the Pilots' System Seniority List or Second Officer Eligibility Seniority List."

2. Section 1(p), defining "Compensation," is amended by inserting the following after the first sentence thereof:

"Except as set forth herein, a Participant's Compensation shall be credited to the Participant for the Plan Year in which the Participant received payment of such Compensation, even if the services to which the Compensation relates were performed in a prior Plan Year.

(i) With respect to those members of the ALPA Employee Group who are paid in the month following the month in which their services are performed, Compensation has the meaning set forth in the preceding two sentences, with the following modifications: (x) with respect to the 1994 Plan Year, "Compensation" means Compensation paid during the period beginning August 1, 1994 and ending with the payment of the second regular paycheck of January, 1995 as such Compensation relates to services performed during the period beginning on July 13, 1994 and ending on December 31, 1994; (y) with respect to Plan Years 1995 through 1999, "Compensation" means Compensation paid during the period beginning on the day after the payment of the second regular paycheck during such Plan Year and ending with the payment of the second regular paycheck of the next Plan Year as such Compensation relates to services performed during the Plan Year; and (z) with respect to the Plan Year 2000, "Compensation" means Compensation paid during the period beginning with the day after the payment of the second regular paycheck in such year and ending with the payment of the second regular paycheck in May, 2000 as such Compensation relates to services performed during the period beginning on January 1, 2000 and ending on April 12, 2000.

(ii) With respect to the members of the Management and Salaried Group and with respect to those members of the ALPA Employee Group who are not paid in the month following the month in which their services are performed, Compensation for a particular Plan Year shall include Compensation paid in the first and second paychecks received in the next Plan Year to the extent such Compensation relates to services performed in the earlier Plan Year. For purposes of the foregoing, the Company shall determine the extent to which Compensation from the first and second paychecks received in a Plan Year relate to services performed in a particular Plan Year according to the Company's month-end time recording documents which are timely received (according to Company policies and procedures), and if such month-end time recording documents are not timely received, according to the reasonable assumptions adopted by the Company. Notwithstanding the previous two sentences, only Compensation from the first paycheck received in the next Plan Year shall count as Compensation for the earlier Plan Year if the base pay taken into account in such first paycheck solely relates to services performed in the Plan Year in which such paycheck was received.

(iii) Notwithstanding anything to the contrary herein, no payment shall be counted as Compensation in more than one Plan Year."

3. Section 1(gg) is amended by adding the following to the end thereof:

"An Eligible Employee who is represented by the IAM shall be a member of the Management and Salaried Group (i) from the Effective Date through October 29, 1994, for each period in which such Eligible Employee's temporary reclassification as a salaried, managerial or non-union employee is evidenced by Form UG-100 placed in the personnel record of the Eligible Employee by the Employer, including an actual change in the job code, but excluding any period during which a temporary reclassification occurs on a limited basis and is only evidenced by a payroll certification; and (ii) effective October 30, 1994, for

each hour or fraction thereof during which such Eligible Employee is temporarily reclassified as a salaried, managerial or non-union employee."

4. Section 1(yy)(i) is amended to read as follows effective July 12, 1994:

"the product of (A) the number of hours for which the Participant earns compensation during the Plan Year (up to and including the last day of each Plan Year), but only to the extent such hours are reflected on the compensation paid during the Plan Year or on the first and second paychecks received by the Participant in the Plan Year following the Plan Year in which the compensation was earned, multiplied by (B) the difference between the "book rate of pay" as in effect immediately prior to the Effective Date and the "actual rate of pay" as in effect on the Effective Date for services performed during a Plan Year; plus"

4. Section 1(yy)(iii) is amended to read as follows effective July 12, 1994:

"the actual rate of pay (including the applicable overtime rates) for each hour, or fraction thereof, of lunch (or other meal) multiplied by the sum of (a) the number of days during which at least 3.5 hours are worked during a Plan Year, plus (b) the number of overtime shifts of at least two (2) hours worked during a Plan Year, plus (c) the number of overtime shifts of at least eight (8) hours which immediately precede or follow a regular full shift. Notwithstanding the foregoing, for any day worked prior to October 16, 1994, in lieu of the foregoing, the actual rate of pay shall be multiplied by one half hour for each day worked during the Plan Year."

6. Section 1(yy) of the ESOP shall be amended by adding the following three paragraphs to the end thereof:

"If any hours of a Participant for compensation earned in a particular Plan Year are excluded from the calculation of the Wage Investment for that Plan Year pursuant to Section 1(yy)(i)(A) because compensation for such hours was not reflected in pay received during the Plan Year or the first or second paycheck of the following Plan Year, then such hours shall be counted towards the calculation of the Participant's Wage Investment in the Plan Year for which the Participant received payment for such hours. For purposes of the calculation of the Wage Investment for a particular Plan Year, the Company shall determine the extent to which compensation was earned in a particular Plan Year according to the Company's month-end time recording documents which are timely received (according to Company policies and procedures), and if such month-end time recording documents are not timely received, according to the reasonable assumptions adopted by the Company.

"In clarification of the foregoing provisions of Section 1(yy)(i)(A), the Wage Investment for a member of the IAM Employee Group shall exclude (i) from the Effective Date through October 29, 1994, each period in which the temporary reclassification as a salaried, managerial or non-union employee of a member of the IAM Employee Group is evidenced by Form UG-100 placed in the personnel record of such member by the Employer, including an actual change in the job code, but excluding any periods during which a temporary reclassification occurs on a limited basis and is only evidenced by a payroll certification, and (ii) effective October 30, 1994, each hour or fraction thereof when such member is reclassified and is treated, for payroll and other purposes, as a salaried, managerial or non-union employee.

"Notwithstanding the foregoing provisions of this Section 1(yy), only hours reflecting compensation received on the first paycheck received in the next Plan Year shall count towards calculation of the Wage Investment for an earlier Plan Year if the base pay taken into account in such first paycheck solely relates to services performed in the Plan Year in which such paycheck was received. Notwithstanding anything to the contrary herein, no hours shall be counted towards calculation of a Participant's Wage Investment in more than one Plan Year."

7. Section 7.4(b), concerning deferred distributions, is amended by replacing the phrase "any date" with the phrase "the last day of any month."

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed on December 28, 1994.

UAL CORPORATION

/s/ Stuart I. Oran
Stuart I. Oran
Executive Vice President
Corporate Affairs and
General Counsel

Approved by:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND AEROSPACE
WORKERS

/s/ Harlow B. Osteboe

/s/Kenneth W. Thiede

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SECOND AMENDMENT
UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Employee Stock Ownership Plan (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective January 1, 1995. The amendments to Section 1(p) and 1(yy) as set forth below are intended to document the previously-existing interpretation of the Plan, rather than to accomplish a substantive change to the Plan.

1. The following is hereby inserted as a new paragraph at the end of the material labelled "Part A" which precedes Section 1:

"For the Plan Years beginning on and after January 1, 1995, the foregoing percentages are amended to take into account the participation by the IAM Employee Group in allocations of Class 2 Non-Voting Preferred Stock under Part B and the Supplemental Plan. Accordingly, the shares of Class 1 Non-Voting Preferred Stock allocated on or after January 1, 1995, will be allocated ratably over the remaining Wage Investment Period, to the Employee Groups in accordance with the following revised percentages:

ALPA Employee Group - 32.234549%

IAM Employee Group - 47.036084%

Management and Salaried Employee Group - 20.729367%"

2. Clause (i) of Section 1(p) is amended to read as follows:

"(i) the total cash compensation (and any in-kind compensation which the Participant could have elected to receive as cash) paid to the Participant for services while a Participant and an Eligible Employee, during the Plan Year for services rendered to his Employer, including bonuses and overtime pay, plus"

3. Section 1(p) is amended by adding the following to the end of the section:

"With respect to a Participant who is a member of the ALPA Employee Group, Compensation shall include pay received for vacation time in the year paid (whether before or after termination of employment)."

4. Section 1(x) is amended as follows:

[Add appropriate amendment concerning eligibility of IAM members.]

5. The following new Section 1(oo)A is hereby added after Section 1(oo) and before Section 1(pp):

"(oo)A 'Special Annual Allocation' means the allocation referred to in Section 5.4(f)."

6. Section 1(yy) is amended by adding the following to the end of the section:

"A Participant's Wage Investment shall be calculated with respect to vacation pay in the year paid (whether before or after termination of employment)."

7. Section 5.4(a)(i)(A) is amended by adding the following to the end of the section:

"For Class 1 Non-Voting Preferred Stock released for Plan Years beginning on or after January 1, 1995, the allocation percentage shall be as follows: ALPA Employee Group - 32.234549%; IAM Employee Group - 47.036084% and Management and Salaried Employee Group - 20.729367%."

8. The following is hereby added to the end of Section 5.4(a)(iii):

"Notwithstanding the foregoing, for each Plan Year beginning on or after January 1, 1995, the Employer Contributions tentatively allocated under this clause (iii) shall be the Employer Contributions remaining after the allocation of the Special Annual Allocation (if any) for such Plan Year pursuant to Section 5.4(f). Accordingly, a Participant's tentative allocation under this subsection shall be the sum of the Special Annual Allocation (if any) allocated to the Participant for the Plan Year, plus the allocation under the preceding portions of this clause of the Employer Contributions remaining after the Special Annual Allocation."

9. Section 5.4(c) is amended, for Plan Years beginning on or after January 1, 1995, by eliminating the following proviso:

"provided, however, that no allocations (other than allocations under clauses (i) and (viii) below) shall be made to Accounts of Participants who are members of the IAM Employee Group."

10. The second sentence of Section 5.4(c)(ii) is amended by inserting the following after "Such number shall equal" and before "the number of shares that would have been allocated to the Participant...":

"the sum of the number of shares set forth as the hypothetical allocation to the Participant in the Special Annual Allocation for that Plan Year (if any), plus"

11. Section 5.4(c)(ii) is amended by adding the following to the end of the section:

"For Plan Years beginning on or after January 1, 1995, the hypothetical share number shall be calculated by taking into account the Special Annual Allocation applicable to that Plan Year (if any). By way of illustration, assume that for the 1995 Plan Year, a total of 1,110,456.695 shares are to be allocated to members of the ALPA Employee Group, and that 5,000 of those shares are to be allocated in the Special Annual Allocation applicable members of the ALPA Employee Group. Under this example, the hypothetical share number of a member of the ALPA Employee Group for 1995 shall equal the sum of (x) the portion of the 5,000 shares set forth as the hypothetical allocation to the employee pursuant to the Special Annual Allocation for 1995, plus (y) the employee's ratable portion (based upon Compensation as modified under this clause (ii) of the remaining 1,105,455.695 shares."

12. The following new Section 5.4(f) is added to the Plan:

"(f) Special Annual Allocations. For each Plan Year beginning on or after January 1, 1995, the Special Annual Allocation described in Appendix A applicable to the Plan Year (if any) shall be made after the application of clauses (i) and (ii) of Section 5.4(a), but prior to the application of clause (iii) of Section 5.4(a) and the clauses subsequent to clause (iii), and the hypothetical allocation set forth in the Special Annual Allocation applicable to the Plan Year shall be made as a part of the calculation of the hypothetical share number as set forth in clause (ii) of Section 5.4(c). If Appendix A does not set forth a Special Annual Allocation applicable to a particular Plan Year, then there shall be no Special Annual Allocation for that Plan Year."

13. The following Appendix A is hereby added to the Plan:

"APPENDIX A

SPECIAL ANNUAL ALLOCATIONS

This Appendix A is part of the UAL Corporation Employee Stock Ownership Plan. The purpose of this Appendix A is to set forth the terms of the Special Annual Allocation referred to in Section 5.4(f) of the ESOP. This Appendix A may only be amended pursuant to Section 13.1 of the ESOP.

Special Annual Allocation for 1995. For the Plan Year beginning January 1, 1995, there shall be two Special Annual Allocations. The first Special Annual Allocation is described in subsection (a) below, and is intended to provide to the accounts of certain Participants who are members of the IAM Employee Group the shares of Class 1 Non-Voting Preferred Stock which would have been provided in 1994, but for the application of the limits of Code Section 415. The second Special Annual Allocation is described in subsection (b) below, shall be made to all individuals who were Participants in 1994, and is intended to adjust the Accounts of Participants to the levels which had originally been reported to Participants in the allocation of shares for 1994, but which were overstated because additional Compensation and Wage Investments were subsequently reported for 1994. The second Special Annual Allocation is also intended to adjust the Accounts of Participants whose accounts had not been overreported so that their allocations will be on a par with the allocations to the Participants described in the preceding sentence.

(a) Special Annual Allocation for IAM Employee Group. A portion of the Employer Contributions allocated to the IAM Employee Group for 1995 shall be allocated to the Accounts of those Participants who are members of the IAM Employee Group to whom Contributions were limited by the application of Code Section 415 for the 1994 Plan Year. For each such Participant, the shares which would have been allocated but for the application of the limits of Code Section 415 are referred to as the "1994 Shortfall Shares." For purposes of calculating the Special 1995 IAM Allocation, there shall be calculated the "1995 IAM Average Contribution," which shall be equal to the total Employer Contributions allocated to the IAM Employee Group for the 1995 Plan Year, divided by the total number of shares of Class 1 Non-Voting Preferred Stock allocated to the IAM Employee Group for the 1995 Plan Year, excluding, however, the shares allocated to the IAM Employee Group for the 1995 Plan Year on account of dividends paid on previously-allocated shares.

(1) Amount to be included in tentative allocation. The following amount shall be included in the tentative allocation under Section 5.4(a)(iii) as the Special Annual Allocation to each affected Participant: the lesser of (i) the sum of (xx) the 1995 IAM Average Contribution times the Participant's 1994 Shortfall Shares, plus (yy) \$8.8872, times the Participant's 1994 Shortfall Shares, times a fraction the numerator of which is the 1995 IAM Average Contribution, and the denominator of which is the fair market value of a share of Class 1 Non-Voting Preferred Stock as of the end of the 1995 Plan Year, or (ii) the allocation permitted for 1995 pursuant to Code Section 415.

(2) Shares to be included in hypothetical share number and hypothetical allocation. The following number of shares is to be included in the hypothetical share number under Section 5.4(c)(ii) and Section 2.4(a) of the Supplemental Plan as the Special Annual Allocation for each

affected Participant: the sum of (i) the 1994 Shortfall Shares, plus (ii) \$8.8872 times the Participant's 1994 Shortfall Shares divided by the fair market value of a share of Class 1 Non-Voting Preferred Stock as of the end of the 1995 Plan Year.

(b) 1995 Special Annual Allocation for All Employee Groups. For each individual who was a Participant in 1994 (a "1994 Participant"), there shall be calculated a number of shares referred to as the "1995 Make-up Shares." The 1995 Make-up Shares for each 1994 Participant shall equal the difference between the number of shares actually allocated to the 1994 Participant for the 1994 Plan Year (using the final Compensation and Wage Investment data), and the number of shares which would have been allocated to the 1994 Participant for the 1994 Plan Year if the following facts had been correct for the 1994 Plan Year: (1) the total Compensation of Participants who were members of the ALPA Employee Group (without respect to the limitations of Code Section 401(a)(17) and the limitation contained in Section 1(p) of four times the dollar limit under Code Section 415(c)(1)(A)) was \$415,308,677.81, (2) the total Compensation of Participants who were members of the ALPA Employee Group (limited by the limitation contained in Section 1(p) of four times the dollar limitation under Code Section 415(c)(1)(A)) was \$375,772,138.78, (3) the total Compensation of ALPA Participants (without respect to the limitation contained in Section 1(p) of four times the dollar limit under Code Section 415(c)(1)(A), but limited by Code Section 401(a)(17)) was \$407,265,547.88, (4) the total Wage Investments were \$91,675,662.89, (5) the total Compensation of members of the Management and Salaried Employee Group (without respect to the limitation of Code Section 401(a)(17)) was \$346,925,400.49, and (6) the total Compensation of members of the Management and Salaried Employee Group (limited by Code Section 401(a)(17)) was \$345,997,953.17.

For purposes of calculating the 1995 Special Annual Allocation, there shall be calculated (x) the "1995 ALPA Average Contribution," which shall be equal to the total Employer Contributions allocated to the ALPA Employee Group for the 1995 Plan Year, divided by the total number of shares of Class 1 Non-Voting Preferred Stock allocated to the ALPA Employee Group for the 1995 Plan Year, excluding, however, the shares allocated to the ALPA Employee Group for the 1995 Plan Year on account of dividends paid on previously-allocated shares, and (y) the "1995 M&S Average Contribution," which shall be equal to the total Employer Contributions allocated to the Management and Salaried Employee Group for the 1995 Plan Year, divided by the total number of shares of Class 1 Non-Voting Preferred Stock allocated to the Management and Salaried Employee Group for the 1995 Plan Year, excluding, however, the shares allocated to the Management and Salaried Employee Group for the 1995 Plan Year on account of dividends paid on previously-allocated shares. The 1995 IAM Average Contribution, calculated as set forth in subsection (a) above shall also be used in this subsection (b). For each 1994 Participant, the result of the above calculation which applies his Employee Group is the "Applicable Average Contribution."

(1) Amount to be included in tentative allocation. The following amount shall be included in the tentative allocation under Section 5.4(a)(iii) as the Special 1995 Allocation to each 1994 Participant: the lesser of (i) the sum of (xx) the Applicable Average Contribution, times the Participant's 1995 Make-up Shares, plus (yy) \$8.8872, times the Participant's 1995 Make-up Shares, times a fraction the numerator of which is the Applicable Average Contribution, and the denominator of which is the fair market value of a share of Class 1 Non-Voting Preferred Stock as of the end of the 1995 Plan Year, or (ii) the allocation permitted for 1995 pursuant to Code Section 415.

(2) Shares to be included in hypothetical share number and hypothetical allocation. The following number of shares is to be included in the hypothetical share number under Section 5.4(c)(ii) and Section 2.4(a) of the Supplemental Plan as the Special Annual Allocation for each affected Participant: the sum of (i) the 1995 Make-up Shares, plus (ii) \$8.8872 times the Participant's 1994 Make-up Shares divided by the fair market value of a share of Class 1 Non-Voting Preferred Stock as of the end of the 1995 Plan Year.

(c) In the case of any member of the IAM Employee Group who is subject to both subsections (a) and (b), the total 1995 Special Annual Allocation shall be the sum of the amounts determined for such Participant under both subsections.

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed on August 17, 1995.

UAL CORPORATION

/s/ Stuart I. Oran
Executive Vice President-
Corporate Affairs and
General Counsel

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ Harlow B. Osteboe

/s/ J.Randolph Babbitt

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND
AEROSPACE WORKERS

/s/ Kenneth W. Thiede

ELEVENTH AMENDMENT
UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Employee Stock Ownership Plan (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective January 1, 2000.

1. Section 5.5(d) is amended to read as follows, effective for allocations with respect to Plan Years commencing on or after January 1, 2000:

"(d) Multiple Defined Contribution Plans.

(i) ALPA and IAM Employee Groups. In any case where a Participant who is a member of the ALPA Employee Group or the IAM Employee Group also participates in another defined contribution plan of the Company or its Affiliates, the Committee and the appropriate committee of such other plan shall first reduce the after-tax contributions under any such other plan, shall then reduce the contributions under Section 5.4(c)(vi) of this Plan, shall then reduce any elective deferrals under any such other plan subject to Code section 401(k), shall then reduce contributions under this Plan (Part B to generally be reduced before Part A, but Part A shall be reduced prior to Part B to the extent set forth in the provisions of Section 5.4(a)(iii) which refer to Voting Preferred Stock), and, if necessary shall then reduce all other contributions under any such other plan.

(ii) Management and Salaried Employee Group. In any case where a Participant who is a member of the Management and Salaried Employee Group also participates in another defined contribution plan of the Company or its Affiliates, the Committee and the appropriate committee of such other plan shall first reduce the after-tax contributions under any such other plan, shall then reduce any elective deferrals under any such other plan subject to Code section 401(k), shall then reduce all other contributions under any such other plan and, if necessary shall then reduce contributions under this Plan (Part B to generally be reduced before Part A, but Part A shall be reduced prior to Part B to the extent set forth in the provisions of Section 5.4(a)(iii) which refer to Voting Preferred Stock)."

IN WITNESS WHEREOF, the Company has caused this Eleventh Amendment to be executed on December 29, 2000.

UAL CORPORATION

/s/ Douglas A. Hacker

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ Duane Woerth

/s/ Fredrick C. Dubinsky

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND
AEROSPACE WORKERS

/s/ Scotty Ford

/s/ S.R. Canael

UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
TRUST AGREEMENT

Between

UAL CORPORATION

and

STATE STREET BANK AND TRUST COMPANY

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UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
TRUST AGREEMENT

THIS AGREEMENT has been made as of the 12th day of July, 1994, between UAL CORPORATION, a corporation organized under the laws of the State of Delaware with its principal place of business in Elk Grove Township, Illinois (hereinafter referred to as the "Company"), and STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company with its principal place of business at 225 Franklin Street, Boston, Massachusetts (hereinafter referred to as the "Trustee").

RECITALS

WHEREAS, the Company has adopted the UAL Corporation Employee Stock Ownership Plan (the "Plan") for the benefit of certain employees of the Company and its Affiliates; and

WHEREAS, the Plan consists of two portions, a "leveraged" portion (Part A) that is intended to be an employee stock ownership plan and an "unleveraged" portion (Part B); and

WHEREAS, Part A consists of both a stock bonus plan component and a money purchase pension plan component and Part B consists solely of a stock bonus component; and

WHEREAS, the Plan provides for the establishment of a trust (the "Trust") to hold, invest and administer amounts contributed under both Part A and Part B of the Plan; and

WHEREAS, in order to effectuate the Plan, the Company desires to establish a Trust, designed to meet the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); and

WHEREAS, Part A and Part B are intended to qualify under Section 401 (a) of the Code and Part A is intended to qualify under Section 4975(e)(7) of the Code and to meet the requirements of Section 4975(d)(3) of the Code, and the Trust is intended to be exempt from federal income taxation under Section 501(a) of the Code; and

WHEREAS, the authority to manage and control the operation and administration of the Plan is vested in the UAL Employee Stock Ownership Plan ESOP Committee, as named fiduciary as provided in the Plan, which named fiduciary shall have such authorities and shall be subject to such duties with respect to the Trust as are specified in this Agreement and the Plan; and

WHEREAS, cash, property and/or Company Stock (as hereinafter defined) will from time to time be contributed to or purchased by the Trustee, which assets, as and when received by the Trustee, will constitute a trust fund to be held for the exclusive benefit of the participating employees under the Plan or their beneficiaries and to defray reasonable expenses of administering the Plan; and

WHEREAS, the Company desires the Trustee to hold and administer such trust fund and the Trustee is willing to hold and administer such trust fund pursuant to the terms of this Agreement:

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, and intending to be legally bound hereby, the Company and the Trustee do hereby covenant and agree as follows:

ARTICLE I

DEFINITIONS

Definitions. All defined terms used herein have the meaning assigned to them in the Plan, except as otherwise provided herein, and unless the context otherwise requires or unless specifically provided, all provisions of this Agreement shall apply to both Part A and Part B. The following terms as used in this Agreement have the meaning indicated unless the context requires otherwise:

1.1 "Affiliate" means any corporation, trade or business, which, at the time of reference, is together with the Company, a member of a controlled group of corporations, a group of trades or businesses (whether or not incorporated) under common control or an affiliated service group, as described in Code sections 415(b), 414 (c) and 414(m), respectively, or any other organization treated as a single employer under Code section 414(o); provided, however, that, where the context so requires, the term "Affiliate" shall be construed to give full effect to the provisions of Code sections 409(1)(4) and 415(h).

1.2 "Acquisition Loan" means a loan (or other extension of credit, including an installment obligation to a party in interest (as defined in ERISA Section 3(14)) incurred by the Trustee in connection with the purchase of Qualifying Employer Securities.

1.3 "Beneficiary" means the person or persons to whom a deceased Participant's benefits are payable under the Plan.

1.4 "Board of Directors" means the Board of Directors of the Company.

1.5 "Company" means UAL Corporation and any successor thereto.

1.6 "Company Stock" means any stock issued by the Company (or a corporation which is a member of the same controlled group) which meet the requirements of Section 407 of ERISA or Section 409(1) of the Code.

1.7 "Employee Group" means "Employee Group" as defined in the Plan.

1.8 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and all successor laws thereto.

1.9 "ESOP Committee" means the committee appointed to administer the Plan pursuant to Section 11 thereof.

1.10 "Fund" means the contributions of cash or property reasonably acceptable to the Trustee, including, but not limited to, Company Stock deposited with or purchased by the Trustee and held under this Trust by the Trustee, any property into which the same or any part thereof may from time to time be converted, and any appreciation therein or income thereon less any depreciation therein, any losses thereon and any distributions or payments therefrom.

1.11 "Participant" means an employee of the Company or any Affiliate or any other person who has an account balance under the Plan.

1.12 "Prohibited Transaction" means a prohibited transaction under Sections 406 of ERISA and/or Section 4975(c)(1) of the Code which is not exempt under Section 408 of ERISA or Sections 4975(c)(2) or 4975(d) of the Code, as the case may be.

1.13 "Qualifying Employer Securities" means shares of stock, common or preferred, issued by the Company (or a corporation which is a member of the same controlled group) which meets the requirements of Section 409(1) of the Code.

ARTICLE II

ESTABLISHMENT OF THE TRUST

2.1 The Company hereby establishes with the Trustee a trust for the purpose of holding and administering the Fund in accordance with this Agreement.

2.2 Notwithstanding anything to the contrary in this Agreement, or in any amendment thereto, except as otherwise provided under ERISA, the Company, the ESOP Committee and the Trustee shall discharge their respective duties with respect to the Fund for, and the Fund shall be used solely for and not diverted from, the exclusive purposes of providing benefits for Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan. Notwithstanding the preceding sentence, however, contributions shall be returned by the Trustee to the Company at the direction of the ESOP Committee if (i) the ESOP Committee certifies in writing to the Trustee that one or more of the circumstances listed below exist and (ii) prior to any such return of contributions, appropriate arrangements shall have been made to protect the substantive rights of each Employee Group under the Plan:

2.2.1 if a contribution is made by the Company by reason of a mistake of fact, the contribution or the then current value thereof, if less, shall be returned to the Company without interest within one year after it was paid to the Trustee;

2.2.2. if the deduction of a contribution is disallowed by the Internal Revenue Service, the contribution, or the then current value thereof, if less, to the extent the deduction is disallowed shall be returned to the Company without interest within one year after the disallowance; and

2.2.3. if the initial qualification of the Plan under Sections 401, 409 and 4975(e)(7) of the Code is denied, the entire Fund or the then current value thereof, if less, shall be returned to the Company without interest within one year after such qualification has been denied.

2.3 The Trustee shall receive any contributions paid to it in cash, in Company Stock or in other property acceptable to it. All contributions so received, together with the income therefrom and any other increment thereon, shall be held, managed and administered by the Trustee pursuant to the terms of this Agreement without distinction between principal and income and without liability for the payment of interest thereon. The Trustee shall not be responsible for the collection of any contributions to the Plan, or for the determination of the amount or frequency of any contribution required by the Plan or the provisions of the Code or ERISA, which responsibilities shall be borne solely by the ESOP Committee.

ARTICLE III

POWERS OF TRUSTEE

3.1 The Trustee shall maintain books of account and records with respect to the Fund. The Fund shall be held by the Trustee in trust and dealt with in accordance with the provisions of this Agreement. The Trustee shall take all action necessary to implement any written directions received from the ESOP Committee and shall conform to procedures established by the ESOP Committee for disbursement of funds in accordance with the terms of the Plan.

3.2 It shall be the duty of the Trustee (a) to hold, invest and reinvest the Fund in accordance with the provisions of this Agreement, and (b) to pay moneys therefrom in accordance with the written directions of the ESOP Committee.

3.3 Subject to Paragraphs 3.6, 3.7 and 3.8, at the direction of the ESOP Committee, the Trustee shall invest the assets of the Fund exclusively in Company Stock (except for *de minimis* investments in cash or cash equivalents pending investment in Company Stock or pending distributions to Participants); provided, however, that the portion of the Fund attributable to Part A of the Plan is intended to be invested primarily in Qualifying Employer Securities. To the extent that Company contributions are made in Company Stock, the Trustee shall retain such Company Stock unless otherwise directed by the ESOP Committee. To the extent Company contributions are made in cash and are not used to pay principal or interest on an Acquisition Loan pursuant to Article X or to pay expenses of the Fund, the Trustee shall, at the direction of the ESOP Committee, acquire Company Stock. If at the time Company Stock is to be purchased, the Company has outstanding more than one class of Company Stock, the ESOP Committee shall direct the Trustee as to which class of Company Stock shall be purchased. Subject to Paragraph 3.8, the Trustee may rely in good faith without liability upon the valuation of Company Stock as determined by the ESOP Committee. The Trustee may also, at the direction of the ESOP Committee, invest the Fund in temporary investments other than Company Stock, may hold such portion of the Fund in such investments as may be required under the investment diversification provision of the Plan, may hold such portion of the Fund uninvested as the ESOP Committee deems advisable for making distributions under the Plan, may invest assets of the Fund in short-term investments bearing a reasonable rate of interest, including without limitation, deposits in, or short-term instruments of, the Trustee, or in one or more short-term collective investment funds administered by the Trustee as trustee thereof for the collective investment of assets of employee pension or profit-sharing trusts, as long as each such collective investment fund constitutes a qualified trust under the applicable provisions of the Code (and while any portion of the Fund is so invested, such collective investment funds shall constitute part of the Plan to the extent of such investment, and the instrument creating such funds shall constitute part of this Agreement).

3.4 The Trustee shall have no duty hereunder to determine or inquire into whether any directions received from the ESOP Committee in accordance with the terms of this Agreement represent proper and lawful decisions or result in Prohibited Transactions. The Trustee shall have no duty to review any investment to be acquired, held or disposed of pursuant to such instructions from the ESOP Committee. If the Trustee does not receive written directions with respect to any part of the Fund subject to the ESOP Committee's direction (including, without limitation, income, sale proceeds or contributions), the Trustee shall, pending receipt of such directions, hold and invest such amount in short-term securities as provided in Paragraph 3.3 hereof.

3.5 In addition to, and not in limitation of, the powers now, or which may later become, vested in it, the Trustee shall have the following powers; provided, however, that the Trustee's exercise of such powers shall be consistent with and subject to all other provisions of this Agreement, and provided further that, subject to the provisions of Paragraph 3.6, 3.7, and 3.8, the powers set forth in Paragraphs 3.5.1, 3.5.2, 3.5.3, and 3.5.4 shall be exercised by the Trustee only to the extent and in the manner directed by the ESOP Committee, a Participant or a Beneficiary in accordance with the terms of this Agreement, except as otherwise required by ERISA:

3.5.1 To hold, invest and reinvest the principal or income of the Trust in bonds, common or preferred stock, other securities, or other personal, real or mixed tangible or intangible property, including any securities issued by the Company or its Affiliates (including investment in deposits with Trustee which bear a reasonable interest rate, including without limitation investments in trust savings accounts, certificates of deposit, time certificates or similar investments or deposits maintained by the Trustee);

3.5.2 To exercise voting rights either in person or by proxy, with respect to any securities or other property, and generally to exercise with respect to the Fund all rights, powers and privileges as may be lawfully exercised by any person owning similar property in his own right;

3.5.3 To exercise any options, conversion rights, put rights, or rights to subscribe for additional stocks, bonds or other securities appurtenant to any securities or other property held by it, and to make any necessary payments in connection with such exercise, and to join in, dissent from, and oppose the reorganization, consolidation, recapitalization, liquidation, merger or sale of corporate property with respect to any corporations or property in which it may be interested as Trustee;

3.5.4 To compromise, compound, and settle any debt or obligation owing to or from it as Trustee, and to reduce or increase the rate of interest on, extend or otherwise modify, foreclose upon default, or otherwise enforce any such obligation;

3.5.5 To sue or defend suits or legal proceedings to enforce or protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other administrative agency, body or tribunal, provided that the Trustee is indemnified to the Trustee's satisfaction against liability and expenses;

3.5.6 To hold any property at any place, except that it shall not maintain the indicia of ownership of any assets of the Fund outside the jurisdiction of the district courts of the United States except as permitted by regulations issued by the Secretary of Labor of the United States under ERISA Section 404(b);

3.5.7 To make, execute, acknowledge and deliver assignments, agreements and other instruments;

3.5.8 To register any securities held by it hereunder in its own name or in the name of a nominee with or without the addition of words indicating that such securities are held in a fiduciary capacity, to permit securities or other property to be held by or in the name of others, to hold any securities in bearer form and to deposit any securities or other property in a depository, clearing corporation or similar corporation, either domestic or foreign; provided, however, that the records of the Trustee shall at all times show that any such property held or registered in the name of another is part of the Fund;

3.5.9 To employ legal counsel, brokers and other advisors, agents or employees to perform services for the Fund or to advise it with respect to its duties and obligations under this Agreement and in connection with the Trust, and to pay them reasonable compensation from the Fund, to the extent not paid directly by the Company or an Affiliate;

3.5.10 In accordance with the applicable provisions of the Plan and subject to Paragraph 3.8, to obtain an Acquisition Loan in such amounts and upon such terms and conditions as shall be deemed advisable or proper to carry out the purposes of the Trust, and, in connection therewith, to issue its promissory note as Trustee, to pledge any securities or other property of the Fund for the repayment of such Acquisition Loan and to repay from time to time the principal and interest on, and to take any other action with respect to, such Acquisition Loan; provided that if such Acquisition Loan is from, or guaranteed by, a "party of interest" within the meaning of Section 3(14) of ERISA, the requirements of Article X shall be satisfied;

3.5.11 To open and make use of banking accounts including checking accounts, which accounts, if bearing a reasonable rate of interest or if checking accounts, may be with the Trustee.

3.6 Voting of Company Stock

3.6.1 Allocated Shares. Each Participant (or Beneficiary) as a named fiduciary within the meaning of ERISA section 403(a)(1), in accordance with the procedures hereinafter set forth, may direct the Trustee with respect to the votes of the shares of Company Stock allocated to his ESOP Stock Account, and the Trustee shall follow the directions of those Participants (and Beneficiaries) who provide timely instructions to the Trustee; provided that, notwithstanding the foregoing, the Trustee shall vote the shares of Company Stock allocated to the Part B Accounts of the Participants who are (or were) members of the ALPA Employee Group but who are not Employees (or allocated to the Part B Accounts of their Beneficiaries.)

3.6.2 Unallocated and Uninstructed Shares.

(i) **Part A**. Each active Participant (which shall be defined for purposes of Sections 3.6 and 3.7 to mean a Participant who is an Employee) who directed the Trustee with respect to the shares allocated to his Account under Part A in accordance with Section 3.6.1 may, again as a named fiduciary, direct the Trustee with respect to a portion of both the number of shares of Company Stock held in the Loan Suspense Account and the number of such shares allocated to any Participant's Account under Part A for which no instructions were timely received by the Trustee. Such portion shall be determined as follows:

(A) Such portion shall be limited to the sum of: (I) the number of shares of Company Stock held in the Loan Suspense Account reserved for allocation to such Participant's Employee Group, plus (ii) the number of shares of Company Stock allocated to the Accounts of Participants in such Participant's Employee Group under Part A for which no instructions were timely received.

(B) The number of shares of Company Stock determined under clause (i)(A) shall be multiplied by a fraction, the numerator of which is the number of shares of Company Stock allocable to Part A that such Participant directed the Trustee in accordance with

Section 3.6.1 and the denominator of which is the aggregate number of shares allocable to Part A that were directed by active Participants in the same Employee Group in accordance with Section 3.6.1.

(C) Such Participant, as a named fiduciary, shall be entitled to direct the Trustee with respect to the number of shares determined under clause (i)(B).

(ii) **Part B.** Each active Participant who directed the Trustee with respect to shares allocated to his Account under Part B in accordance with Section 3.6.1(a) may, again as a named fiduciary, direct the Trustee with respect to a portion of the number of such shares allocated to any Participant's Account under Part B for which no instructions were timely received by the Trustee. Such portion shall be determined as follows:

(A) Such portion shall be limited to the number of shares of Company Stock allocated to the Accounts of Participants in such Participant's Employee Group under Part B for which no instructions were timely received.

(B) The number of shares of Company Stock as determined under clause (ii)(A) shall be multiplied by a fraction, the numerator of which is the number of shares of Common Stock allocable to Part B that such Participant directed the Trustee in accordance with Section 3.6.1 and the denominator of which is the aggregate number of shares allocable to Part B that were directed by active Participants in the same Employee Group in accordance with Section 3.6.1.

(C) Such Participant, as a named fiduciary, shall be entitled to direct the Trustee with respect to the number of shares determined under clause (ii)(B).

3.6.3 Procedure. Such directions shall be provided directly to the Trustee and shall be held in confidence and not be divulged or released to any other person. Within a reasonable time prior to each annual or special meeting of holders of Company Stock, the ESOP Committee shall furnish to all Participants (and Beneficiaries) entitled to direct the Trustee as to the voting of shares of Company Stock, copies of any proxy solicitation material provided to holders of voting Company Stock generally together with appropriate instruction forms or cards and information concerning the method of providing such instructions to the Trustee. To the extent permitted by law, if the Trustee cannot follow directions of Participants (or Beneficiaries), the ESOP Committee shall direct the Trustee.

Notwithstanding any other provision of this Agreement or the Plan, the Trustee shall not be obligated to follow the direction of a named fiduciary unless such direction is in accordance with the terms of the Plan and is proper within the meaning of Section 403 (a) of ERISA and is not contrary to ERISA.

3.7 Control Transactions and Certain Dispositions of Company Stock.

3.7.1 General. The provisions of this Section 3.7 shall apply in the event a Control Transaction is commenced or proposed by a person or persons. In the event a Control Transaction is commenced or proposed, the ESOP Committee, promptly after receiving notice, shall transfer certain of the ESOP Committee's record keeping functions under the Plan to an independent record keeper (which if the Trustee consents in writing, may be the Trustee). The functions so transferred shall be those necessary to preserve the confidentiality of any directions given by the Participants (and Beneficiaries) in connection with the Control Transaction. Within a reasonable time after a Control Transaction is commenced, the ESOP Committee shall furnish to all Participants (and Beneficiaries) entitled, as hereinafter set forth, to direct the Trustee with respect to the Control Transaction, copies of all offering material provided to holders of Company Stock generally, together with appropriate instruction forms or cards and information concerning the method of providing such instructions to the Trustee. Except as otherwise required by ERISA, the Trustee shall have no discretion or authority to sell, exchange, transfer, convert or otherwise dispose of any of such shares of Company Stock pursuant to such Control Transaction, except to the extent that the Trustee is timely directed to do so in writing as follows:

(i) **Allocated Shares.** Each Participant (or Beneficiary) to whose ESOP Stock Account shares of Company Stock have been allocated may, as a named fiduciary within the meaning of ERISA section 403(a)(1), direct the Trustee with respect to the sale, exchange, transfer, conversion or other disposition of the shares of Company Stock allocated to his ESOP Stock Account, and the Trustee shall follow the directions of those Participants (and Beneficiaries) who provide timely instructions to the Trustee.

(ii) **Unallocated and Uninstructed Shares.**

(A) **Part A.** Each active Participant who directed the Trustee with respect to shares allocated to his Account under Part A in accordance with Section 3.7.1(i) may, again as a named fiduciary, direct the Trustee with respect to a portion of both the number of shares of Company Stock held in the Loan Suspense Account and the number of such shares allocated to any Participant's Account under Part A for which no instructions were timely received by the Trustee. Such portion shall be determined as follows:

(I) Such portion shall be limited to the sum of: (x) the number of shares of Company Stock held in the Loan Suspense Account reserved for allocation to such Participant's Employee Group, plus (y) the number of shares of Company Stock allocated to the Accounts of Participants in such Participant's Employee Group under Part A for which no instructions were timely received.

(II) The number of shares of Company Stock determined under clause (ii)(a)(I) shall be multiplied by a fraction, the numerator of which is the number of shares of Company Stock allocable to Part A that such Participant directed the Trustee in accordance with Section 3.7.1(i) and the denominator of which is the aggregate number of shares allocable to Part A that were directed by active Participants in the same Employee Group in accordance with Section 3.7.1(i).

(III) Such Participant, as a named fiduciary, shall be entitled to direct the Trustee with respect to the number of shares determined under clause (ii)(A)(II).

(B) **Part B.** Each active Participant who directed the Trustee with respect to shares allocated to his Account under Part B in accordance with Section 3.7.1(i) may, again as a named fiduciary, direct the Trustee with respect to a portion of the number of such shares allocated to any Participant's Account under Part B for which no instructions were timely received by the Trustee. Such portion shall be determined as follows:

(I) Such portion shall be limited to the number of shares of Company Stock allocated to the Accounts of Participants in such Participant's Employee Group under Part B for which no instructions were timely received.

(II) The number of shares of Company Stock determined under clause (ii)(B)(I) shall be multiplied by a fraction, the numerator of which is the number of shares of Company Stock allocable to Part B that such Participant directed the Trustee in accordance with Section 3.7.1(a)(i) and the denominator of which is the aggregate number of shares allocable to Part B that were directed by active Participants in the same Employee Group in accordance with Section 3.7.1(a)(i).

(III) Such Participant, as a named fiduciary, shall be entitled to direct the Trustee with respect to the number of shares determined under clause (ii)(B)(II).

All such instructions from Participants (and Beneficiaries) shall be provided directly to the independent record keeper which, if different from the Trustee, shall then instruct the Trustee as to the amount of shares to be sold, tendered, exchanged, converted or otherwise disposed of in accordance with the above directions. To the extent the Trustee cannot follow Participant (or Beneficiary) instructions, the ESOP Committee, as a named fiduciary, shall direct the Trustee. Except as contemplated by the foregoing or as required to facilitate the making of Plan distributions or diversification elections or as required by law, the Trustee shall have no authority to dispose of Company Stock in a Control Transaction or otherwise.

Notwithstanding any other provision of this Agreement or the Plan, the Trustee shall not be obligated to follow the direction of a named fiduciary unless such direction is in accordance with the terms of the Plan and is proper within the meaning of Section 403(a) of ERISA and is not contrary to ERISA.

3.7.2 Records. Following any Control Transaction that has resulted in the sale or exchange of any shares of Company Stock held in the Plan, the record keeper shall continue to maintain on a confidential basis the Accounts of Participants (and Beneficiaries) to whose Accounts shares of Company Stock were allocated at any time during such offer, until complete distribution of such Accounts or such earlier time as the record keeper determines that the transfer of the record keeping functions back to the ESOP Committee will not violate the confidentiality of the directions given by the Participants (and Beneficiaries). In the event that there is no sale or exchange of any shares of Company Stock held in the Plan pursuant to the Control Transaction, the record keepers shall transfer back to the ESOP Committee the record keeping functions; provided, however, that the record keeper shall keep confidential any instructions which it may receive from Participants (and Beneficiaries) relating to the Control Transaction.

3.7.3 Proceeds. For purposes of allocating the proceeds of any sale or exchange pursuant to a Control Transaction, the ESOP Committee or the independent record keeper, as the case may be, shall determine the portion, expressed as a percentage, of shares of each class tendered by the Trustee that were actually sold or exchanged (the "applicable percentage" for that class). For each class, the ESOP Committee or the independent record keeper, as the case may be, shall then treat as having been sold or exchanged from the portion of the Loan Suspense

Account applicable to that Employee Group and each of the individual Accounts of Participants (and Beneficiaries) that number of shares (of that class) that is obtained by multiplying (i) the applicable percentage for that class, times (ii) the total number of shares in such Account of that class that were directed to be tendered or exchanged or sold in connection with the Control Transaction. The adjustments to individual Accounts shall be made by the ESOP Committee or the independent record keeper, as the case may be, on information supplied by the Company, the ESOP Committee or the Trustee.

3.8 Notwithstanding any other provisions of this Agreement or the Plan, the purchase of Qualifying Employer Securities pursuant to the ESOP Preferred Stock Purchase Agreement dated March 25, 1994, as amended, or pursuant to any Additional Acquisition Loans (including loans to effect Section 8.2 (e) of the Plan and Section 1.6 (g) of the Recapitalization Agreement) among the Trustee and the Company shall be effected by the Trustee without direction from the ESOP Committee pursuant to the Trustee's determination, in the exercise of its reasonable judgment after consultation with such advisors as it reasonably deems necessary, that such transaction is in the best interests of the Participants and Beneficiaries and that the purchase transaction and the terms and conditions of any Acquisition Loan entered into in connection with the above-described Purchase Agreement are in compliance with all applicable provisions of the Code and ERISA.

3.9 In addition to, and not in limitation of, the powers vested and to be vested in it by law or enumerated in this Article III, the Trustee shall have the power to take any action with respect to the Fund as is appropriate and helpful in carrying out the purposes of this Agreement, subject to any directions of the ESOP Committee or the Participants (or Beneficiaries) as provided herein.

ARTICLE IV

ADMINISTRATION

4.1 The ESOP Committee shall represent the Company in dealing with the Trustee under this Agreement. Until it receives written notice that a person is no longer a member of the ESOP Committee, the Trustee shall be fully protected in assuming that the person is still a member of the ESOP Committee. The Company shall cause to be delivered to the Trustee a specimen signature of each member as well as that of any designee of the ESOP Committee appointed pursuant to Paragraph 4.2. The members of the ESOP Committee shall be "named fiduciaries" within the meaning of ERISA Section 402(a) with respect to the Plan.

4.2 The Trustee may rely (and shall be fully protected in relying) on any written communication signed by a majority of the members of the ESOP Committee as being authorized by, and reflecting the action of, the ESOP Committee. If the Trustee is advised in writing by a majority of the members of the ESOP Committee that directives to the Trustee will be signed by a person or persons designated by the ESOP Committee, the Trustee may rely on communications signed by the person or persons so named as a directive reflecting the action of the ESOP Committee.

4.3 The Trustee shall have only those duties specified in this Agreement or specified in the Plan and expressly incorporated herein by reference. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of this Agreement shall control. The Trustee shall have no responsibility to administer or interpret the Plan, to enforce payment of any contributions to the Fund or to see that the Fund is adequate to meet the liabilities of the Plan.

4.4 The Company or anyone acting on its behalf may at any time employ the Trustee in its corporate capacity as agent to perform any act or to keep any records in connection with the administration of the Plan. Any such agency relationship shall be established by a separate written agreement between the Company and the Trustee and the existence of such arrangement shall not affect its responsibility or liability as Trustee under this Agreement.

4.5 Notwithstanding any other provision of the Plan or this Agreement, the Trustee shall not be obligated to follow the direction of a named fiduciary unless such direction is in accordance with the terms of the Plan or this Agreement and is proper under ERISA Section 403(a)(2) and not contrary to Title I of ERISA.

4.6 With respect to the exercise of any fiduciary responsibility with respect to the Plan or the Trust, including, without limitation, the voting, sale, exchange, other disposition or conversion of Company Stock, the Trustee and any other relevant fiduciary may, to the extent permitted by law, take into consideration any relevant economic factors affecting the interests of current and future Participants (and Beneficiaries), including, but not limited to, the prospect for continued Employee enfranchisement through the voting power of Company Stock held in the Trust, the prospect for future benefits under the Plan as a result of the prospective release and allocation of Qualifying Employer Securities held in the Loan Suspense Account and the prospect for future employment with the Company and its Affiliates.

ARTICLE V

PAYMENTS OF BENEFITS AND EXPENSES

5.1 Except as otherwise provided in Paragraph 5.3, the Trustee shall pay benefits and administrative expenses under the Plan only when it receives (and in accordance with) written instructions from the ESOP Committee, indicating the amount of the payment and the name and address of the recipient. The Trustee shall have no duty to inquire into whether any payment the ESOP Committee instructs it to make is consistent with the terms of the Plan or applicable law or otherwise proper. Any payment made by the Trustee in accordance with such instructions shall be a complete discharge and acquittance to the Trustee. If the ESOP Committee advises the Trustee that benefits have become payable respecting a Participant's interest in the Fund, but does not instruct the Trustee as to the manner of payment, the Trustee shall hold the Participant's interest in the Trust until it receives written instructions from the ESOP Committee as to the manner of payment. The Trustee shall not pay benefits from the Fund without such instructions, even though it may be informed from other sources, including, without limitation, a Participant (or beneficiary), that benefits are payable under the Plan. The Trustee shall have no responsibility to determine when, to whom, or in what amounts benefits and expenses are payable under the Plan.

5.2 The Trustee shall distribute benefits in the manner described in the Plan and as directed by the ESOP Committee.

5.3 The Trustee shall receive as compensation for its services as Trustee such amounts as may, from time to time, be agreed upon in writing between the Company and the Trustee. Such compensation and, in accordance with the applicable provisions of ERISA and the Code, all reasonable and proper expenses incurred by the Trustee in the administration of the Trust, including reasonable legal counsel fees, shall be paid by the Company.

5.4 The Company intends that the Plan shall at all times qualify under Code Sections 401(a), 409 and, to the extent applicable, 4975(e)(7) and that the Trust hereby established shall at all times be tax exempt under Section 501(a) of the Code, or successor provisions. However, any taxes that may be levied upon or in respect of the Fund shall be paid from the Fund. The Trustee shall promptly notify the ESOP Committee of any proposed taxes (other than stock transfer taxes) of which it receives notice and may assume that any such taxes are lawfully levied or assessed, unless the ESOP Committee advises it in writing to the contrary within fifteen (15) days after receiving the above notice from the Trustee. In such case, the Trustee, if requested by the ESOP Committee in writing, shall contest the validity of such taxes in any manner deemed appropriate by the ESOP Committee; the Company may itself contest the validity of any such taxes, in which case the ESOP Committee shall so notify the Trustee and the Trustee shall have no responsibility or liability respecting such contest. If any party to this Agreement contests any such proposed levy, the other party shall provide such information and cooperation as the party conducting the contest shall reasonably request.

ARTICLE VI

LIABILITY AND INDEMNIFICATION OF THE TRUSTEE

6.1 The Trustee shall not be responsible for computing or collecting contributions due under the Plan.

6.2 The Trustee in its corporate capacity shall not be liable for claims of any persons arising under the Plan; such claims shall be limited to the Fund. The Trustee shall not be liable to make distributions or payments of any kind unless sufficient funds are available therefor in the Fund. The Trustee shall be responsible only for such money and other property as are actually received by it as Trustee under this Agreement.

6.3 The Trustee may consult with legal counsel with respect to the meaning and construction of this Agreement or its powers, obligations and conduct hereunder, and the written opinion of such counsel will, to the extent permitted by law, be full and complete protection in respect of any action taken or omitted by the Trustee hereunder in good faith and in accordance with the opinion of such counsel.

6.4 The Trustee shall have no liability other than as imposed by law and this Agreement.

6.5 The Trustee shall be fully protected in acting upon any instrument, certificate, or paper delivered by the Company, the ESOP Committee, any Participant, (or Beneficiary) acting as a named fiduciary and believed by the Trustee to be genuine and to be signed or presented by the proper person or persons, and the Trustee shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

6.6 To the extent permitted by applicable law, the Trustee shall be indemnified by the Company and UAL against any and all liabilities, settlements, judgments, losses, costs, and expenses (including reasonable legal fees and expenses) of whatever kind and nature which may be imposed on, incurred by or asserted against the Trustee by reason of the performance or nonperformance of its trustee function under this Agreement, except to the extent such action or inaction constituted negligence, willful misconduct or failure to act in good faith on the part of the Trustee.

6.7 All notices, requests, demands and other communications hereunder or with respect hereto shall be in writing and shall be deemed to have been fully given if telegraphed, telecopied or telefaxed, mailed by registered or certified mail, or personally delivered (or delivered by courier) as follows:

If to the Company, to:

By Mail

UAL Corporation
P.O. Box #66919
Chicago, IL 60666
Attention: Corporate Secretary

By Courier

UAL Corporation
1200 Algonquin Road
Elk Grove Township, IL 60007
Attention: Corporate Secretary

If to the Trustee, to:

State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110
Attention: UAL ESOP Administration

or to such other address or addresses as any party hereto may furnish to the other party in writing.

6.8 Whenever the Trustee shall deem it desirable for a matter to be proved or established before taking, permitting or omitting any act, the matter (unless other evidence in respect thereof is specifically prescribed in this Agreement) may be deemed to be conclusively established by a certification signed by a majority of the members of the ESOP Committee and delivered to the Trustee, and the Trustee shall be fully protected in relying on such an instrument.

6.9 If a dispute arises as to the payment of any funds or delivery of any assets by the Trustee, the Trustee may withhold such payment or delivery until the dispute is determined by a court of competent jurisdiction or finally settled in writing by the parties concerned.

ARTICLE VII

ACCOUNTING OF THE TRUSTEE

7.1 The Trustee shall keep accurate and detailed accounts of all its transactions (including receipts and disbursements) under this Agreement. These records shall be open to inspection and audit during regular business hours of the Trustee by the ESOP Committee or any person or persons designated by the ESOP Committee or the Company in a written instrument filed with the Trustee. If mutually agreed upon in a separate writing by the ESOP Committee and the Trustee, the Trustee shall establish and maintain accounts for Participants which shall show their respective interests, determined in accordance with the terms of the Plan, in the Fund; provided, however, that to the extent that such accounts are kept by the Trustee on the basis of information furnished or caused to be furnished to it by the ESOP Committee, the Trustee shall have no responsibility for the accuracy of any information so furnished. All such accounts and records shall be preserved (in original form, or on microfilm, magnetic tape or any other similar process) for such period as the Trustee may determine, but the Trustee may destroy such accounts and records only after first notifying the ESOP Committee and the Company in writing at least ninety (90) days in advance of its intention to do so and transferring to the ESOP Committee or the Company any such accounts and records requested.

7.2 Within sixty (60) days after the close of each fiscal year of the Plan, the Trustee's removal or resignation as Trustee hereunder, or the termination of the Plan or this Agreement, the Trustee shall file with the ESOP Committee an account setting forth all its transactions (including all receipts and disbursements) under this Agreement during such year, or during the period from the close of the last preceding fiscal year of the Plan to the effective date of its removal or resignation or the termination of the Plan or this Agreement, and showing all property (including its costs and fair market value) held by it hereunder at the end of such accounting period; provided, however, that in the event shares of Company Stock are then held in the Trust and a final valuation report, if necessary, with respect to such Company Stock for any such accounting period is not received by the Trustee within thirty (30) days of the date the Trustee is required to render an accounting under the foregoing provision, then the Trustee shall not be required to render such account until thirty (30) days from the date such valuation report is received by the Trustee. The ESOP Committee and the Trustee may agree in writing that similar accounts will be prepared by the Trustee and filed with the ESOP Committee at more frequent intervals. No person or persons (including, without limitation, the Company and the ESOP Committee) shall be entitled to any further or different accounting by the Trustee, except as may be required by law.

7.3 Twenty-four (24) months after the filing with the ESOP Committee of the annual accounts for the 1994 and 1995 fiscal years of the Trust and twelve (12) months after the filing with the ESOP Committee of any other account under Paragraph 7.2, the Trustee shall be forever released and discharged from any liability or accountability to the Company and the ESOP Committee with respect to the transactions shown or reflected on the account, except with respect to any acts or transactions as to which the ESOP Committee, within the applicable period, files written objections with the Trustee. The written approval of the ESOP Committee of any account filed by the Trustee, or the ESOP Committee's failure to file written objections within the applicable period, shall be a settlement of such account as against the Company and the ESOP Committee, and shall forever release and discharge the Trustee from any liability or accountability to the Company and the ESOP Committee with respect to the transaction shown or reflected on such account. If a statement of objection is filed by the ESOP Committee and the ESOP Committee is satisfied that its objections should be withdrawn or if the account is adjusted to its satisfaction, the ESOP Committee shall indicate its approval of the account in a written statement filed with the Trustee and the Trustee shall be forever released and discharged from all liability and accountability to the Company and the ESOP Committee in accordance with the immediately preceding sentence. If an objection is not settled by the ESOP Committee and the Trustee, the Trustee may commence a proceeding for a judicial settlement of the account in any court of competent jurisdiction; the only parties that need be joined in such a proceeding are the Trustee, the ESOP Committee, the Company and such other parties whose participation is required by law.

ARTICLE VIII

REMOVAL AND RESIGNATION OF THE TRUSTEE

8.1 The Trustee may resign as Trustee under this Agreement at any time by a written instrument delivered to the Company giving notice of such resignation, which shall be effective sixty (60) days after receipt or at such other time as is agreed by the Company and the Trustee. The Trustee may be removed at any time by the Company (with the consent of the Air Line Pilot Association, International and the International Association of Machinists and Aerospaceworkers) by an instrument in writing and delivered to the Trustee, which shall be effective sixty (60) days after receipt or at such other time as is agreed between the Company and the Trustee.

8.2 If a vacancy in the office of trustee of the Trust occurs, the Company (with the consent of the Air Line Pilot Association, International and the International Association of Machinists and Aerospace Workers) shall appoint a successor trustee and shall deliver to the Trustee copies of (a) a written instrument executed by the Company appointing such successor, and (b) a written instrument executed by the successor in which it accepts such appointment. Such instruments shall indicate their effective date.

8.3 If the Trustee resigns or is removed, it shall deliver all assets of the Fund in its possession to a successor trustee as soon as is reasonably practicable after the settlement of its account or at such earlier time as shall be agreed on by the Company, the Trustee and the successor trustee.

ARTICLE IX

AMENDMENT AND TERMINATION

9.1 This Agreement may be amended at anytime and from time to time by the Company (with the consent of the Air Line Pilot Association, International and the International Association of Machinists and Aerospace Workers) by a written instrument duly acknowledged and delivered to the Trustee setting forth the terms of the amendment; provided that no amendment affecting rights, duties, responsibilities or liability of the Trustee may be made without the Trustee's consent. The instrument of amendment shall state to the Trustee that the amendment does not permit any part of the Fund to be used for or diverted to purposes other than the exclusive benefit of Participants and their beneficiaries or the payment of reasonable expenses of administering the Plan and Trust, as specified in Paragraph 2.2 hereof. The instrument of amendment shall specify its effective date and amendments may, with the Trustee's consent, if applicable, be made effective retroactively.

9.2 If the ESOP Committee certifies to the Trustee that the Plan is or has been terminated, the Trustee shall hold and/or dispose of the Fund in accordance with the ESOP Committee's written instructions. The ESOP Committee shall certify in writing to the Trustee that the disposition directed: (a) except as provided in Paragraph 2.2, does not result in any part of the Fund being used for or diverted to purposes other than the exclusive benefit of Participants and their Beneficiaries and the payment of reasonable expenses (including the repayment of any outstanding Acquisition Loans) of administering the Plan and Trust, (b) is in accordance with the applicable provisions of the Code, ERISA and any other applicable laws, and (c) does not result in a Prohibited Transaction. If the Plan is terminated with respect to a group of persons under the Plan, the portion of the Trust attributable to such group shall be held and disposed of in accordance with the written instructions of the ESOP Committee which shall be given in conformity with the provisions of the Plan, the Code and ERISA. The Trustee may, however, reserve such reasonable sum of money as it deems advisable for payment for the settlement of its accounts or for payment of taxes that may be assessed on or in respect of the Fund or the income thereof. This Agreement shall terminate upon the termination of the Plan as provided herein and the disposition of the Fund as provided herein.

ARTICLE X

LEVERAGED ACQUISITIONS OF STOCK

10.1 It is specifically contemplated that the Trust will operate pursuant to a leveraged employee stock ownership plan with respect to Part A of the Plan and that the Trustee will incur several Acquisition Loans in connection with the acquisition of Qualifying Employer Securities. Any Acquisition Loan shall meet all of the requirements necessary to constitute an "exempt loan" within the meaning of Treasury Regulation Section 54.4975-7(b)(1)(iii) and shall be used primarily for the benefit of the Participants and their Beneficiaries. The proceeds of any Acquisition Loan shall be used, within a reasonable time after the Acquisition Loan is obtained, only to purchase Qualifying Employer Securities or to repay such Acquisition Loan or a prior Acquisition Loan. Any Acquisition Loan shall provide for no more than a reasonable rate of interest and must be without recourse against the Plan and Trust. The number of years to maturity under the Acquisition Loan must be definitely ascertainable at all times. The Acquisition Loan may not be payable at the demand of any person, except in the case of a default. The only assets of the Trust that may be given as collateral for an Acquisition Loan are shares of Qualifying Employer Securities acquired with the Acquisition Loan, shares of Qualifying Employer Securities that were used as collateral on prior Acquisition Loans repaid with the proceeds of the current Acquisition Loan and all Qualifying Employer Securities received as consideration pursuant to a Control Transaction or acquired with proceeds received pursuant to a Control Transaction. In the event that Qualifying Employer Securities are used as collateral for an Acquisition Loan, such Qualifying Employer Securities shall be released from such encumbrance in accordance with the provisions of the Plan and applicable Treasury Regulations. No person entitled to payment under an Acquisition Loan shall be entitled to payment from the Trust other than from shares of Qualifying Employer Securities acquired with the Acquisition Loan which are collateral for the Acquisition Loan, Company contributions made under the Plan for the purpose of satisfying an Acquisition Loan, earnings attributable to such Qualifying Employer Securities and such Company contributions (other than contributions of Qualifying Employer Securities), and such other assets, if any, as to which recourse may be permitted under Section 4975 of the Code. Payments of principal and interest on an Acquisition Loan shall be made by the Trustee only from (1) Company contributions (other than contributions of Qualifying Employer Securities) made under the Plan for the purpose of satisfying such Acquisition Loan, earnings on such contributions and earnings on shares of Qualifying Employer Securities acquired with the proceeds of such Acquisition Loan, including, but not limited to, cash dividends received by the Trust with respect to such shares of Qualifying Employer Securities, whether or not allocated to the accounts of Participants (or Beneficiaries), (2) the proceeds of a subsequent Acquisition Loan made to repay the prior Acquisition Loan, and/or (3) unless otherwise agreed in the definitive documentation pertaining to such Acquisition Loan, the proceeds of the sale of any collateralized shares of Qualifying Employer Securities acquired with the proceeds of such Acquisition Loan; provided, however, that the Trustee shall in no event be required to apply such proceeds of sale to repay principal and interest on an Acquisition Loan if, in the written opinion of counsel to the Trustee, such action would constitute a Prohibited Transaction or a breach of the Trustee's fiduciary duties under ERISA. In the event of a default under an Acquisition Loan, the value of Trust assets transferred to the lender shall not exceed the amount of the default, provided further that if the lender is a "party in interest" within the meaning of ERISA Section 3(14) or a "disqualified person" within the meaning of Section 4975(e)(2) of the Code, a transfer of Trust assets upon default shall be made only if, and to the extent of, the Trust's failure to meet the Acquisition Loan's payment schedule.

ARTICLE XI

MISCELLANEOUS

11.1 This Agreement shall be binding upon, and the powers granted to the Company and the Trustee, respectively, shall be exercisable by, the respective successors and assigns of the Company and the Trustee. Any corporation which shall, by merger, consolidation, purchase or otherwise, succeed to substantially all the trust business of the Trustee shall, upon such succession and without any appointment or other action by the Company, be and become successor trustee hereunder, upon notification to the Company.

11.2 No right or claim in or to the Fund or any assets thereof shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge shall be void and shall not be recognized by the Trustee, except to such extent as may be legally required (e.g., as otherwise provided in the Plan with respect to qualified domestic relations orders). No such right or claim shall be liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled thereto.

11.3 This Agreement shall be administered, construed and enforced in accordance with ERISA, and to the extent not governed by ERISA, in accordance with the laws of the Commonwealth of Massachusetts.

11.4 One or more of the Company's Affiliates may, with the approval of the Board of Directors, by resolution of its own board of directors adopt the Trust if such subsidiary shall have adopted the Plan or any part thereof. Each such Affiliate which has adopted this Trust shall be deemed a party to this Agreement and all references herein to "Company" shall be deemed as to include such Related Company, except as the context may otherwise require.

11.5 For all purposes of the Plan and Trust, all valuations of Stock which is not readily tradable on an established securities market will be made by an "independent appraiser" within the meaning of Section 401(a)(28)(C) of the Code.

11.6 Headings of Articles are inserted for convenience of reference. They are not part of this Agreement and shall not be considered in construing it.

11.7 This Agreement may be executed in any number of counterparts, each of which shall be considered an original even through no others are produced.

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IN WITNESS WHEREOF, the Company and the Trustee have caused this Agreement to be executed by their duly authorized officers and their respective corporate seals to be hereunto affixed as of the day and year first above written.

Attest:

UAL CORPORATION

BY: /s/Francesca M. Maher

BY: /s/Joseph R. O'Gorman

TITLE: Vice President

TITLE: Executive Vice President

Attest:

STATE STREET BANK AND TRUST
COMPANY

BY: /s/Denise R. Courcy

BY: Kelly Driscoll

TITLE: Assistant Vice President
and Associate Counsel

TITLE: Vice President

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**UAL CORPORATION
SUPPLEMENTAL ESOP**

Effective as of July 12, 1994

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UAL CORPORATION
SUPPLEMENTAL ESOP
Effective as of July 12, 1994

ARTICLE 1
Scope of Plan and Definitions

1.1 Purpose and Scope of Plan

1.2 Terms Defined in the ESOP. For all purposes of this Plan, capitalized terms, unless defined herein, shall have the meanings specified in the ESOP, unless a different meaning is plainly required by the context.

1.3 Definitions. As used in the Plan, the following capitalized terms have the meanings set forth below, unless a different meaning is plainly required by the context:

(a) "Account" means bookkeeping account (including a Share Subaccount and a Cash Subaccount) maintained by the Company to record a Participant's interest in the Plan (and to the extent applicable, the Supplemental Trust) that is credited with Convertible Shares, Voting Shares, Common Stock and other amounts as provided in Article Two.

(b) "Additional Shares" means the number of additional shares, if any, of ESOP Preferred Stock, Convertible Shares and Voting Shares to be issued or credited by the Company in accordance with Sections 1.6 and 1.10 of the Recapitalization Agreement. Any reference herein to Additional Shares shall only be applicable when, if and to the extent that Additional Shares are determined to be issuable in accordance with Sections 1.6 and 1.10 of the Recapitalization Agreement.

(c) "Beneficiary" means the beneficiary or beneficiaries designated by a Participant under the ESOP, unless the Participant selects a different Beneficiary in accordance with Section 3.4 hereunder.

(d) "Committee" means the ESOP Committee, excluding the members appointed by the IAM.

(e) "Common Stock" means the common stock of the Company, par value \$.01 per share or non-equity units that are treated as fictional book-entry shares of Common Stock if allocated hereunder.

(f) "Company" means UAL Corporation and any successor corporation or entity to the Company by merger, consolidation or otherwise.

(g) "Compensation" means compensation as defined in the ESOP modified by ignoring both (i) the limitations on compensation under Section 401(a)(17) of the Code and (ii) the ESOP rule that limits compensation to four times the dollar limit under Code Section 415(c)(1)(A).

(h) "Convertible Shares" means the Class 2 ESOP Convertible Preferred Stock of the Company or non-equity units that are treated as fictional book-entry Convertible Shares if allocated hereunder.

(i) "Effective Date" means July 12, 1994.

(j) "Eligible Employee" means an "eligible employee" as defined in ESOP, provided, that, except for purposes of Sections 2.3(a)(i) and 2.4(f), no member of the IAM Employee Group shall be an Eligible Employee.

(k) "ESOP" means the UAL Corporation Employee Stock Ownership Plan (together with its related trust), effective July 12, 1994, as such plan and trust may be amended from time to time.

(l) "ESOP Preferred Stock" means the Class 1 ESOP Convertible Preferred Stock of the Company.

(m) "ESOP Participant" means any participant under the ESOP.

(n) "Fair Market Value" means, for any date, the closing price of the Common Stock on that date on the New York Stock Exchange as reported on the Composite Tape and published in the Wall Street Journal for that date, or, if there is no trading of the Common Stock on the date in question, then the closing price of the Common Stock, so reported and published, on the next preceding date on which there was trading in the Common Stock.

(o) "Fixed Dividend" shall mean the fixed dividend as defined in Section 3.1 (b) of the ESOP.

(p) "Highly Compensated Participant" means each Participant whose Compensation for the Plan Year exceeds the limitation on compensation set forth in section 401(a)(17) of the Code for that Plan Year. Once a Participant becomes a Highly Compensated Participant, he shall remain a Highly Compensated Participant even if his Compensation in a subsequent Plan Year is less than the applicable section 401(a)(17) limit for that Plan Year.

(q) "Participant" means an ESOP Participant who has an Account under this Plan, provided, that, except for purposes of Sections 2.3(a)(i) and 2.4(f), no member of the IAM Employee Group shall be a Participant.

(r) "Phantom Suspense Account" means a single bookkeeping account maintained by the Company pursuant to the terms of this Plan and the ESOP (Part B) which operates in a similar fashion as the Loan Suspense Account.

(s) "Plan" means the UAL Corporation Supplemental ESOP as set forth herein, effective as of July 12, 1994, as amended from time to time.

(t) "Qualified Plans" means the ESOP and other tax-qualified plans maintained by the Company or one of its Affiliates in which any ESOP Participant participates.

(u) "Release Fraction" means for any Plan Year, the number of months (or fractions thereof) in that Plan Year divided by the number of months (including fractional months) from the beginning of the Plan Year until the end of the 69-month period commencing on the Effective Date. For this purpose, the last Plan Year shall end at the end of the 69-month period commencing on the Effective Date.

(v) "Supplemental Trust" means the UAL Corporation Supplemental ESOP Trust and the various trusts created thereby.

(w) "Tax Limitations" means (i) the limits on annual additions under section 415 of the Code, including the limitation set forth in section 415(c)(6) of the Code applicable to employee stock ownership plans and the combined limits set forth in section 415(e) of the Code, (ii) with respect to Highly Compensated Participants only, the limitation on compensation under section 401(a)(17) of the Code, and/or (iii) the limitations imposed by section 401(a)(4) of the Code.

(x) "Trustee" means the trustee or trustees from time to time in office under the Supplemental Trust.

(y) "Voting Shares" means (i) with respect to Participants who are members of the ALPA Employee Group, the Class P ESOP Voting Junior Preferred Stock of the Company ("Class P Voting Shares"), (ii) with respect to Participants who are members of the IAM Employee Group, the Class M Voting Junior Preferred Stock of the Company ("Class M Voting Shares"), and (iii) with respect to Participants who are members of the Management and Salaried Employee Group, the Class S ESOP Voting Junior Preferred Stock of the Company ("Class S Voting Shares").

(z) "Valuation Date" shall be defined in accordance with the ESOP, provided that the date of the Company's dissolution, liquidation or Insolvency (as defined in the Supplemental Trust) shall also be a Valuation Date for purposes of Article Three.

1.4 Other Provisions. The terms defined in Sections 1.2 and 1.3 of the Plan shall apply equally to both singular and plural. The masculine pronoun, whenever used, shall include the feminine. When used in the Plan, the words "hereof," "herein" and "hereunder" and words of similar import shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

1.5 Special Rules. The following provisions of the ESOP shall be hereby incorporated into the Plan, with such modifications as are appropriate, provided that such provisions shall be construed in a manner consistent with, and subject to limitation by, the purpose and scope of the Plan (as set forth in Section 1. 1) and the Supplemental Trust:

(a) Section 2.3 of the ESOP;

(b) Section 3.4 of the ESOP;

(c) Section 4.1 of the ESOP (except as otherwise provided in the Plan and the Supplemental Trust);

(d) Section 4.2 of the ESOP;

(e) Section 4.4 of the ESOP; and

(f) Section 7.10 of the ESOP.

ARTICLE 2

Participation and Allocations

2.1 Participation. An Eligible Employee shall become a Participant on the Valuation Date when an Account on his behalf is first credited with Voting Shares or Convertible Shares under this Plan. Notwithstanding any other provision of this Plan to the contrary, except for purposes

of Sections 2.3(a)(i) and 2.4(f), no ESOP Participant who is a member of the IAM Employee Group shall become a Participant hereunder or receive any credits, allocations or benefits pursuant to this Plan.

2.2 Number of Voting Shares and Convertible Shares Released Each Valuation Date.

(a) The maximum number of Convertible Shares issued under this Plan and the ESOP (Part B) shall be 3,862,063 and the maximum number of Voting Shares issued under this Plan and the ESOP (Part B) shall be 17,675,345, consisting of 8,171,312 Class P Voting Shares, 6,562,856 Class M Voting Shares, and 2,941,177 Class S Voting Shares; provided that, on the December 31, 1995 Valuation Date (and after the allocations described in Section 2.4(f) are completed), the maximum number of Convertible Shares and Voting Shares shall be increased to reflect the number of Additional Shares (other than shares of ESOP Preferred Stock) determined in accordance with Section 1.10 of the Recapitalization Agreement. Said Voting Shares shall be contributed by the Company, from time to time, to the Supplemental Trust and ESOP (Part B).

(b) On the Effective Date, the Phantom Suspense Account shall be credited with the number of Voting Shares and Convertible Shares provided in subsection (a) above.

(c) As of the Valuation Date for each Plan Year, the total number of Voting Shares released from the Phantom Suspense Account shall equal the number of unreleased Voting Shares held in the Phantom Suspense Account immediately before such release multiplied by the Release Fraction for that Plan Year.

(d) As of the Valuation Date for each Plan Year, the total number of Convertible Shares released from the Phantom Suspense Account shall equal the number of unreleased Convertible Shares held in the Phantom Suspense Account immediately before such release multiplied by the Release Fraction for that Plan Year.

(e) As of the Valuation Date for each Plan Year, the total number of shares of Company Stock other than Voting Shares and Convertible Shares, (for example, shares of Common Stock received upon the conversion of Convertible Shares) released from the Phantom Suspense Account shall equal the number of unreleased shares of such Company Stock held in the Phantom Suspense Account immediately before such release multiplied by the Release Fraction for that Plan Year.

2.3 General Allocation Provisions.

a) As of each Valuation Date, after the allocations pursuant to Sections 2.5(c) and (d), allocations of Voting Shares and Convertible Shares and Common Stock released from the Phantom Suspense Account shall be made in the following order:

(i) Section 5.4(c)(i) of the ESOP generally provides that, subject to the Tax Limitations, one Voting Share released from the Phantom Suspense Account shall be contributed by the Company to ESOP (Part B) and allocated to the Participant's account thereunder for each share of ESOP Preferred Stock allocated to that Participant under ESOP (Part A) on that Valuation Date. To the extent that any Voting Shares cannot be allocated (due to the Tax Limitations) to the Participant's account under ESOP (Part B) pursuant to the foregoing provisions of ESOP (Part B), Voting Shares released from the Phantom Suspense Account shall be contributed to the Supplemental Trust by the Company and allocated to that Participant's Account hereunder.

(ii) Second, each Participant shall receive an allocation of Voting Shares and Convertible Shares pursuant to Section 2.4; and

(iii) Third, Voting Shares, Convertible Shares and Common Stock allocated to each Participant's Account hereunder shall be reduced pursuant to Section 2.7.

(b) The Voting Shares allocated under this Plan (and contributed to the Supplemental Trust) or contributed to the ESOP (Part B) pursuant to the terms thereof shall be of the appropriate class for each Participant.

(c) Each Convertible Share that is released from the Phantom Suspense Account shall be either (i) in accordance with the terms of ESOP (Part B), contributed by the Company (or transferred from the Supplemental Trust) to ESOP (Part B), or (ii) allocated to Participants' Accounts hereunder. Each Voting Share released from the Phantom Suspense Account shall be either (i) in accordance with the terms of ESOP (Part B), contributed by the Company directly to ESOP (Part B) or (ii) allocated to Participants' Accounts hereunder (in which case the Company shall contribute a Voting Share to the Supplemental Trust).

2.4 Allocation of Convertible Shares and Voting Shares to Individual Accounts. On each Valuation Date, after the allocations of Voting Shares described in Section 2.3(a)(i) have been made, the remaining Voting Shares and Convertible Shares released from the Phantom Suspense Account shall be allocated, on an Employee Group-by-Employee Group basis, as follows:

(a) For each ESOP Participant, a "Hypothetical Share Number" shall be calculated for the Valuation Date. This number shall equal the number of shares of ESOP Preferred Stock that would have been allocated to the ESOP Participant under ESOP (Part A) on such Valuation Date if:

(i) all the shares of Preferred Stock to be issued pursuant to the Recapitalization Agreement (including, with respect to Valuation Dates occurring on or after December 31, 1995 and after the allocation in subsection (f) below, any Additional Shares of Preferred Stock issued or to be issued) had been (I) purchased by the Trust under a single loan on the Effective Date and held under the Loan Suspense Account pursuant to ESOP (Part A), and (II) in the case of such shares of Preferred Stock which are Convertible Shares, considered ESOP Preferred Stock having the same fair market value as the ESOP Preferred Stock that was allocated under ESOP (Part A); provided, however, that such Convertible Shares shall not, except as provided in clause (v) below, be considered to bear any dividends;

(ii) the Convertible Shares referred to in the immediately preceding clause (i) were released under ESOP (Part A) ratably over the 69 months starting on the Effective Date;

(iii) Section 5.4(a)(i)(A) of the ESOP were applied by allocating the ESOP Preferred Stock (including the Convertible Shares described in clause (i) above) among the Employee Groups as follows: ALPA Employee Group--46.23 % , IAM Employee Group--37.13 % , and Management and Salaried Employee Group--16.64%;

(iv) allocations under the ESOP (Part A) were made (A) without regard to the Tax Limitations, (B) without regard to clauses (ii), (iv), (v), (vi) or (vii) of 5.4(a) of the ESOP and (C) were based on Compensation rather than the definition of compensation in the ESOP; and

(v) each Convertible Share which was in fact allocated on a prior Valuation Date to Participants' or Beneficiaries' Accounts hereunder or contributed to ESOP (Part B) and allocated to Participants' or Beneficiaries' accounts thereunder were, after the date of such allocation, ESOP Preferred Stock held by ESOP (Part A) bearing the same Fixed Dividend (but not any other dividends) as the ESOP Preferred Stock that was allocated under ESOP (Part A). By way of illustration, assume a member of the ALPA Employee Group has a total of 130 Convertible Shares allocated to his Accounts hereunder and 70 Convertible Shares allocated to his accounts under ESOP (Part B). Assume further that each share of ESOP Preferred Stock allocated under the ESOP (Part A) has a value of \$100 and pays an \$8 Fixed Dividend, no dividends are paid on the Common Stock, and that each Convertible Share has a \$75 value. For purposes of making the allocations under this clause (v), such individual shall be treated as having received a dividend of \$1600 with respect to the 200 Convertible Shares allocated hereunder and under Part B. For purposes of calculating the Hypothetical Share Number, that individual shall receive an allocation of 16 Convertible Shares to make up for such dividend, notwithstanding the fact that the value of the Convertible Shares is \$75/share.

(b) The "Actual Share Number" for each ESOP Participant for a Valuation Date shall equal the actual number of shares of ESOP Preferred Stock that are allocated to such Participant under ESOP (Part A) on that Valuation Date.

(c) For each ESOP Participant, the difference, if any, between the Hypothetical Share Number and the Actual Share Number shall be referred to as the Tentative Allocation; provided, however, that, except for purposes of subsection (f), the Tentative Allocation for any member of the IAM Employee Group shall be zero. If the sum of the Tentative Allocations (ignoring negative Tentative Allocations) for all Participants in an Employee Group exceeds the number of Convertible Shares released from the Phantom Suspense Account for the Valuation Date under Section 2.2 to all such Participants' Accounts (for that Employee Group), each Tentative Allocation for Participants of that Employee Group shall be proportionately reduced.

(d) For each ESOP Participant, the number of Convertible Shares and Voting Shares to be transferred from the Supplemental Trust or contributed by the Company to ESOP (Part B) pursuant to the terms of ESOP (Part B) (excluding the Voting Shares described in Section 2.3(a)(i) and Section 2.7) shall be the same and shall equal the least of the following:

(i) the maximum number, if any, of Convertible Shares and Voting Shares that can be allocated to the ESOP Participant on the Valuation Date under the ESOP (Part B) without causing ESOP or any other Qualified Plan to violate Code Section 415 or Code Section 401(a)(4) (if applicable);

(ii) the Tentative Allocation, if any; or

(iii) the excess of the Hypothetical Share Number (calculated for this purpose only by applying Section 401(x)(17) of the Code) over the Actual Share Number, if any. The Hypothetical Share Number described in this clause (iii) shall be determined by recalculating the allocations made on the current and all prior Valuation Dates by assuming the Participant's Compensation for each Plan Year had been limited to the amounts then allowed under Code Section 401(x)(17). Accordingly, for purposes of calculating the Hypothetical Share Number under this clause (iii), (A) the Participants' Compensation in the current Plan Year shall be limited to the amount provided by Code Section 401(x)(17) and (B) the amount of dividends allocated to each ESOP Participant's Account during the Plan Year shall be calculated by assuming the allocation of the ESOP Preferred Stock made on earlier Valuation Dates was also based on Compensation, as limited by the Code Section 401(x)(17) limit then in effect.

Such number shall be referred to as the "Part B Number."

(e) The number of Convertible Shares and Voting Shares allocated to each Participant's Account on a Valuation Date shall equal the excess, if any, of the Tentative Allocation for that Participant over the Part B Number for that Participant, as described in subsection (d). All such Convertible Shares and Voting Shares shall be allocated to the Participant's Account as of such Valuation Date.

(f) Prior to the December 31, 1995 Valuation Date, the aggregate Hypothetical Share Numbers for all Participants for the 1994 Plan Year shall be retroactively increased by an additional number equal to X multiplied by Y; where X is the total number of shares of Preferred Stock to be issued as Additional Shares and Y is the Release Fraction for December 31, 1994. Such shares shall be divided among the Employee Groups in accordance with Section 2.4(a)(iii) and allocated to Participants based upon 1994 data (that is, 1994 Compensation and Wage Investments, as applicable). The excess of such new Hypothetical Share Number for the 1994 Plan Year over the Hypothetical Share Number previously determined for 1994 shall be credited hereunder or allocated under ESOP (Part B) in accordance with subsections (d) and (e) above, provided that the number in (d)(i) shall be calculated and credited as if the contributions were attributable to 1995, rather than 1994, unless the additional aggregate Part B Number shares are contributed to the ESOP no later than September 15, 1995. The calculations required by this clause (f) shall be performed prior to calculating the regular allocations for the 1995 year. The additional Convertible Shares credited pursuant to this clause (f) shall, for all purposes, including Section 2.4(a)(v), be allocated as of December 31, 1994.

(g) To the extent any interpretive issues arise in calculating Tentative Allocations, such issues shall be resolved, to the extent possible, by effectuating the purpose of the Plan, as set forth in Section 1.1; provided, however, that no such resolution shall increase the number of Voting Shares or Convertible Shares that may be allocated under the Plan and the ESOP (Part B). It is also intended that, for each Convertible Share allocated to a Participant's Account under this Plan, a Voting Share shall also be allocated to the Participant's Account; for each Convertible Share or share of ESOP Preferred Stock allocated to an ESOP Participant under the ESOP (Part A and Part B), a Voting Share shall be contributed to the ESOP (Part B) and allocated to the ESOP Participant's account under ESOP (Part B). To the extent that any shares of Company Stock are converted into shares of Common Stock prior to the end of the Wage Investment Period, an appropriate number of shares of Common Stock will be contributed (if applicable) and allocated hereunder in lieu of the Company Stock that would have been contributed and/or allocated hereunder and, if appropriate, the number of Convertible Shares and/or ESOP Preferred Stock shares set forth in various places in this Plan shall be revised; provided, however, except to the extent Voting Shares are converted into shares of Common Stock, the calculation of the number of Voting Shares to be contributed and allocated shall continue as if no shares of Company Stock had been converted.

2.5 Accounts.

(a) Participants' Accounts. The Company shall establish Accounts for each Participant to record the interest of each Participant under the Plan and, with respect to Voting Shares (and in the circumstances described in Sections 6.1 (e) or 6.9(b) hereof, the Convertible Shares), under the Supplemental Trust. Subject to Section 2.7, Voting Shares allocated to Participants' Accounts under this Plan shall be contributed to and held in the Supplemental Trust.

(b) Voting Shares and Convertible Shares. Voting Shares and Convertible Shares shall be credited to each Participant's Share Subaccount under the Plan in accordance with Section 2.4.

(c) Cash Dividends and Other Cash Distributions.

(i) If the Company pays a cash dividend or makes a cash distribution with respect to its Convertible Shares or Common Stock, each Participant's Account shall be credited with an amount equal to the dividends and distributions that would have been payable with respect to the Convertible Shares and Common Stock credited to his Account on the applicable record date had such shares been outstanding.

(ii) In addition, if the Company pays a cash dividend or makes a cash distribution with respect to Convertible Shares, an amount, equal to the dividends or distribution that would have been paid on the number of Convertible Shares then held in the Phantom Suspense Account had such shares been previously issued, shall be credited to Participants' Accounts, pro rata, according to the sum of the number of the Convertible Shares allocated to each Participant's Account hereunder and to each ESOP Participant's account under ESOP (Part B) on the applicable record date.

(iii) Amounts credited under clauses (i) and (ii) above shall be deemed immediately invested in Common Stock. The aggregate number of shares of Common Stock deemed acquired under the Supplemental Plan with such dividends or distributions shall equal the aggregate deemed dividend or distribution under clauses (i) and (ii) divided by the Fair Market Value of the Common Stock on the applicable payment date. Such Common Stock shall be allocated to Participants' Share Subaccounts hereunder, pro rata, based on the dollar amounts credited under clauses (i) and (ii) above to the Participants' Accounts hereunder. The dollar amounts credited to Participants' Accounts under clauses (i) and (ii) above shall be debited accordingly.

(d) Other Income Adjustments. All other income (net of expenses), gains and losses (whether or not realized) on investments in the Supplemental Trust (excluding Company Stock) that are not used to purchase additional shares of Common Stock by a Valuation Date shall be allocated to Participants' Cash Subaccounts as of such Valuation Date, pro rata, based on Account balances. Such amounts shall be deemed reinvested in Common Stock in accordance with the principles of Section 2.5(c)(iii) based on the Fair Market Value of the Common Stock on the Valuation Date.

(e) Statements. Each Participant shall receive a statement of the balance in his Account at least annually.

(f) Construction. References hereunder to the "issuance" of shares shall be understood, where appropriate, as references to the crediting of such shares on a book-entry basis even if not explicitly so stated. The book-entry accounts to be maintained under this Plan are intended to record (on a "deemed" basis) the economic equivalent of the benefits that Participants would have accumulated if the relevant shares of stock had been credited to actual accounts in a non-taxable trust for their benefit under a defined contribution plan (but without duplication of benefits provided through another mechanism). Accordingly, appropriate book-entries and adjustments shall be made to equitably record the receipt or distribution of securities, property or cash (to the extent not specifically addressed herein) that would have occurred had the actual shares been maintained in a trustee account and ultimately distributed therefrom. This subsection (f) shall not be construed as authorizing the creation of other mechanisms for the provision of the benefits referred to in this subsection.

2.6 Vesting. Except as described in Section 2.7, each Participant shall be one hundred percent vested in the value of his Accounts at all times.

2.7 Flowback.

(a) Beginning in the Plan Year after an ESOP Participant becomes a Participant and continuing each Plan Year thereafter, the number of Voting Shares, Convertible Shares and Common Stock allocated to his Account shall be reduced in accordance with this Section 2.7. On the last Valuation Date of each such Plan Year, the Participant's Voting Shares, Convertible Shares and Common Stock Shares (including any such shares allocated in a prior Plan Year due to limitations under Code section 401(a)(17)) and Common Stock Shares shall be reduced:

(i) First, by the number, if any, of Voting Shares allocated to his Account hereunder in excess of the number of Convertible Shares allocated hereunder to the extent such number may be transferred from the Supplemental Trust to ESOP (Part B) hereunder without disqualifying the ESOP or any other Qualified Plan; provided, however, that the amount transferred may include any such shares that were not previously contributed or transferred to ESOP (Part B) because of the limitations of Code section 401(a)(17);

(ii) Second, by the maximum number of Convertible Shares and Voting Shares (such numbers to be the same) that may be contributed by the Company (or transferred from the Supplemental Trust) to ESOP (Part B) without disqualifying the ESOP or any other Qualified Plan; provided, however, that the amount contributed or transferred may include any such shares that were not previously contributed or transferred to ESOP (Part B) because of the limitations of Code section 401(a)(17); and

(iii) Third, by the maximum number of shares of Common Stock that may be transferred from the Supplemental Trust or contributed by the Company to ESOP (Part B) without disqualifying the ESOP or any other Qualified Plan; provided, however, that the amount transferred or contributed may include any shares that were not previously contributed or transferred to ESOP (Part B) because of the limitations of Code section 401(a)(17).

The reductions described in the preceding sentence shall not include any Voting Shares, Convertible Shares or Common Stock allocated in the current Plan Year.

(b) As soon as practicable after the end of the Plan Year (but before the time prescribed for filing the Employer's federal income tax return for that Plan Year), the Company shall direct the Trustee to transfer from the Supplemental Trust or contribute to the ESOP (Part B) that number of Voting Shares, Convertible Shares and Common Stock equal to the sum of the applicable reductions calculated for each Participant under this Section 2.7.

2.8 Voting Shares and Convertible Shares Contributed or Transferred to the ESOP (Part B) or Supplemental Trust.

ARTICLE 3

Payment of Benefits

3.1 Commencement and Form of Payment.

(a) Notwithstanding any provision of this Plan to the contrary, no Participant shall receive a distribution of any Voting Shares or Convertible Shares. Prior to any distribution, all Voting Shares and Convertible Shares held in the Participant's Account to be distributed shall be deemed converted into Common Stock (and cash for any fractional share).

(b) Unless the Participant elects otherwise,

(i) as soon as practicable following the Valuation Date coinciding with or next following the later of the Participant's termination of employment with the Employer and its Affiliates and December 31, 1995, the Company shall pay to such Participant (or, if such Participant is not living at the time for payment, to such Participant's Beneficiary) the value of the Participant's vested Account; and

(ii) payments of a Participant's Account shall be made in a lump sum in actual shares of Common Stock and cash. The number of shares of Common Stock distributed shall equal the number of shares of Common Stock credited to the Participant's Account (after converting the Convertible Shares and Voting Shares allocated to the Participant's Account). In addition, the Participant shall receive cash for any fractional share of Common Stock (after the above conversions and based on the Fair Market Value of the Common Stock on the last day of the month prior to the distribution) and the value of the Participant's Cash Subaccount credited to the Participant's Account as of the Valuation Date described in clause (i).

(c) The Participant (but not a Beneficiary) may make, modify or revoke one or more of the following elections (on a form provided by the ESOP Committee):

(i) an election that, if the Participant terminates employment prior to the end of the Wage Investment Period, distributions shall commence as soon as practicable after the end of the Wage Investment Period;

(ii) an election to receive payments in a series of five substantially equal annual installments (each such installment to be paid by converting the same proportion of Convertible Shares, Voting Shares and Common Stock then held in the Participant's Account);

(iii) an election to receive the entire distribution in shares of Common Stock (except for fractional shares), in which case the Company shall apply an amount equal to the Cash Subaccount (net of all costs involved in such purchase) to the purchase of Common Stock in the open market. The number of shares of Common Stock distributed shall equal (A) the number of shares described in Section 3.1(b)(ii) plus (B) the number of shares of Common Stock that can be so acquired with amounts described in the preceding sentence; and

(iv) an election to receive the entire distribution in cash, in which case the Company may sell the number of shares of Common Stock that would have been distributed to the Participant pursuant to Section 3.1(b)(ii) if no such election had been made. The distribution shall equal the value of the Cash Subaccount plus the proceeds (net of selling expenses) realized (or that would have been realized had the sale been made) from the sale of the shares of Common Stock described in the preceding sentence.

(v) Notwithstanding clauses (i)-(iv) above, any such election (or modification or revocation thereof) shall be void unless made at least one year prior to the Participant's termination of employment with the Employer (and its Affiliates) or prior to January 1, 1995.

(d) The Participant may also make, modify or revoke an election (on a form provided by the Committee) that, in the event the Participant dies before benefits have commenced, benefits shall be paid to the Participant's Beneficiary in accordance with clauses (i), (ii), (iii) and/or (iv) of subsection (c). Any such election (or modification or revocation thereof) may be made at any time by the Participant. A Beneficiary may not make, modify or revoke any such election.

3.2 No Loans, In-service Payments or Withdrawals. No Participant shall be allowed to borrow from the Plan. No withdrawal or payment of benefits shall be allowed before a Participant terminates employment with the Company and its Affiliates.

3.3 No Diversification Rights. A Participant may not direct the Trustee as to the investment of his Account, even if the Participant is permitted to diversify his account under the ESOP pursuant to Section 7.1 of the ESOP.

3.4 Beneficiary Designation.

(a) Unless a Participant designates a different Beneficiary, in accordance with the provisions of subsection (b), his Beneficiary shall be his beneficiary under the ESOP.

(b) In order to designate a Beneficiary other than the beneficiary designated under the ESOP, the Participant shall sign a form furnished by the Committee, designating any legal or natural person or persons (who may be designated contingently or successively) to whom his benefits are to be paid if he dies before he receives all of his benefits; provided, however, that if a married Participant designates a Beneficiary other than his spouse, his spouse must consent in writing to such designation and acknowledge in writing the effect of such designation, and such consent and acknowledgement must be witnessed by a notary public. Any designation by an unmarried Participant shall be rendered ineffective by any subsequent marriage and any consent of a spouse shall be effective only as to that spouse. A Beneficiary designation form will be effective only when the signed form is filed with the Committee while the Participant is alive and will cancel all Beneficiary designation forms signed earlier. If a deceased Participant fails to designate a Beneficiary as provided above (or if the designated Beneficiary dies before the Participant or before receiving complete payment of the Participant's benefits), the Company shall pay and, if applicable, the ESOP Committee shall direct the Trustee to pay the Participant's benefits as follows:

- (i) first, to the surviving spouse of the Participant, if any;
- (ii) second, to the children (including any adopted children) of the Participant, per stirpes; and
- (iii) third, if the Participant leaves no surviving spouse or has no descendants pursuant to paragraph (b) above, to the estate of the last to die of the Participant or his designated Beneficiary.

Upon the dissolution of marriage of a Participant, any designation of the Participant's former spouse as a Beneficiary shall be treated as though the Participant's former spouse had predeceased the Participant, unless (i) the Participant executes another Beneficiary designation that complies with this Section 3.4 and that clearly names such former spouse as a Beneficiary, or (ii) a court order presented to the Committee prior to distribution on behalf of the Participant explicitly requires the Participant to continue to maintain the former spouse as the Beneficiary. In any case in which the Participant's former spouse is treated under the Participant's Beneficiary designation as having predeceased the Participant, no heirs or other beneficiaries of the former spouse shall receive benefits from the Plan as a Beneficiary of the Participant except as provided otherwise in the Participant's Beneficiary designation.

3.5 Facility of Payment.

(a) Subject to subsection (b), if, in the opinion of the Committee, a Participant or Beneficiary is under a legal disability or is in any way incapacitated so as to be unable to manage his financial affairs, until claim is made by a conservator or other person legally charged with the care of his person or of his estate, the Committee may (but shall not be required to) direct the Company to make payment to a relative or friend of such person for his benefit. Thereafter, any benefits under the Plan to which such Participant or Beneficiary is entitled shall be paid to such conservator or other person legally charged with the care of his person or his estate.

(b) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead shall be paid (i) to that person's then living parent(s) to act as custodian, (ii) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (iii) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

(c) Any payment under this Section 3.5 shall discharge, to that extent, the obligation of the Company and the Employer to pay benefits under the Plan with respect to such Participant, Beneficiary or minor.

ARTICLE 4

Administration of Plan

4.1 General. The Company shall be the administrator of the Plan. The Committee shall have the rights, duties and obligations set forth herein.

4.2 Incorporation of ESOP Provisions. Section 11 (excluding Section 11.1) and all of Section 12 of the ESOP are incorporated by reference, with such modifications as are appropriate; provided, however, that:

(a) The Committee shall consist of four members: three members appointed by ALPA and one member appointed by the Company.

- (b) All references to the IAM Committee members appointed by the IAM or the IAM Employee Group shall be deleted.
- (c) A quorum shall consist of at least three members, including the member appointed by the Company.
- (d) The proviso to the first sentence of Section 11.3 shall not be incorporated by reference.
- (e) The last sentence of Section 11.7 shall not be incorporated by reference; provided that the Company shall use its reasonable best efforts to cover the ALPA and, if applicable, IAM Committee members (if such members are employees) with liability insurance coverage for their activities as Committee members comparable to any insurance provided for the Salaried and Management Employee Group Committee member.
- (f) All meetings of the Committee shall be held on the same day as a meeting of the ESOP Committee under the ESOP.
- (g) No expenses or indemnities shall be incurred or paid hereunder which are duplicative of expenses or indemnities incurred or paid pursuant to the ESOP.
- (h) Except with respect to matters solely relating to this Plan, the Committee will not employ any person or delegate any matter to any person who has not been employed by the ESOP Committee under the ESOP.
- (i) Notwithstanding the above and the definition of "Committee", clauses (a), (b) and (c) shall be disregarded with respect to any issue involving Voting Shares allocated to the IAM Employee Group under this Plan if any Voting Shares are allocated to an Account of a Participant who is a member of the IAM Employee Group.

4.3 Decisions of Committee under ESOP. Notwithstanding any provision of this Plan any matter (including any decision by the Committee with respect to an appeal of a claim of a Participant (or Beneficiary)) under the ESOP shall be binding hereunder to the extent the matter (or claim) is substantially the same as a matter (or claim made by the same Participant (or Beneficiary)) to be decided hereunder.

ARTICLE 5

Amendment and Termination

5.1 Amendment. While the Company expects and intends to continue the Plan, the Company must necessarily reserve, and does hereby reserve, the right to amend the Plan at any time, except that no amendment may be adopted, without the approval of ALPA, provided, that, with respect to amendments adopted which are described in Section 13.1(b) or (d) of the ESOP (which subsections shall be treated as appropriately modified to the extent necessary to reflect the circumstances of this Plan) the need for joint approval shall be modified, and provided further that no amendment which would affect the allocation of the Class M Voting Shares shall be adopted without the approval of the IAM.

5.2 Termination. Subject to the approval of ALPA and IAM, the Plan will terminate as to all of the Employees on any date specified by the Board. Notwithstanding the preceding sentence, the approval of the IAM will only be required if Class M Voting Shares reserved for allocation have been transferred or contributed to the Supplemental Trust.

5.3 Effect of Amendment or Termination. Any amendment, modification, or termination shall not reduce, alter, or impair any rights under the Plan as to amounts credited to the Accounts of Participants under the Plan as of the date of such amendment, modification or termination.

ARTICLE 6

Miscellaneous Provisions

6.1 Source of Payments.

(a) It is intended that this Plan and the benefits thereunder be unfunded and unsecured for tax purposes and for purposes of Title I of ERISA:

(b) Notwithstanding any other provisions of the Plan, the obligation under this Plan to a Participant or Beneficiary is a liability of the Company and the Participant's Employer, except to the extent paid from the Supplemental Trust. Liabilities of the Company and each Participant's Employer to any Participant or Beneficiary pursuant to the Plan shall be those of a debtor pursuant only to the contractual obligations created

by the Plan; no such obligation of the Company and a Participant's Employer shall be deemed to be secured by any pledge or other encumbrance on any property of the Company, such Participant's Employer or otherwise. To the extent that any Participant or Beneficiary acquires a right to receive payment from the Company or a Participant's Employer under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company and Participant's Employer. No Employer or Affiliate shall, by virtue of any provisions of the Plan or by any action of any person, be deemed to be a trustee or other fiduciary of any property for any Participant or Beneficiary.

(c) (i) The creation and funding of the Supplemental Trust shall not create a security interest in the property of such trust in favor of Participants or Beneficiaries or otherwise cause a "funding" of the Plan or Trust inconsistent with Section 6.1 (a) hereof.

(ii) It is intended that Voting Shares may be deposited in and distributed from the Supplemental Trust directly to Participants and Beneficiaries (after conversion to Common Stock), provided that the Trustee may transfer the Voting Shares to the Company for prompt distribution of Plan benefits to Participants and Beneficiaries.

(iii) Except as provided in (e) below, it is intended that the Convertible Shares not be deposited in the Supplemental Trust.

(d) The Company Stock credited under this Plan shall be used solely as a device for the measurement and determination of the amounts to be paid as benefits under this Plan. Each Participant's rights with respect to such shares is limited to the right to receive a distribution of Plan benefits as herein provided. No Participant shall be entitled to any voting or dividend rights or any other rights of a shareholder with respect to shares credited under this Plan until due issuance of shares to him. Prior to such due issuance, such shares, whether or not held by the Supplemental Trust, shall not be treated as property owned or beneficially owned by the Participant.

(e) ALPA may at any time direct that, in addition to Voting Stock previously delivered to the Supplemental Trust, all other Company Stock credited under this Plan (including unreleased Company Stock credited to the Phantom Suspense Account) be delivered by the Company to the Trustee of the Supplemental Trust for retention and distribution in a manner corresponding to the treatment of Voting Shares hereunder. Such delivery shall be made as soon as possible following ALPA's request in accordance with Section 1(h) of the Supplemental Trust; the Company shall make any amendments to the Plan or Supplemental Trust agreement as ALFA may reasonably request to clarify further operation of the Plan and Trust to reflect delivery of such shares (in lieu of the book-entry system provided for herein) in the manner contemplated by Schedules 1.6(b)(iii) and 1.6(b)(iv), respectively, to the unamended Agreement and Plan of Recapitalization dated as of March 25, 1994 among the Company, ALPA and the IAM, but such delivery shall not await the making of those amendments.

6.2 Transfer Restrictions Provisions.

(a) This Plan and the issuance or transfer of shares of Common Stock (and/or the payment of money) pursuant thereto are subject to all applicable Federal and state laws, rules and regulations, to the rights, preferences, limitations, and restrictions set forth in the Company's Certificate of Incorporation and Bylaws, and to such approvals by any regulatory or governmental agency (including without limitation "no action" positions of the Securities and Exchange Commission) which may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Without limiting the generality of the foregoing, no shares shall be issued by the Company, nor cash payments made by the Company, unless and until all legal requirements applicable to the issuance or payment have, in the opinion of counsel to the Company, been complied with. In connection with any stock issuance or transfer, the person acquiring the shares shall, if requested by the Company, give assurances satisfactory to counsel to the Company in respect to such matters as the Company may deem desirable to assure compliance with all applicable legal requirements and the Company's Certificate of Incorporation and Bylaws.

(b) The Company shall at all times maintain an effective registration statement under the Securities Act of 1933 and timely comply with the reporting requirements under the Securities Exchange Act of 1934 with respect to the shares of Common Stock. The Company shall obtain any other federal, state or local approvals as may be necessary from time to time to enable the Trustee to consummate any desired conversion or disposition of the shares of Company Stock. Notwithstanding the foregoing, there shall be no public sale or distribution of Common Stock without the consent of UAL during the seven days prior to or ninety days after any registration statement relating to an underwritten sale of securities of UAL has become effective.

6.3 Inalienability of Benefits. No benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do so shall be void. Any such benefit or interest shall not in any manner be liable for or subject to garnishment, attachment, execution, or levy or liable for or subject to the debts, contracts, liabilities, engagements, or torts of any Participant or Beneficiary. If the Committee finds that any Participant or Beneficiary has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge any benefit payable under, or interest in, the Plan, the Committee shall hold or apply such benefit or interest or any part thereof to or for the benefit of such Participant or Beneficiary.

6.4 No Right of Employment. Nothing contained herein nor any action taken under the provisions hereof shall be construed as giving any Participant the right to be retained in the employ of any Employer or its Affiliates.

6.5 Withholding. The Company or the Trustee, - -as directed by the Company, shall withhold from any payment hereunder any required amount of income and other taxes. Notwithstanding the foregoing, if the Company, in its sole discretion, determines that the Participant is subject to income or other tax withholding prior to the payment of benefits hereunder, all such amounts shall be withheld from the compensation otherwise payable by the Employer to the Participant. The Committee will provide to the Company all information reasonably requested by the Company to calculate the appropriate withholding amount. In accordance with written instructions from the Company, the Trustee shall sell such number of shares of Common Stock (after converting the Voting Shares, if necessary) necessary to provide the required withholding with respect to benefits payable from the Supplemental Trust. The Trustee will remit any amounts so withheld as instructed by the Committee, including to the Company or the Employer if so instructed by the Committee. The withholding of any taxes hereunder shall not affect the determination of whether a Participant has received the benefits to which he is entitled to under the Plan.

6.6 Headings. The headings of the sections in the Plan are placed herein for convenience of

reference; in the case of any conflict, the text of the Plan, rather than such heading, shall control.

6.7 Construction. Except to the extent governed by federal law, the Plan shall be construed, regulated, and administered in accordance with the laws of the State of Illinois. If any provision shall be held by a court of competent jurisdiction to be invalid and unenforceable, the

remaining provisions of this Plan shall continue to be fully effective. To the extent possible, each provision of the Plan shall be administered, interpreted and construed to carry out the intent of the Plan as set forth in Section 1.1 and Section 2.4(g); provided, that in no event shall the number of Voting Shares and Convertible Shares allocated or credited under this Plan and ESOP (Part B) exceed the maximum number set forth in Section 2.2(a) (including any Additional Shares). Any provision that cannot be administered, interpreted and construed to carry out the intent of the Plan set forth in Section 6.1(a) shall, to that extent, be disregarded.

6.8 Receipt and Release. Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Company with respect to this Plan and the Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect. If any Participant or Beneficiary is determined by the Committee to be incompetent by reason of physical or mental disability (including minority) to give a valid receipt and release, the Committee may cause the payment or payments becoming due to such person to be made to another person for his benefit without responsibility on the part of the Committee or the Company to follow the application of such funds.

6.9 Voting; Control Transaction.

(a) The Committee shall instruct the Trustee how all shares of Company Stock held by the Supplemental Trust shall be voted. In the case of a Control Transaction with respect to the shares, the Committee shall instruct the Trustee whether to exchange or tender such shares or otherwise how to respond. In either case, the Committee shall consider the sentiments of the Participants, but shall not be required to take any particular action in response thereto. The Company and the Trustee agree to amend the Plan and Supplemental Trust to provide for pass-through voting and response rights for all Employee Groups in the manner set forth in the ESOP if directed to do so by ALPA in writing (which notice shall also constitute approval of ALPA).

(b) Notwithstanding any provision of the Plan or Supplemental Trust that requires exclusive investment in Company Stock, the following additional rules shall apply in the case of a Control Transaction: (i) if ALPA so requests in writing, all Convertible Shares credited under this Plan (including such shares credited to the Phantom Suspense Account) and all Voting Shares credited to the Phantom Suspense Account shall be delivered by the Company to the Supplemental Trust and the Plan and Supplemental Trust shall be amended, such delivery and amendments to be in accordance with Section 6.1(e) hereof, provided that at ALPA's request, such delivery may be subject to the same conditions for the sale of ESOP Preferred to the ESOP set forth in Section 8.2(e) of the ESOP; (ii) to the extent possible, all proceeds from any sale or exchange of Voting Shares and Convertible Shares shall be reinvested in "appropriate securities," as defined in Section 8.2(d) of the ESOP and the Plan shall continue; and (iii) if the Trustee is unable so to invest, the Company shall make appropriate arrangements reasonably satisfactory to ALPA, it being the present intention that those arrangements should parallel those established for the ESOP. In the case of a Control Transaction, if ALPA does not request that the Convertible Shares and Voting Shares be delivered to the Supplemental Trust, the Company shall make appropriate arrangements, reasonably satisfactory to ALPA, to protect the substantive economic interests of the affected Employee Groups, it being the present intention that these arrangements shall parallel those established for the ESOP.

6.10 Notices. Any notice or document required to be filed with the Committee under the Plan shall be provided in a manner consistent with Section 15.4 of the ESOP, which terms are hereby incorporated into this Plan to the extent consistent with the terms hereof.

6.11 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

6.12 Action by Employer. Any action required or permitted to be taken by an Employer under the Plan shall be by resolution of its board of directors or by a person or persons authorized by its board of directors.

6.13 Execution. To record the adoption of this Plan, the undersigned duly authorized officers of the Company have caused this document to be executed and to bear the corporate seal of the Company, all as of the Effective Date.

6.14 Cooperation. At the request of ALPA, the Company agrees that it will (a) use reasonable efforts to submit and otherwise cooperate in obtaining an IRS ruling that the contemplated operation of the Plan and the Supplemental Trust will not result in current income tax taxation to any Participant or Beneficiary, and (b) adopt such amendments to this Plan and the Supplemental Trust as may be reasonably requested by ALPA for the purposes of further protection against such taxability, provided such amendments do not materially increase the costs of operating the Plan and Supplemental Trust. By accepting the Plan and any Supplemental Trust, the Trustee shall thereby have agreed to acknowledge and accept any such amendment.

6.15 Adjustments. This Plan contains various references to ESOP Preferred Stock, Convertible Shares and to various numbers of such shares. If and to the extent appropriate, an appropriate revision shall be made to such references if the Preferred Stock and/or Convertible Shares are changed into, or exchanged for, a different number or kind of shares or securities of the Company through a reorganization or merger, or through a combination, recapitalization, reclassification, stock consolidation or otherwise.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed this 12th day of July 1994.

UAL CORPORATION

By: /s/ J.R. O'Gorman

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**FIRST AMENDMENT
OF
UAL CORPORATION
SUPPLEMENTAL ESOP
(Effective as of July 12, 1994)**

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under section 5.1 of the UAL Corporation Supplemental ESOP (Effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots and Association, International ("ALPA"), the Company hereby amends the Plan, as follows, effective January 1, 1995:

Section 3.1(c)(v) is amended by changing "January 1, 1995" to "February 24, 1995."

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed on February 22, 1995.

UAL CORPORATION

/s/ Stuart I. Oran
Stuart I. Oran
Executive Vice President
Corporate Affairs and
General Counsel

Approved by:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ J. Randolph Babbitt
President

**SECOND AMENDMENT
OF
UAL CORPORATION
SUPPLEMENTAL ESOP
(Effective as of July 12, 1994)**

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under section 5.1 of the UAL Corporation Supplemental ESOP (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association, International ("ALPA"), the Company hereby amends the Plan, as follows, effective January 1, 1995:

1. Section 1.1(c) is amended by adding the following to the end of the section:

"For Convertible Shares to be allocated under this Plan for Plan Years beginning on or after January 1, 1995, 96.286956% will be allocated to the ALPA Employee Group, 1.699314% will be allocated to the IAM Employee Group, and 2.01373% will be allocated to the Management and Salaried Employee Group."

2. Section 1.1(d) is amended by adding the following to the end of the section:

"Effective for Plan Years beginning on or after January 1, 1995, the Class M Voting Shares will be contributed to the ESOP (Part B) or the Supplemental Trust."

3. Effective upon adoption of this Second Amendment, Section 1.3(d) is amended to read as follows:

"(d) 'Committee' means the ESOP Committee."

4. Section 1.3(j) is amended to read as follows:

"(j) 'Eligible Employee' means an 'eligible employee' as defined in the ESOP."

5. Section 1.3(q) is amended to read as follows:

"(q) 'Participant' means an ESOP Participant who has an Account under this Plan."

6. The second sentence of Section 2.1 is deleted.

7. Section 2.4(a)(iv) shall be amended to read as follows:

"(iv) Allocations under the ESOP (Part A) were made (A) without regard to the Tax Limitations, (B) without regard to clauses (ii), (iv), (v), (vi) or (vii) of Section 5.4(a) of the ESOP, (C) were based on Compensation rather than the definition of compensation in the ESOP, and (D) for Plan Years beginning on or after January 1, 1995, by including the shares designated for inclusion in the Hypothetical Share Number for the ESOP Participant on account of the Special Annual Allocation applicable to the Plan Year under Appendix A to the ESOP; and"

8. The first sentence of Section 2.4(c) is amended to read as follows:

"For each ESOP Participant, the difference, if any, between the Hypothetical Share Number and the Actual Share Number shall be referred to as the Tentative Allocation."

9. Section 4.2 is amended by deleting the existing language in subsections (a), (b), and (c), and by replacing such language, in each of such subsections, with the word "Reserved."

10. Section 4.2(i) is deleted.

11. Section 5.1 is amended to read as follows:

"5.1. Amendment. While the Company expects and intends to continue the Plan, the Company must necessarily reserve, and does hereby reserve, the right to amend the Plan at any time, except that no amendment may be adopted, without the approval of ALPA and the IAM, provided, that, with respect to amendments adopted which are described in Section 13.1(b) or (d) of the ESOP (which subsections shall be treated as appropriately modified to the extent necessary to reflect the circumstances of this Plan), the need for mutual approval shall be modified."

12. The second sentence of Section 5.2 is deleted.

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed on August 17, 1995.

UAL CORPORATION

/s/ Stuart I. Oran
Executive Vice President-
Corporate Affairs and
General Counsel

Approved by:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ Harlow B. Osteboe

/s/ J. Randolph Babbitt

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

/s/ Kenneth W. Thiede

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**THIRD AMENDMENT
OF
UAL CORPORATION
SUPPLEMENTAL ESOP
(Effective as of July 12, 1994)**

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under section 5.1 of the UAL Corporation Supplemental ESOP (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association, International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, as follows, effective January 1, 1995:

1. The material added to the end of Section 1.1(c) by the Second Amendment is deleted and the following inserted in its place:

"For Convertible Shares to be allocated under this Plan for Plan Years beginning on or after January 1, 1995, 96.286956% will be allocated to the ALPA Employee Group, 1.699314% will be allocated to the IAM Employee Group, and 2.01373% will be allocated to the Management and Salaried Employee Group."

2. The material added to the end of Section 1.1(d) by the Second Amendment is deleted and the following inserted in its place:

"Effective for Plan Years beginning on or after January 1, 1995, the Class M Voting Shares will be contributed to the ESOP (Part B) or the Supplemental Trust."

3. Section 1.3(d) is amended to read as follows:

"'Committee' means the ESOP Committee."

4. Section 1.3(g) is amended by adding the following to the end of the Section:

"For the Plan Year commencing January 1, 1995, and for subsequent Plan Years, 'Compensation' for an Employee who is a member of the Management and Salaried Employee Group shall include any compensation which would have been paid to the Employee during the Plan Year, but was not paid during that Plan Year because the Employee elected to defer its receipt according to a procedure adopted by the Company. Compensation included as a result of the preceding sentence shall not be included as Compensation in the Plan Year in which it is actually paid to the Employee."

5. Section 1.3(j) is amended to read as follows:

"(j) 'Eligible Employee' means an 'eligible employee' as defined in the ESOP."

6. The second sentence of Section 2.1 is deleted.

7. The first sentence of Section 2.4(c) is amended to read as follows:

"For each ESOP Participant, the difference, if any, between the Hypothetical Share Number and the Actual Share Number shall be referred to as the Tentative Allocation."

8. Section 3.1(b) is amended by adding the following to the end of the Section:

"The Committee may determine for any Participant or group of Participants that, because of the possibility of transfers to the ESOP (Part B) under Section 2.7, it is not practicable to make payments under Section 3.1(b) until the amount (if any) of such transfers can be determined."

9. Subsections 4.2 (a), (b), (c) and (i) are deleted and replaced in each instance by "Reserved."

10. Section 5.1 is amended to read as follows:

"5.1 Amendment. While the Company expects and intends to continue the Plan, the Company must necessarily reserve, and does hereby reserve, the right to amend the Plan at any time, except that no amendment may be adopted, without the approval of ALPA and the IAM, provided, that, with respect to amendments adopted which are described in Section 13.1(b) or (d) of the ESOP (which subsections shall be treated as appropriately modified to the extent necessary to reflect the circumstances of this Plan) the need for joint approval shall be modified."

IN WITNESS WHEREOF, the Company has caused this Third Amendment to be executed on December 28, 1995.

/s/ Douglas A. Hacker

Approved by:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ J. Randolph Babbitt

/s/ Harlow B. Osteboe

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

/s/ Kenneth W. Thiede

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UAL CORPORATION
SUPPLEMENTAL ESOP
TRUST AGREEMENT

Effective July 12, 1994

TRUST AGREEMENT
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TRUST AGREEMENT

This Trust Agreement made as of July 12, 1994 by and between UAL Corporation, a Delaware corporation (the "Company") and State Street Bank and Trust Company, a Massachusetts trust company (the "Trustee").

RECITALS:

WHEREAS, certain employees of the Company and its Affiliates are eligible to receive certain benefits pursuant to the UAL Corporation Supplemental ESOP (the "Plan"), a copy of which is attached hereto as Exhibit A and made a part hereof; and

WHEREAS, the Company wishes to establish five trusts, as set forth in Section 1(g), (individually and collectively referred to as the "Trust") and to contribute Voting Shares, to the Trust to be held therein, subject to the Company's power to revoke the Trust to the extent provided below, in whole or in part, at any time or from time to time, and subject to the claims of the Company's creditors in the event of the Company's Insolvency, as hereinafter defined, until distributed to the Participants and their beneficiaries ("Trust Beneficiaries") as benefits in such manner and at such times as specified in the Plan;

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as constituting both (i) an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the ERISA and (ii) an excess plan under Section 3(36) of ERISA.

NOW, THEREFORE, the parties do hereby agree that the Trust shall be composed, held and disposed of as follows:

Section 1. Trust Fund.

(a) The Company from time-to-time shall contribute Voting Shares to Trust-1, Trust-2 and Trust-3 in accordance with the Plan.

(b) Subject to the provisions of Sections 3 and 4, the Company may not revoke the Trust.

(c) The Trust is intended to be a grantor trust, of which the Company is the grantor, within the meaning of Sections 671-677 of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(d) The principal of the Trust, and any earnings thereon, shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of Trust Beneficiaries and general creditors as herein set forth. Notwithstanding any other provision of this Trust Agreement to the contrary, no Trust Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan and this Trust Agreement shall be mere unsecured contractual rights of Trust Beneficiaries against the Company and his Employer in accordance with the Plan. Any assets held by the Trust will be subject to the claims of Company's general creditors in the event of Insolvency, as defined in Section 3(a) herein. No rights to a distribution under the Plan shall be created under this Trust Agreement independently of any Trust Beneficiary's right to a distribution or payment under the Plan. Neither the Company nor the Trustee shall have any power to create a security interest in the assets of the Trust in favor of any Trust Beneficiary, any

person entitled to a Plan benefit by reason of the death of any Trust Beneficiary or any creditor of the Company. Nothing contained herein or in any provision of the Plan shall operate to create a security interest in any part of the assets of the Trust on behalf of any Trust Beneficiary or any person entitled to benefits upon the death of any Trust Beneficiary.

(e) In accordance with the Plan, as directed by the Company, the Trustee shall transfer certain Shares from the Trust to the ESOP Trust.

(f) This Trust consists of five trusts, each of which are set forth in this Trust Agreement. The trusts are: (i) a trust holding the Class P Voting Shares allocated to the Accounts of Participants under the Plan ("Trust 1 "); (ii) a trust holding the Class S Voting Shares allocated to the Accounts of Participants under the Plan ("Trust-2"); (iii) a trust holding the Class M Voting Shares, if any, allocated to the Accounts of Participants under the Plan ("Trust-3"); (iv) a trust which holds the Convertible Shares sold or contributed to such Trust, if any, as described in Section 1(h) ("Trust-4"); and (v) a trust holding the Convertible Shares sold or contributed to the Trust, if any, that have been allocated to the Accounts of Participants under the Plan ("Trust-5"). For ease of reference, all of such trusts shall be referred to as the "Trust;" such a reference shall constitute a reference to each of the appropriate trusts. At such times that any Participant receives an allocation of Convertible Shares under the Plan, the Trustee shall transfer the appropriate number of Convertible Shares from Trust-4 to Trust-5.

(g) Section 1.5 of the Plan is incorporated by reference (excluding Section 1.5(a), (b), and (f)), but with such modifications as are necessary in light of the fact that this document creates a trust.

(h) As provided in Sections 6.1 (e) and 6.9 of the Plan, at the written election of ALPA, the Company shall sell or contribute Convertible Shares to the Trustee of Trust-4 and Trust-5. Such Convertible Shares shall become the principal of Trust-4 and Trust 5 to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. In the case of a sale of such Convertible Shares to the Trust, the Company shall contribute to the Trust an amount of cash and/or accept the Trustee's promissory note (to be immediately forgiven or repaid with additional cash contributed by the Company to the Trust) sufficient to permit the Trustee to consummate such purchase. The Company shall also cause to be delivered to the Trust an appropriate number of shares of Common Stock to satisfy the requirements of Sections 6.1(e) or 6.9 of the Plan.

Section 2. Payments to Trust Beneficiaries.

(a) Subject to Section 3 hereof, the Trustee shall distribute the Plan benefits in accordance with the Plan as directed by the Committee, as hereinafter set forth, if and to the extent that Shares are available for such distribution. Alternatively, if directed by the Company, the Trustee shall return distributable Voting Shares (of the applicable series) to the Company for prompt distribution as Plan benefits in accordance with the Plan. Subject to the provisions of Section 3, a Trust Beneficiary shall be entitled to a distribution from the Trust in accordance with the preceding sentence and the terms of the Plan, provided that the obligation of the Participant's Employer and the Company under the Plan has not been satisfied otherwise. The Committee will instruct the Trustee as to the eligibility of any Trust Beneficiary for such distribution, the correct amount of each distribution and when to make the distribution to the Trust Beneficiary (or return such amounts to the Company for distribution as provided above). The Committee or its designee shall keep accurate records with respect to the benefits payable from the Trust and the Trustee may rely upon such records without a duty of further inquiry in performing its duties under this Trust Agreement. To the extent benefits have been paid from the Trust hereunder, the Company shall be relieved of its obligation to pay such benefits. To the extent benefits are returned to the Company from the Trust, the Trust shall be relieved of its obligations to pay such benefits.

(b) If at any time the number of Shares held in the Trust is not sufficient to make any directed distribution of benefits, in accordance with the Plan, to any Trust Beneficiary then entitled to a distribution, the Trustee shall distribute the balance of the Shares (and any other assets) held in the Trust (or return them to the Company for distribution as provided above) to or on behalf of all the Trust Beneficiaries then entitled to distributions in the following manner: the benefits to be distributed to any Trust Beneficiary shall be equal to the balance of Trust assets multiplied by a fraction the numerator of which is the amount of benefits such Trust Beneficiary is entitled to distribution of at that time and the denominator of which is the amount of benefits all Trust Beneficiaries are entitled to distribution of at that time (the foregoing calculations to be made on an Employee Group-by-Employee Group basis, for example, assets held in Trust 1 shall be available for distribution only to members of the ALPA Employee Group). No provision of this Trust Agreement shall relieve the Company of its liabilities to pay benefits except to the extent that the same have been paid from the Trust hereunder.

(c) The Trustee shall make provision for withholding of any federal, state or local taxes that may be required in accordance with Section 6.5 of the Plan.

(d) The Trustee shall provide the Company with written confirmation of the fact and time of any commencement of payments directly to a Trust Beneficiary hereunder within 30 business days after any payments commence to a Trust Beneficiary. The Company shall notify Trustee in the same manner of any payments an Employer commences to make to a Trust Beneficiary pursuant to the Plan.

Section 3. Trustee Responsibility Regarding Payments to a Trust Beneficiary When the Company is Insolvent.

(a) Trustee shall cease payment of benefits to Trust Beneficiaries if the Company is Insolvent. The Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of the Company, but only as set forth below:

(i) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform the Trustee in writing of the Company's Insolvency. If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits to Trust Beneficiaries.

(ii) Unless the Trustee has actual knowledge of the Company's Insolvency, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's solvency.

(iii) If at any time the Trustee has determined that the Company is Insolvent, the Trustee shall discontinue payments to Trust Beneficiaries and shall hold the assets of the Trust for the benefit of the Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Trust Beneficiaries to pursue their rights as general creditors of the Company with respect to benefits due under the Plan or otherwise.

(iv) The Trustee shall resume the payment of benefits to Trust Beneficiaries in accordance with Section 2 of this Trust Agreement only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Trust Beneficiaries under the terms of the Plan for the period of such discontinuance, less the aggregate amount of any payments made to Trust Beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Term and Payments to the Company.

Unless sooner terminated by a written instrument executed by the Company (with the approval of ALPA (and the IAM, only if the Trust Agreement is amended to provide for an additional trust to hold Class M Voting Shares)), this Trust shall terminate upon the earlier of (a) the satisfaction of all of each Employer's obligations under the Plan with respect to Voting Shares (and any other Shares held in the Trust) to the Trust Beneficiaries (including the transfer of all such Shares to ESOP (Part B)), (b) if required to comply with applicable law regarding the maximum length for which trusts may be established, the twenty-first anniversary of the death of the last to survive of the Employees who are Trust Beneficiaries as of the date of execution of this Trust Agreement, (c) the exhaustion of all appeals of a final determination of a court of competent jurisdiction that the interests in the Trust of Trust Beneficiaries are includable for federal income tax purposes in the gross income of such Trust Beneficiaries, without such determination having been reversed (or the earlier expiration of the time of appeal), (d) a determination by the Board of Directors of the Company to terminate the Trust because applicable law requires it to be amended in a way that could make it taxable and failure to so amend the Trust Agreement would subject the Company to material penalties or liabilities, (e) a determination by the Board of Directors of the Company to terminate the Trust because the Company concludes, after consulting with legal counsel reasonably satisfactory to ALPA, that there is a significant possibility that the Trust will not be considered a grantor trust under the Code or an unfunded plan for purposes of Title I of ERISA and either ALPA concurs or the Board has determined that failure to terminate will subject the Company to material penalties or liabilities, or (f) the dissolution or liquidation of the Company. The Company shall provide reasonable notice to ALPA prior to any such termination. Upon any termination of the Trust, all remaining Shares and other assets, if any, held in the Trust shall be delivered to the Company.

Section 5. Powers of the Trustee.

(a) The Trustee shall maintain books of account and records with respect to the Fund. The Fund shall be held by the Trustee in trust and dealt with in accordance with the provisions of this Trust Agreement. The Trustee shall take all action necessary to implement any written directions received from the Committee or the Company and shall conform to procedures established by the Committee for disbursement of funds in accordance with the terms of the Plan.

(b) It shall be the duty of the Trustee (i) to hold, invest and reinvest the Fund in accordance with the provisions of this Trust Agreement, and (ii) to pay moneys therefrom in accordance with the written directions of the Committee.

(c) To the extent that Company contributions are made in Company Stock, the Trustee shall retain such Company Stock. The Trustee shall invest any other assets of the Trust exclusively in Company Stock (except for de minimis investments of cash pending

investment in Company Stock or pending distribution to Participants). The Trustee shall, at the direction of Committee, acquire Company Stock either from other shareholders or directly from the Company. If at the time Company Stock is to be purchased, the Company has outstanding more than one class of Company Stock, the Committee shall direct the Trustee as to which class of Company Stock shall be purchased. The Trustee may rely in good faith without liability upon the valuation of Company Stock as determined by the Committee. Subject to the preceding sentences of this Section 5(c), the Trustee may also, at the direction of the Committee, invest the Fund in temporary investments other than Company Stock, may hold such portion of the Fund in such investments as may be required under the Plan, may hold such portion of the Fund uninvested as the Committee deems advisable for making distributions under the Plan, may invest assets of the Trust in short-term investments bearing a reasonable rate of interest, including, without limitation, deposits in, or short-term instruments of, the Trustee.

(d) The Trustee shall have no duty hereunder to determine or inquire into whether any directions received from the Committee in accordance with the terms of this Trust Agreement represent proper and lawful decisions. The Trustee shall have no duty to review any investment to be acquired, held or disposed of pursuant to such instructions from the Committee. If the Trustee does not receive written directions with respect to any part of the Fund subject to the Committee's direction (including, without limitation, income, sale proceeds or contributions), the Trustee shall, pending receipt of such directions, hold and invest such amount in short-term securities as provided in subsection (c) hereof.

(e) In addition to, and not in limitation of, the powers now, or which may later become, vested in it, the Trustee shall have the following powers; provided, however, that the Trustee's exercise of such powers shall be consistent with and subject to all other provisions of this Trust Agreement, and provided further that, subject to the provisions of Section 7(g), the powers set forth in clauses (i)-(v) shall be exercised by the Trustee only to the extent and in the manner directed by the Committee in accordance with the terms of this Trust Agreement, except as otherwise required by applicable law:

(i) To hold, invest and reinvest the principal or income of the Trust in bonds, common or preferred stock, other securities, or other personal, real or mixed tangible or intangible property, including any securities issued by the Company or its Affiliates (including investment in deposits with Trustee which bear a reasonable interest rate, including without limitation investments in trust savings accounts, certificates of deposit, time certificates or similar investments or deposits maintained by the Trustee);

(ii) To exercise voting rights either in person or by proxy, with respect to any securities or other property, and generally to exercise with respect to the Fund all rights, powers and privileges as may be lawfully exercised by any person owning similar property in his own right;

(iii) To exercise any options, conversion rights, put rights, or rights to subscribe for additional stock, bonds or other securities appurtenant to any securities or other property held by it, and to make any necessary payments in connection with such exercise, and to join in, dissent from, and oppose the reorganization, consolidation, recapitalization, liquidation, merger or sale of corporate property with respect to any corporations or property in which it may be interested as Trustee;

(iv) To compromise, compound, and settle any debt or obligation owing to or from it as Trustee, and to reduce or increase the rate of interest on, extend or otherwise modify, foreclose upon default, or otherwise enforce any such obligation;

(v) To sue or defend suits or legal proceedings to enforce or protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other administrative agency, body or tribunal, provided that the Trustee is indemnified to the Trustee's satisfaction against liability and expenses;

(vi) To hold any property at any place;

(vii) To make, execute, acknowledge and deliver assignments, agreements and other instruments;

(viii) To register any securities held by it hereunder in its own name or in the name of a nominee with or without the addition of words indicating that such securities are held in a fiduciary capacity, to permit securities or other property to be held by or in the name of others, to hold any securities in bearer form and to deposit any securities or other property in a depository, clearing corporation or similar corporation, either domestic or foreign; provided, however, that the records of the Trustee shall at all times show that any such property held or registered in the name of another is part of the Fund;

(ix) To employ legal counsel, brokers and other advisors, agents or employees to perform services for the Fund or to advise it with respect to its duties and obligations under this Trust Agreement and in connection with the Trust, and to pay them reasonable compensation from the Fund, to the extent not paid directly by the Company or its Affiliates; and

(x) To open and make use of banking accounts including checking accounts, which accounts, if bearing a reasonable rate of interest or if checking accounts, may be with the Trustee.

(f) If the Committee directs the Trustee to dispose of any investment or security or any part thereof under circumstances which in the opinion of the counsel for the Trustee require registration under the Securities Act of 1933 or qualification under state "Blue Sky" laws, then the Company, at its own expense, shall take or cause to be taken all such action necessary or appropriate to effect such registration and qualification. The Trustee shall not be required to dispose of such investment until such registration and qualification are complete and effective, and shall not be liable for any loss or depreciation of the Fund resulting from any delay attributable thereto. The Company shall indemnify and hold the Trustee and its officers and directors harmless with respect to any liability, reasonable legal counsel fees, and other costs and expenses incurred as a result of such registration or qualification or as a result of any information in connection therewith furnished by the Company or any failure by the Company to furnish any information.

(g) In addition to, and not in limitation of, the powers vested and to be vested in it by law or enumerated in this Section 5, the Trustee shall have the power to take any action with respect to the Fund as is appropriate and helpful in carrying out the purposes of this Trust Agreement, subject to any directions of the Committee as provided herein.

(h) Notwithstanding any powers granted to the Trustee pursuant to this Trust Agreement or applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Code.

Section 6. Accounting by the Trustee.

(a) The Trustee shall keep accurate and detailed accounts of all its transactions (including investments, receipts and disbursements) under this Trust Agreement. These records shall be open to inspection and audit during regular business hours of the Trustee by the Committee or any person or persons designated by the Committee or the Company in a written instrument filed with the Trustee. If mutually agreed upon in a separate writing by the Committee and the Trustee, the Trustee shall establish and maintain accounts for Participants which shall show their respective interests, determined in accordance with the terms of the Plan, in the Fund; provided, however, that to the extent that such accounts are kept by the Trustee on the basis of information furnished or caused to be furnished to it by the Committee, the Trustee shall have no responsibility for the accuracy of any information so furnished. All such accounts and records shall be preserved (in original form, or on microfilm, magnetic tape or any other similar process) for such period as the Trustee may determine, but the Trustee may destroy such accounts and records only after first notifying the Committee and the Company in writing at least ninety (90) days in advance of its intention to do so and transferring to the Committee or the Company any such accounts and records requested.

(b) Within sixty (60) days after the close of each Plan Year, the Trustee's removal or resignation as Trustee hereunder, or the termination of the Plan or this Trust Agreement, the Trustee shall file with the Committee an account setting forth all its transactions (including all investments, receipts and disbursements) under this Trust Agreement during such year, or during the period from the close of the last preceding Plan Year to the effective date of its removal or resignation or the termination of the Plan or this Trust Agreement, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be; provided, however, that in the event shares of Company Stock are then held in the Trust and final valuation, if necessary, with respect to such Company Stock for any such accounting period is not received by the Trustee within thirty (30) days of the date the Trustee is required to render an accounting under the foregoing provision, then the Trustee shall not be required to render such account until thirty (30) days from the date such valuation report is received by the Trustee. The Committee and the Trustee may agree in writing that similar accounts will be prepared by the Trustee and filed with the Committee at more frequent intervals. No person or persons (including, without limitation, the Company and the Committee) shall be entitled to any further or different accounting by the Trustee, except as may be required by law.

(c) Twenty-four (24) months after the filing with the Committee of the annual accounts for the 1994 and 1995 fiscal years of the Trust and twelve (12) months after the filing of any other account with the Committee under subsection (b), the Trustee shall be forever released and discharged from any liability or accountability to the Company and the Committee with respect to the transactions shown or reflected on the account, except with respect to any acts or transactions as to which the Committee, within the applicable period, files written objections with the Trustee. The written approval of the Committee of any account filed by the Trustee, or the Committee's failure to file written objections within the applicable period, shall be a settlement of such accounts as against the Company and the Committee, and shall forever release and discharge the Trustee from any liability or accountability to the Company and the Committee with respect to the transaction shown or reflected on such account. If a statement of objection is filed by the Committee and the Committee is satisfied that its objections should be withdrawn or if the account is adjusted to its satisfaction, the Committee shall indicate its approval of the account in a written statement filed with the Trustee and the Trustee shall be forever released and discharged from all liability and accountability to the Company and the Committee in accordance with the immediately preceding sentence. If an objection is not settled by the Committee and the Trustee, the Trustee may commence a proceeding for a judicial settlement of the account in any court of competent jurisdiction; the only parties that need be joined in such a proceeding are the Trustee, the Committee, the Company and such other parties whose participation is required by law.

Section 7. Responsibilities and Powers of Trustee.

(a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of alike character and with like aims. The Trustee shall incur no liability hereunder except as provided by applicable law.

(b) Subject to the provisions of Section 3(b), the Trustee shall have no duty to make an independent investigation as to the occurrence of any event giving rise to a distribution hereunder or under the Plan, and shall be entitled to rely conclusively on the determinations of the Company, the Board of Directors, the Company's Chief Executive Officer, or the Committee, as the case may be, as to

the occurrence of any such event, which determinations shall be binding upon the Trustee, the Company and the Trust Beneficiaries. To the extent permitted by applicable law, the Trustee shall be indemnified by the Company against any and all liabilities, settlements, judgments, losses, costs, and expenses (including reasonable legal fees and expenses) of whatever kind and nature which may be imposed on, incurred by or asserted against the Trustee by reason of the performance or nonperformance of its trustee function under this Trust Agreement, except to the extent such action or inaction constituted negligence, willful misconduct or failure to act in good faith on the part of the Trustee.

(c) The Trustee may hire agents, accountants and attorneys (including the Company's attorneys) to assist with its responsibilities under this Trust Agreement subject to the consent of the Company.

(d) The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law unless expressly provided otherwise herein.

(e) The Committee or the Company shall direct the Trustee in administering the Trust, as provided in this Trust Agreement.

(f) Any corporation into which the Trustee (or any other corporation acting as Trustee) shall be merged or with which it shall be consolidated, or any corporation resulting from any merger, reorganization or consolidation to which it shall be a party, or any corporation to which all or substantially all of its trust business shall be transferred, shall be the successor of the Trustee (or of any other corporation acting as Trustee) as Trustee under this Trust Agreement, without the execution or filing of any instrument or the performance of any further act or the order or judgment of any court and with the same powers, authorities and discretions.

(g) Section 6.9 of the Plan is hereby incorporated by reference.

(h) The Company shall provide the Trustee with such information and assistance as the Trustee may reasonably request in connection with any communication or distributions to Trust Beneficiaries.

Section 8. Compensation and Expenses of the Trustee; Taxes.

(a) The Trustee shall be entitled to receive such reasonable compensation for its services and reimbursement for reasonable expenses incurred with respect to the administration of the Trust, including fees incurred by the Trustee pursuant to Section 7(c) of this Trust Agreement, in either case as shall be agreed upon between the Trustee and the Company. Such compensation and expenses shall be paid by the Company.

(b) The Trustee shall not be personally liable for any real and personal property taxes, transfer taxes, any income taxes (imposed on the Trust) and other similar taxes of any kind levied or assessed under the existing or future laws against the Fund. Such taxes shall be paid by the Company.

Section 9. Replacement of the Trustee.

(a) The Trustee may resign at any time, subject to the appointment and qualification of a successor trustee, by giving 60 days prior notice of such resignation in writing to the Company. The Trustee may be removed by the Company (with the consent of ALPA) upon 60 days prior notice. In the event of the resignation or removal of the Trustee, a successor corporate trustee shall be appointed by the Company (with the consent of ALPA). The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets.

(b) In the event of the appointment of a successor trustee, such successor trustee will succeed to all the right, title and estate of, and will be, the Trustee; and the retiring trustee will deliver the Trust to the successor trustee together with all such instruments of transfer, conveyance, assignment and further assurance as the successor trustee may reasonably require.

Section 10. Amendment.

(a) Subject to ALPA approval, this Trust Agreement may be amended by a written instrument executed by the Company at any time and to any extent except that, subject to the limitation below, in no event shall the rights of the creditors of the Company be diminished and no amendment may be made which would permit the Company to revoke the Trust in violation of Section 1(b). In addition, no amendment may be made without the Trustee's consent which would increase the Trustee's duties or responsibilities under this Trust Agreement.

(b) The Plan may be amended from time to time by the Company in accordance with its terms without the consent or concurrence of the Trustee and the Company will provide the Trustee with such amendments in a timely manner. The Company shall provide the Trustee with a copy of any amendment, certified by the Company's Secretary, Assistant Secretary or such person's designee, within 90 days after its adoption. In the event of any conflict between the Plan and this Agreement concerning the Trustee's responsibilities, this Trust

Agreement shall govern.

(c) If Shares allocable to members of the IAM Employee Group are contributed to the Trust, the parties agree to amend the Trust Agreement to provide for the holding of such Shares, to provide for notice to, consent and approval of the IAM with respect to such Shares consistent with the provisions in this Trust Agreement requiring notice to, or the consent or approval of, ALPA. The amendment in this Section 10(c) does not require the approval of ALPA.

Section 11. Severability and Alienation.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition without invalidating the remaining provisions hereof and the Trust Agreement shall be reconstituted and enforceable as if such illegal provision were never included.

(b) Subject to the provisions of Section 3 and Section 6.3 of the Plan (which is hereby incorporated by reference), benefits under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process.

Section 12. Governing Law.

This Trust Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

Section 13. Notices.

(a) Communications to the Company shall be addressed to the Company at P.O. Box #66919, Chicago, IL 60666, Attention: Corporate Secretary (if by mail) and at 1200 Algonquin Road, Elk Grove Township, Illinois 60006, Attention: Corporate Secretary, if by courier; provided, however, that upon the Company's written request, such communications shall be sent to such other addresses as the Company may specify.

(b) Communications to the Trustee shall be addressed to it at 225 Franklin Street, Boston, Massachusetts 02110, Attention: UAL ESOP Administration; provided, however, that upon the Trustee's written request, such communications shall be sent to such other address as the Trustee may specify.

(c) Communications to the Committee shall be addressed to the Committee at such address as the Committee may specify.

(d) Communications to ALPA shall be addressed to UAL MEC/ALPA at 6400 Shafer Court, Suite 700, Rosemont, Illinois 60018; provided, however, that upon ALPA's written request, such communications shall be sent to such other address as ALPA may specify.

(e) No communication shall be binding on the addressee thereof prior to receipt thereof.

Section 14. Signature in Counterparts.

This Trust Agreement may be signed in counterparts, each of which shall be an original but all of which together will constitute one and the same instrument.

Section 15. Defined Terms.

Capitalized terms not otherwise defined herein shall be defined in accordance with the Plan.

"Fund" means the contributions of cash or property reasonably acceptable to the Trustee, including, but not limited to, Company Stock deposited with or purchased by the Trustee and held under this Trust by the Trustee, any property into which the same or any part thereof may from time to time be converted, and any appreciation therein or income thereon less any depreciation therein, any losses thereon and any distributions or payments therefrom.

"Shares" shall mean Voting Shares and, to the extent applicable, Convertible Shares and/or Common Stock, as the context requires.

"Trust" shall mean the five trusts described in Section 1(f).

IN WITNESS WHEREOF, the Company and the Trustee have executed this Trust Agreement as of the date first above written.

UAL CORPORATION

By: /s/ J. R. O'Gorman

Title: Executive Vice President

STATE STREET BANK AND TRUST
COMPANY

By:

Title:

IN WITNESS WHEREOF, the Company and the Trustee have executed this Trust Agreement as of the date first above written.

UAL CORPORATION

By:

Title:

STATE STREET BANK AND TRUST
COMPANY

By: /s/ Kelly Q. Driscoll

Title: Vice President

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CLASS I JUNIOR PREFERRED STOCK SUBSCRIPTION AGREEMENT

This Agreement (the "Agreement") has been made and entered into as of this 12th day of July, 1994, by and among UAL Corporation, a Delaware corporation (the "Company"), the Air Line Pilots Association, International ("ALPA"), pursuant to its authority as the collective bargaining representative for the crafts or class of pilots employed by United Airlines, Inc. ("United"), the International Association of Machinists and Aerospace Workers ("IAM"), pursuant to its authority as the collective bargaining representative for the crafts or classes of mechanics and related employees, ramp and stores employees, food service employees, dispatchers, and security officers employed by United, and Duane D. Fitzgerald (the "Proposed Class I Preferred Stockholder").

WHEREAS, pursuant to the terms of and schedules to the Agreement and Plan of Recapitalization, dated as of March 25, 1994, by and among the Company, ALPA and the IAM (as amended, the "Recapitalization Agreement"), including the terms of the restated certificate of incorporation of the company to be effective as of the Effective Time (as defined in the Recapitalization Agreement) (the "Restated Certificate") and the restated By-Laws of the Company to be effective as of the Effective Time (the "Restated By-Laws") (the Recapitalization Agreement, the Restated Certificate and the Restated By-Laws, collectively, the "Governance Documents"), the board of directors of the Company (the "Board") will, until the Termination Date (as defined in the Restated Certificate) consist of twelve (12) directors (subject to adjustment in certain circumstances), four (4) of whom are to be independent directors (the "Independent Directors") nominated and elected and/or appointed as provided in the Governance Documents and in the Class I Preferred Stockholders' Agreement made and entered into as of July 12, 1994 by and among the Company, ALPA, the IAM and the Individual Parties (as defined therein) (the "Class I Preferred Stockholders' Agreement");

WHEREAS, the ALPA and the IAM have entered into the Recapitalization Agreement based in part on the composition and operation of the Board as provided in the Governance Documents and each has a substantial interest in assuring that the terms thereof and of this Agreement are carried out;

WHEREAS, the Governance Documents contemplate that at the Effective Time, the Company shall issue to each Independent Director, and each Independent Director shall be the registered holder of, one share of the Class I Junior Preferred Stock of the Company (the "Class I Preferred Stock"), each such share of Class I Preferred Stock having the relative rights, privileges and powers as set forth in the Restated Certificate (the holders of the Class I Preferred Stock from time to time are referred to individually herein as a "Class I Preferred Stockholder" and are collectively referred to herein as the "Class I Preferred Stockholders");

WHEREAS, the Governance Documents contemplate that Class I Preferred Stock may be held only by Independent Directors and that each Independent Director shall be a Class I Preferred Stockholder during such time as such person serves as an Independent Director; and

WHEREAS, the parties hereto have entered into this Agreement in order to effectuate the terms and intent of the Governance Documents regarding the Independent Directors and the issuance of the Class I Preferred Stock;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants herein contained and other good and valuable consideration the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Issuance of the Class I Preferred Stock Consideration. The Proposed Class I Preferred Stockholder hereby agrees to purchase from the Company and the Company hereby agrees to sell to the Proposed Class I Preferred Stockholder one share of Class I Preferred Stock. The consideration to be paid for such one share of Class I Preferred Stock shall be the par value thereof as set forth in the Restated Certificate.
2. Conditions to Issuance of the Class I Preferred Stock. Notwithstanding anything in this Agreement to the contrary, no shares of Class I Preferred Stock shall be issued to the Proposed Class I Preferred Stockholder (i) unless such individual simultaneously therewith executes and delivers to each of the other parties thereto the Class I Preferred Stockholders' Agreement in the form of Exhibit A annexed hereto or an agreement pursuant to which such individual shall agree to be bound by the terms of the Class I Preferred Stockholders' Agreement or (ii) if such issuance otherwise would be in contravention of the terms and conditions set forth in any of the Governance Documents, the Class I Preferred Stockholders' Agreement or this Agreement, including but not limited to the terms and conditions regarding the qualifications for Independent Directors set forth in Article FIFTH, Section 2.4 of the Restated Certificate.
3. Representations of the Proposed Class I Preferred Stockholder. The Proposed Class I Preferred Stockholder hereby represents and warrants to the Company, the ALPA and the IAM that he or she has reviewed, understands and acknowledges (i) the relative rights, privileges and powers of the Class I Preferred Stock set forth in the Governance Documents, including Article FOURTH, Part X of the Restated Certificate, and (ii) the limitations, including but not limited to the limitations with respect to the transfer of the Class I Preferred Stock, including the automatic redemption thereof, and the limitations with respect to the voting of the Class I Preferred Stock, which are imposed on each Class I Preferred Stockholder pursuant to the terms of the Governance Documents and the Class I Preferred Stockholders' Agreement.
4. Representations of the Company. The Company hereby represents and warrants to the Proposed Class I Preferred Stockholder that the share of Class I Preferred Stock being issued hereunder shall be duly authorized and, upon the payment of the consideration therefor to the Company, validly issued, fully paid and non-assessable.
5. Legends on Certificates. All certificates representing shares of Class I Preferred Stock shall contain one or more restrictive legends setting forth the restrictions imposed on the Class I Preferred Stock, including the restrictions with respect to transfer, including the automatic redemption thereof, and the restriction with respect to voting, pursuant to the Governance Documents and the Class I Preferred Stockholders' Agreement.
6. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the written consent of the other parties hereto.
7. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the conflicts of laws principles thereof.
8. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.
9. Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.
10. Amendments. This Agreement may not be amended or modified unless such amendment or modification is approved in writing by each of the parties hereto.
11. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: /s/ James M. Guyette

Name: James M. Guyette

Title: Executive Vice President

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: _____

Name:

Title:

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By: _____

Name:

Title:

Duane D. Fitzgerald

adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

10. Amendments. This Agreement may not be amended or modified unless such amendment or modification is approved in writing by each of the parties hereto.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: _____

Name:

Title:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: /s/ Roger D. Hall

Name: Roger D. Hall

Title: Chairman, UAL-MEC

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By: _____

Name:

Title:

Duane D. Fitzgerald

were otherwise breached, irreparable damage would occur, no adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

10. Amendments. This Agreement may not be amended or modified unless such amendment or modification is approved in writing by each of the parties hereto.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: _____

Name:
Title:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: _____

Name:
Title:

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By: /s/ Ken Thiede_____

Name: Ken Thiede
Title: President & General Chairman

Duane D. Fitzgerald

were otherwise breached, irreparable damage would occur, no adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

10. Amendments. This Agreement may not be amended or modified unless such amendment or modification is approved in writing by each of the parties hereto.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: _____

Name:

Title:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: _____

Name:

Title:

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By: _____

Name:

Title:

were otherwise breached, irreparable damage would occur, no adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

10. Amendments. This Agreement may not be amended or modified unless such amendment or modification is approved in writing by each of the parties hereto.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: _____

Name:
Title:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: _____

Name:
Title:

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By: _____

Name:
Title:

/s/ Richard D. McCormick
Richard D. McCormick

were otherwise breached, irreparable damage would occur, no adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

10. Amendments. This Agreement may not be amended or modified unless such amendment or modification is approved in writing by each of the parties hereto.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: _____

Name:
Title:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: _____

Name:
Title:

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By: _____

Name:
Title:

/s/ John K. Van de Kamp

John K. Van de Kamp

were otherwise breached, irreparable damage would occur, no adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

10. Amendments. This Agreement may not be amended or modified unless such amendment or modification is approved in writing by each of the parties hereto.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: _____

Name:
Title:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: _____

Name:
Title:

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By: _____

Name:
Title:

/s/Paul A. Volcker

Paul A. Volcker

EXHIBIT A TO THE
CLASS I PREFERRED
STOCKHOLDERS' AGREEMENT

In consideration of the receipt of the one share of Class I Preferred Stock of the Company and other good and valuable consideration the receipt of which is hereby acknowledged, the undersigned hereby agrees to be bound by and perform each of the terms of the Class I Preferred Stockholders' Agreement, made as of the ___ day of July, 1994, by and among the Company, ALPA, the IAM and certain individuals who currently serve or heretofore have served as Independent Directors of the Company (the "Agreement"), as if the undersigned were an original Individual Party to the Agreement. Capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement and Plan of Recapitalization, dated as of March 25, 1994, as amended from time to time, by and among the Company, ALPA and the IAM.

IN WITNESS WHEREOF, the undersigned has executed this Agreement to be bound by the Class I Preferred Stockholders' Agreement as of the date set forth below.

Dated: May 7, 1998

/s/ John W. Creighton, Jr

John W. Creighton, Jr.

EXHIBIT A TO THE
CLASS I PREFERRED
STOCKHOLDERS' AGREEMENT

In consideration of the receipt of the one share of Class I Preferred Stock of the Company and other good and valuable consideration the receipt of which is hereby acknowledged, the undersigned hereby agrees to be bound by and perform each of the terms of the Class I Preferred Stockholders' Agreement, made as of the __day of July, 1994, by and among the Company, ALFA, the IAM and certain individuals who currently serve or heretofore have served as Independent Directors of the Company (the "Agreement"), as if the undersigned were an original Individual Party to the Agreement. Capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement and Plan of Recapitalization, dated as of March 25, 1994, as amended from time to time, by and among the Company, ALPA and the IAM.

IN WITNESS WHEREOF, the undersigned has executed this Agreement to be bound by the Class I Preferred Stockholders' Agreement as of the date set forth below.

Dated: May 18, 1999

/s/ Hazel O'Leary.

Hazel O'Leary

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**1.36 Schedule 5.10(ii)-Class Sam
Preferred Stock Stockholders Agreement**

CLASS SAM PREFERRED STOCKHOLDERS' AGREEMENT

This Agreement (the "Agreement") has been made and entered into as of this 12th day of July, 1994, by and among UAL Corporation, a Delaware corporation (the "Company"), Joseph V. Vittoria (the "Designated Nominee") and Paul G. George (the "Designated Stockholder").

WHEREAS, pursuant to the terms of and schedules to the Agreement and Plan of Recapitalization, dated as of March 25, 1994, by and among the Company, the Air Line Pilots Association, International ("ALPA") and the International Association of Machinists and Aerospace Workers ("IAM") (as amended, the "Recapitalization Agreement"), including the terms of the restated certificate of incorporation of the Company to be effective as of the Effective Time (as defined in the Recapitalization Agreement) (the "Restated Certificate") and the restated By-Laws of the Company to be effective as of the Effective Time (the "Restated By-Laws") (the Recapitalization Agreement, the Restated Certificate and the Restated By-Laws, collectively, the "Governance Documents"), the board of directors of the Company (the "Board") shall, until the Termination Date (as defined in the Restated Certificate), consist of twelve (12) directors (subject to adjustment in certain circumstances), one (1) of whom shall be the designated representative (the "Salaried/Management Director") of the salaried and management employees of United Airlines, Inc. ("United"), nominated and elected and/or appointed as provided in the Governance Documents and in this Agreement;

WHEREAS, the Governance Documents contemplate that at the Effective Time, the Company shall issue to the Designated Nominee and the Designated Stockholder, and each of them shall be the registered holder of, two shares and one share, respectively, of the Class SAM Junior Preferred Stock, par value \$.01 per share, of the Company (the "Class SAM Preferred Stock"), each such share of Class SAM Preferred Stock having the relative rights, privileges and powers as set forth in the Restated Certificate (the holders of the Class SAM Preferred Stock from time to time are referred to individually herein as a "Class SAM Preferred Stockholder" and are collectively referred to herein as the "Class SAM Preferred Stockholders");

WHEREAS, the Governance Documents contemplate that Class SAM Preferred Stock may be held only by the Salaried/Management Employee Director and by a designated additional shareholder, each of whom shall be a Class SAM Preferred Stockholder;

WHEREAS, pursuant to the Class SAM Preferred Stock Subscription Agreement dated July 12, 1994, by and among the Company, the Designated Nominee and the Designated Stockholder, the Company is selling to the Designated Nominee and the Designated Stockholder, and the Designated Nominee and the Designated Stockholder are each purchasing from the Company, two shares and one share, respectively, of Class SAM Preferred Stock; and

WHEREAS, the parties hereto have entered into this Agreement in order to effectuate the terms and intent of the Governance Documents regarding the issuance of the Class SAM Preferred Stock.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants herein contained and other good and valuable consideration the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Effective Date; Term. This Agreement shall become effective simultaneous with the Effective Time and shall remain in effect in accordance with the terms hereof until the earlier of (i) the tenth anniversary of the Effective Time or such later date to which the duration of this Agreement shall be permitted under the General Corporation Law of the State of Delaware (the "GCL"), as the same may hereafter from time to time be amended, it being the express intention of the parties hereto that this Agreement shall remain in effect (subject to clause (ii) of this Section 1) for more than ten (10) years if permitted under, and for as long as permitted under, the GCL, as amended from time to time, and (ii) the first to occur of the ALPA Termination Date and the IAM Termination Date (each as defined in Article FIFTH of the Restated Certificate).

2. Voting for Election of the Salaried/Management Employee Director; Filling of Vacancies. At all elections for the Salaried/Management Employee Director, whether at a meeting of shareholders or pursuant to action by written consent without a meeting, each Class SAM Preferred Stockholder shall vote, or act by written consent with respect to, each share of Class SAM Preferred Stock held by such Class SAM Preferred Stockholder in favor of the candidate for Salaried/Management Employee Director nominated pursuant to Section 8 of this Agreement. In the event of a vacancy of the seat of the Salaried/Management Employee Director, other than upon the scheduled expiration of the term on the Board of the Salaried/Management Employee Director, it is agreed that such vacancy shall be filled with a candidate nominated pursuant to Section 8 of this Agreement.

3. Grant of Proxy. Each Class SAM Preferred Stockholder does hereby constitute and appoint each of the other parties hereto (including the other class SAM Preferred Stockholder), other than the Company, as his or her proxy to vote and/or to act by written consent with respect to all of the shares of Class SAM Preferred Stock owned by such Class SAM Preferred Stockholder in accordance with the provisions of this Agreement in the event that such Class SAM Preferred Stockholder shall fail to do so, to the same extent and with the same effect as such Class SAM Preferred Stockholder could do so. The proxy hereby granted by each Class SAM Preferred Stockholder is given in consideration of the proxy hereby granted by each other Class SAM Preferred Stockholder and in consideration of the other mutual covenants herein contained, and as such the proxy granted hereby by each Class SAM Preferred Stockholder is coupled with an interest and shall be irrevocable for so long as such Class SAM Preferred Stockholder remains a holder of Class SAM Preferred Stock.

4. Restrictions on Transfer of the Class SAM Preferred Stock. Except as provided in Sections 5 and 8(c) hereof, a Class SAM Preferred Stockholder may not sell, transfer, pledge, assign, hypothecate or otherwise dispose of any interest in (each, a "Disposition") any share of Class SAM Preferred Stock, including, without limitation, by operation of law or otherwise. Any purported Disposition of any share of Class SAM Preferred Stock in violation of this Section 4 shall be null and void and of no force and effect as to the proposed transferee and, upon any such purported Disposition, such share of Class SAM Preferred Stock shall be automatically redeemed by the Company as provided in, and subject to, Article FOURTH, Part IX, Sections 1.2 and 9 of the Restated Certificate (the "Automatic Redemption"). The certificates evidencing the shares of Class SAM Preferred Stock shall bear a legend describing the transfer and voting restrictions and Automatic Redemption set forth in this Agreement, as well as any other restrictions imposed by the Restated Certificate of the Restated By-Laws.

5. Return of the Shares of Class SAM Preferred Stock; Resignation of any Non-Nominated Director. Notwithstanding anything contained in Section 4 of this Agreement to the contrary, the Designated Nominee, immediately upon (i) the expiration of his or her term of office as the Salaried/Management Employee Director (unless concurrently therewith such individual is reelected for an additional term as the Salaried/Management Employee Director), (ii) his or her removal as the Salaried/Management Employee Director pursuant to Article FIFTH, Section 2.8 of the Restated Certificate or pursuant to the penultimate sentence of this section 5, (iii) his or her resignation as the Salaried/Management Employee Director, (iv) his or her ceasing to serve as the Salaried/Management Employee Director for any reason whatsoever, (v) his or her disqualification pursuant to Section 8(d) of this Agreement, or (vi) his or her failure to be re-nominated to continue to serve as the Salaried/Management Employee Director pursuant to Section 8 of this Agreement (in any such case, the "Terminated Director"), shall deliver or cause to be delivered, in exchange for the payment of the par value of each share so delivered, the stock certificate representing such Class SAM Preferred Stockholder's shares of Class SAM Preferred Stock, duly endorsed for transfer, to (a) such individual's elected or appointed successor as the Salaried/Management Employee Director, upon such successor executing and delivering an agreement in the form of Exhibit B hereto, or (b) in the case where no such successor Salaried/Management Employee Director has been elected or appointed concurrently with such individual's removal, resignation, disqualification pursuant to Section 8(d) of this Agreement or failure to be re-nominated or otherwise ceasing to serve as the Salaried/Management Employee Director, to the Company, to be held in escrow to be delivered to the successor of such Terminated Director when such successor (x) is duly elected or appointed, as the case may be, and (y) executes and delivers an agreement in the form of Exhibit B hereto.

The Company shall immediately effect an Automatic Redemption with respect to, or if such Automatic Redemption is not applicable, the Terminated Director shall sell and the Company, subject to legally available funds therefor, shall purchase, all shares of Class SAM Preferred Stock of any Terminated Director who fails to comply with the transfer requirements of this Section 5 and shall (subject to the following sentence) transfer or re-issue such redeemed or purchased shares to such Terminated Director's successor upon such successor executing and delivering an agreement in the form of Exhibit B annexed hereto. If such Terminated Director's successor is elected or appointed and executes and delivers an agreement in the form of Exhibit B annexed hereto prior to such Automatic Redemption or purchase by the Company, the Company shall issue to such successor two shares of Class SAM Preferred Stock upon the payment of the par value thereof. In addition, if the Designated Nominee fails to be re-nominated as the salaried/Management Employee Director pursuant to section 8 of this Agreement, such individual shall immediately resign from the Board and if such individual fails to so immediately resign from the Board, each of the Class SAM Preferred Stockholders (including the Class SAM Preferred Stockholder who has failed to so immediately resign from the Board) shall promptly vote (or act by written consent with respect to) their shares of Class SAM Preferred Stock to immediately remove such individual from the Board, without cause. A Terminated Director who resigns from, is removed from or otherwise ceases to be a member of the Board and otherwise complies with the provisions of this Section 5 shall no longer be deemed to be a party to this Agreement.

6. Replacement Salaried/Management Employee Director. Immediately upon the election or appointment (as the case may be) of an individual to replace or succeed any Terminated Director, such individual shall execute and deliver to the Company and the remaining parties hereto an agreement (in the form of Exhibit B annexed hereto) agreeing to be bound by each of the terms of this Agreement, and from and after the execution and delivery of such agreement, such individual shall be deemed to be a party to this Agreement. Should any individual who has been elected or appointed, as the case may be, as the Salaried/Management Employee Director fail either (i) to become a Class SAM Preferred Stockholder or (ii) to execute and deliver an agreement in the form of Exhibit B annexed hereto, each of the Class SAM Preferred Stockholders shall vote (or act by written consent with respect to) their shares of Class SAM Preferred Stock to remove such person as the

Salaried/Management Employee Director, without cause.

7. Mandatory Extensions. Not later than two years prior to the date, if any, on which this Agreement would otherwise expire pursuant to clause (i) of Section 1 of this Agreement, the Company and the Class SAM Preferred Stockholders shall execute and deliver to each other an extension of this Agreement for a period of time equal to the longest period then permitted by law, but in no event beyond the first to occur of the ALPA Termination Date and the IAM Termination Date. Should any Class SAM Preferred Stockholder fail to execute and deliver the extension of this Agreement required by this Section 7 (a "Non-Extending Stockholder"), each Class SAM Preferred Stockholder, including each Non-Extending Stockholder, shall vote (or act by written consent with respect to) their shares of Class SAM Preferred Stock to remove such Non-Extending Stockholder from the Board, without cause, if such Non-Extending Stockholder is the Salaried/Management Employee Director.

8. Nomination and Election of the Salaried/Management Employee Director. (a) The Designated Nominee named herein shall be the initial Designated Nominee hereunder, and the Designated Stockholder named herein shall be the initial Designated Stockholder hereunder, each of whom shall serve in such capacity until a replacement is named pursuant to this Section 8.

(b) The Designated Nominee shall be the initial candidate for election as the Salaried/Management Employee Director and shall serve in such capacity until another candidate is elected or appointed to be the replacement Designated Nominee (the "Replacement Designated Nominee") in accordance with the procedures identified in Exhibit A hereto. Upon such election or appointment, the Designated Nominee shall transfer the share of Class SAM Preferred Stock held by him or her to the Replacement Designated Nominee for a purchase price equal to the par value thereof, and the Replacement Designated Nominee shall purchase such share and shall execute and deliver a copy of an agreement in the form of Exhibit B hereto, as provided elsewhere herein. Thereupon, the Replacement Designated Nominee shall become the "Designated Nominee" hereunder for all purposes, and the Designated Nominee and the Designated Stockholder, as Class SAM Preferred Stockholders, shall vote to elect such Designated Nominee as the Salaried/Management Employee Director, as provided elsewhere herein. In the case of a vacancy of the Board seat for the Salaried/Management Employee Director, a candidate for election shall be identified in accordance with the procedures in Exhibit A as the Salaried/ Management Employee Director, and such person shall become the Replacement Designated Nominee hereunder.

(c) The Designated Stockholder shall serve in such capacity until another candidate is nominated to be the replacement Designated Stockholder (the "Replacement Designated Stockholder") in accordance with the procedure identified in Exhibit A hereto. Upon such nomination, the Designated Stockholder shall transfer the share of Class SAM Preferred Stock held by him or her to the Replacement Designated Stockholder for a purchase price equal to the par value thereof, and the Replacement Designated Stockholder shall purchase such share and shall execute and deliver a copy of an agreement in the form of Exhibit B hereto, as provided elsewhere herein. Thereupon, the Replacement Designated Stockholder shall become the "Designated Stockholder" hereunder for all purposes. The Designated Stockholder agrees to sell and the Company agrees to purchase (which may be by redemption) all shares of Class SAM Preferred Stock of any Designated Stockholder who fails to comply with the transfer requirements of this Section 8(c) by paying the par value of each share being purchased to such Designated Stockholder and shall (subject to the following sentence) transfer or re-issue such purchased shares to the Replacement Designated Stockholder upon such Replacement Designated Stockholder executing and delivering an agreement in the form of Exhibit B annexed hereto. If such Replacement Designated Stockholder executes and delivers an agreement in the form of Exhibit B annexed hereto prior to such purchase by the Company, the Company shall issue to such successor one share of Class SAM Preferred Stock upon the payment of the par value thereof.

(d) Any person who is otherwise not disqualified pursuant to the terms of this Agreement shall be qualified to become the Designated Nominee or the Designated Stockholder hereunder. Notwithstanding anything in the foregoing portion of this paragraph (d) to the contrary, any person who, as a Class SAM Preferred Stockholder, has failed to vote the share or shares of Class SAM Preferred Stock for the candidate for election as the Salaried/Management Employee Director nominated by the System Roundtable shall be disqualified hereunder from serving as either a Designated Nominee or a Designated Stockholder thereafter unless such disqualification is thereafter lifted by the System Roundtable.

(e) The System Roundtable shall communicate its actions by written notice (or communicated orally and confirmed in writing), given in person, sent by facsimile transmission or other electronic medium or sent by overnight express service to the addresses that the parties hereto shall provide in writing to the System Roundtable from time to time.

(f) The System Roundtable is the intended third-party beneficiary of this Agreement, and the parties hereto agree for the benefit of the System Roundtable, however constituted, that they shall perform their respective agreements hereunder. The System Roundtable and the members thereof shall not be liable to any person on account of any action it or they may take pursuant to the terms of this Agreement.

9. Waiver of Claims. Except as provided in Section 13, each Class SAM Preferred Stockholder hereby waives any and all claims, whether for damages or otherwise, which such individual may otherwise have against any person or entity in connection with such person or entity performing the terms of, or otherwise acting in accordance with, this Agreement.

10. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns (and, in the case of a deceased Class SAM Preferred Stockholder, such individual's estate and heirs), provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement except as provided herein.

11. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the conflicts of laws principles thereof.

12. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

13. Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

14. Amendments. This Agreement may not be amended or modified unless such amendment or modification (i) is approved in writing by the Company and each then existing Class SAM Preferred Stockholder and (ii) is consented to by the Independent Directors and the Outside Public Directors (each as defined in the Restated Certificate).

15. Entire Agreement. This Agreement, together with the Class SAM Preferred Stock Subscription Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: /s/ Joseph R. O'Gorman

Name: Joseph R. O'Gorman, Jr.
Title: Executive Vice President

Joseph V. Vittoria
Designated Nominee

Paul G. George
Designated Stockholder

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By:
Name:
Title:

/s/ Joseph V. Vittoria
Joseph V. Vittoria
Designate Nominee

Paul G. George
Designated Stockholder

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By:
Name:
Title:

Joseph V. Vittoria
Designated Nominee

/s/ Paul G. George
Paul G. George
Designated Stockholder

EXHIBIT A TO THE
CLASS SAM PREFERRED
STOCKHOLDERS' AGREEMENT

**SALARIED/MANAGEMENT EMPLOYEES
DIRECTOR AND DESIGNATED STOCKHOLDER
SELECTION PROCESS**

The Salaried/Management Employees Director shall be nominated by the System Roundtable.

The Designated Stockholder shall be the senior executive of United who has primary responsibility for human resources (the "Executive") unless and until the Company has purchased (which may be by redemption) all shares of Class SAM Preferred stock of any Designated Stockholder in accordance the fourth sentence of Section 8(c) of the Agreement. In the event of such purchase, the Replacement Designated Stockholder shall be as identified by the System Roundtable until such Executive is no longer the senior executive of United who has primary responsibility for human resources.

The System Roundtable shall establish a committee (the "Selection committee") of four employees to select the nominee for Salaried/Management Employees Director and the Replacement Designated Stockholder in accordance with the immediately preceding paragraph, which selection must be approved by a majority of the System Roundtable.

The Selection Committee or the System Roundtable may engage executive search firms and other consultants to assist in the selection of a nominee and may consult with legal counsel and the Company's management in making the selections.

**EXHIBIT B TO THE
CLASS SAM PREFERRED
STOCKHOLDERS' AGREEMENT**

In consideration of the receipt of the [one/two] share[s] of Class SAM Preferred Stock of the Company and other good and valuable consideration the receipt of which is hereby acknowledged, the undersigned hereby agrees to be bound by and perform each of the terms of the Class SAM Preferred Stockholders' Agreement, made as of the 12th day of July, 1994, by and among UAL Corporation and certain individuals who were named to serve as the initial Designated Nominee and the initial Designated Stockholder (the "Agreement"), as if the undersigned were the original [Designated Stockholder/ Designated Nominee] under the Agreement. Capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement and Plan of Recapitalization, dated as of March 25, 1994, as amended from time to time, by and among the Company, the ALPA and the IAM.

IN WITNESS WHEREOF, the undersigned has executed this Agreement to be bound by the Class SAM Preferred Stockholders' Agreement as of the date set forth below.

Dated:

EXHIBIT B TO THE
CLASS SAM PREFERRED
STOCKHOLDERS' AGREEMENT

In consideration of the receipt of the [one] shares[s] of Class SAM Preferred Stock of the Company and other good and valuable consideration the receipt of which is hereby acknowledged, the undersigned hereby agrees to be bound by and perform each of the terms of the Class SAM Preferred Stockholders' Agreement, made as of the 12th day of July, 1994, by and among UAL Corporation and certain individuals who were named to serve as the initial Designated Nominee and the initial Designated Stockholder (the "Agreement"), as if the undersigned were the original (Designated Stockholder) under the Agreement. Capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement and Plan of Recapitalization, dated as of March 25, 1994, as amended from time to time, by and among the Company, the ALFA and the IAM.

IN WITNESS WHEREOF, the undersigned has executed this Agreement to be bound by the Class SAM Preferred Stockholders' Agreement as of the date set forth below.

Dated: 3/4/97 /s/ William P. Hobgood

EXHIBIT B TO THE
CLASS SAM PREFERRED
STOCKHOLDERS' AGREEMENT

In consideration of the receipt of the [one] share[s] of Class SAM Preferred Stock of the Company and other good and valuable consideration the receipt of which is hereby acknowledged, the undersigned hereby agrees to be bound by and perform each of the terms of the Class SAM Preferred Stockholders' Agreement, made as of the 12th day of July, 1994, by and among UAL Corporation and certain individuals who were named to serve as the initial Designated Nominee and the initial Designated Stockholder (the "Agreement"), as if the undersigned were the original (Designated Stockholder) under the Agreement. Capitalized

terms not defined herein shall have the meanings ascribed to them in the Agreement and Plan of Recapitalization, dated as of March 25, 1994, as amended from time to time, by and among the Company, the ALPA and the IAM.

IN WITNESS WHEREOF, the undersigned has executed this Agreement to be bound by the Class SAM Preferred Stockholders' Agreement as of the date set forth below.

Dated: 1/2/97 /s/ John Edwardson

2000 Agreement
between
UNITED AIR LINES, INC.
and
THE AIR LINE PILOTS
in the service of
UNITED AIR LINES, INC.
represented by
THE AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

2000 Agreement
between
UNITED AIR LINES, INC.
and
THE AIR LINE PILOTS
in the service of
UNITED AIR LINES, INC.
represented by
THE AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

PREAMBLE

The pilots of United Airlines, as represented by the Air Line Pilots Association, International and the Management of United Airlines share a mutual interest that our Company continue to be the world's premier air carrier. To this end, the United Pilots and Management recognize their joint role in promoting safety in flight operations, providing a superior product to our customers, promoting career security, creating growth in United's flight operations, and maintaining industry-leading levels of pilot compensation, benefits and working conditions.

The United Pilots and Management, both as owners of the Company and as participants in a traditional employee/management relationship, seek to build and maintain open communications and mutual professional respect.

In support of this objective, United and the Association enter into this Industry Leading Contract 2000.

THIS AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between UNITED AIRLINES, INC., (hereinafter referred to as the "Company") and the AIRLINE PILOTS in the service of UNITED AIRLINES, INC., as represented by the AIRLINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

WITNESSETH:

It is hereby mutually agreed:

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Section 1

Recognition, Scope and Career Security

1-A- Recognition

The Air Line Pilots Association, International (the "Association"), has furnished the Company evidence that a majority of the airline pilots employed by the Company have designated the Association to represent them and in their behalf negotiate and conclude an agreement with the Company as to hours of labor, wages and other employment conditions covering the pilots in the employ of the Company in accordance with the provisions of Title II of the Railway Labor Act, as amended and the certification issued by the National Mediation Board in Case No. R-3463.

1-B- Scope

The pilots on the Pilots' System Seniority List and/or Second Officer Eligibility Seniority List (the "United Pilots") shall have

the sole and exclusive right to perform and be trained to perform Company Flying and operate Company Aircraft in accordance with the terms and conditions of this agreement or any other applicable agreement or agreements between the Company and the Association (together, the "Agreement").

1-B-1- Company Flying

Except as provided in paragraph 1-B-2, "Company Flying" includes without limitation all commercial flight operations of any sort whatsoever, whether revenue, nonrevenue, scheduled or unscheduled, conducted (i) by the Company or a Company Affiliate, or (ii) by the Company or a Company Affiliate for other air carriers, or (iii) by an Entity managed by or under the Control of the Company or a Company Affiliate, or (iv) by an Entity in which the Company or a Company affiliate owns any Equity.

1-B-2- Exceptions to Company Flying

Company Flying does not include flight operations that are (i) normally performed by the Company's engineering and test pilots (other than ferry flights that are not diagnostic test flights), or (ii) conducted by a Feeder Carrier pursuant to

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paragraph 1-C-1 below, or (iii) conducted by a Domestic Air Carrier pursuant to paragraph 1-C-2 below, or (iv) conducted by a Foreign Air Carrier pursuant to paragraph 1-C-3 below (including Foreign Air Carriers that are subject to paragraph 1-C-3-f below), or (v) conducted by an Air Carrier Purchaser during the operations following a Successorship Transaction but before an Operational Merger that are subject to paragraph 1-F below, or (vi) conducted by any other air carrier in accordance with an Industry Standard Interline Agreement.

1-B-3- Pilot Training Center

1-B-3-a- Neither the Company nor a Company Affiliate shall enter into any sale, lease, transfer or disposition of (i) the Denver pilot training center or any successor training facility (the "Pilot Training Center") or (ii) pilot training

equipment that prevents the Company from accomplishing the Company's normal training requirements for United pilots in the Pilot Training Center, provided that:

1-B-3-a-(1) The Company may enter into a sale-leaseback transaction for financing purposes in which the Company maintains operational control and continues to utilize only employees of the Company or the persons identified in paragraph 1-B-3-b-(1) and 1-B-3-b-(2) below to conduct United Pilot training;

1-B-3-a-(2) The Company may sell, lease, transfer or otherwise dispose of excess training center facilities to the extent they are not reasonably necessary to accomplish the Company's normal training requirements for United Pilots within the Pilot Training Center; and

1-B-3-a-(3) The Pilot Training Center may be sold to a Successor in connection with a Successorship Transaction (as defined in paragraph 1-D-1, below).

1-B-3-b- Neither the Company nor a Company Affiliate shall enter into any agreement, or arrangement with any person who is not employed by the Company to conduct or supervise United pilot training or to utilize United training facilities to train other pilots, including without limitation all United pilot training historically performed at the Pilot Training Center, except that the Company may continue to

1-B-3-b-(1) Use retired or disability retired United pilots who perform the present duties of a flight technical instructor in the Pilot Training Center as

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consultants to the Company while under the Company's supervision; and

1-B-3-b-(2) Permit aircraft manufacturers or other qualified organizations to conduct initial training of United flight training personnel on new aircraft equipment types.

1-B-3-c- If the Company is in compliance with paragraph 1-B-3-a above, then the Company may from time to time

utilize United training personnel to train United pilots at training facilities other than the Pilot Training Center, and may continue to permit employees of another air carrier to utilize United training facilities to train pilots of that carrier.

1-B-4- Disposition of Aircraft or International Routes

1-B-4-a- Neither the Company nor a Company Affiliate shall conclude a sale, lease, transfer or other disposition, whether directly or indirectly, of Company Aircraft to an Entity (the "Purchaser") that uses such aircraft to provide or receive passenger feed to or from the Company pursuant to an agreement or an arrangement with the Company or a Company Affiliate other than (i) as provided in paragraph 1-C-1 below, or (ii) pursuant to an Industry Standard Interline Agreement.

1-B-4-b- Neither the Company nor a Company Affiliate shall conclude a sale, lease, transfer or other disposition, whether directly or indirectly, of international routes owned by the Company or a Company Affiliate to an Entity (other than a Company Affiliate) that uses such international routes to provide or receive passenger feed to or from the Company pursuant to an agreement or an arrangement with the Company or a Company Affiliate other than pursuant to an Industry Standard Interline Agreement.

1-C- Permitted Code Sharing, Marketing, Ownership and Other Arrangements

1-C-1- Feeder Flying

The Company or a Company Affiliate may enter into code sharing with Feeder Carriers in conformance with the provisions of this paragraph C-1. The Company or a Company Affiliate may create, acquire, Control, manage, take an Equity interest in, enter into code sharing arrangements with, or sell, lease or transfer aircraft to Feeder Carriers that comply with the provisions of this

paragraph C-1 below, without the flight operations of such air carrier being considered Company Flying or the aircraft of

such air carrier being considered Company Aircraft.

1-C-1-a- Key Cities and Domicile Routes

1-C-1-a-(1) A Feeder Carrier shall not operate any Feeder Flying Non-Stops between current or future Company Key Cities without the prior written consent of the Association.

1-C-1-a-(2) Without limiting paragraph a-(1), a Feeder Carrier shall not operate Feeder Flying Round Trips between current or future Company pilot domiciles or between a current or future Company Key City and a current or future Company pilot domicile unless the Company demonstrates that a Company Round Trip operating in that Market instead of the Feeder Carrier Round Trip would not pass the Base Internal Rate of Return Test ("BIRR Test").

1-C-1-a-(3) As an exception to the foregoing, Feeder Carriers may operate in the IAD-LGA, IAD-EWR, and IAD-JFK Markets provided that, in order to operate Small Jets in such Markets, the Feeder Carriers do not operate in excess of 38,200 actual block hours in those Markets in any period of twelve consecutive months.

1-C-1-b- Connecting Operations

Feeder Carriers as a group shall schedule at least ninety percent (90%) of their Feeder Flying Non-Stops into or out of the following airports: IAD, DCA, MIA, LGA, EWR, JFK, ORD, DEN, LAX, SFO, SEA, BOS, PDX, PHX, LAS, SJL, SAN and any other airport that the parties later agree to add to this list. Up to five percent (5%) of Feeder Flying flights may be applied toward satisfying this requirement even if such flights include multiple stops, as long as such flights (i) originate or terminate at one of the foregoing airports, (ii) maintain a single flight number on a single aircraft for all the legs of such flight to or from such airport, and (iii) operate with scheduled intermediate stops of less than two (2) hours.

1-C-1-c- Feeder Flying Permitted Range

At least 80% of the Feeder Flying Non-Stops in any month shall take place on routes of 850 nautical miles or less.

1-C-1-d- Feeder Carrier Ratio

In each calendar quarter Feeder Flying shall not exceed the Feeder Carrier Ratio.

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1-C-1-e- Feeder Flying on Company Routes

1-C-1-e-(1) A Feeder Carrier shall not initiate a new scheduled Feeder Flying Round Trip in any Market operated by the Company at any time in the preceding twenty-four (24) months, unless the Company demonstrates that a Company Round Trip that may be initiated in the Market instead of the Feeder Flying Round Trip would not pass the BIRR Test.

1-C-1-e-(2) The Company shall not remove a scheduled Company Round Trip from any Market served by Feeder Flying unless the Company demonstrates that the Round Trip to be removed would not pass the BIRR Test in the absence of a Feeder Flying Round Trip scheduled to depart within thirty (30) minutes of the Company Round Trip.

1-C-1-f- Number of Small Jets in Feeder Flying

1-C-1-f-(1) In order to permit the operation of up to sixty-five (65) Small Jets in Feeder Flying, the Company will maintain in its Active Fleet no fewer than four hundred fifty-one (451) Large-Gauge Narrowbody Aircraft. For increases over the number sixty-five (65), the base numbers will be four hundred and fifty-one (451) Large-Gauge Narrowbody Aircraft and one hundred forty-one (141) Widebody Aircraft.

1-C-1-f-(2) When the Company permits the operation of Small Jets in Feeder Flying over the base number of sixty-five (65), it will, at its option, either:

1-C-1-f-(2)-(a) Where the Active Large-Gauge Narrowbody Fleet is at least four hundred fifty-one (451), add to the Active Fleet one (1) Small-Gauge Narrowbody for each net addition of one (1) such Small Jets; or

1-C-1-f-(2)-(b) Increase the base Active Large-Gauge Narrowbody Fleet of four hundred fifty-one

(451) by one (1) Large-Gauge Narrowbody Aircraft

for each net addition of three (3) such Small Jets; or

1-C-1-f-(2)-(c) Increase the base Active Widebody

Fleet of one hundred forty-one (141) by one (1)

Widebody Aircraft for each net addition of five (5)

such Small Jets.

1-C-1-f-(3) In addition to the Small Jets provided for in

paragraph 1-C-1-f-(1) and paragraph 1-C-1-f-(2)

above, the Company may permit an increase in Small

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Jets operated in Feeder Flying, without increasing

Active Fleet numbers by:

1-C-1-f-(3)-(a) Permitting Feeder Carriers to replace

on a one for one basis up to one hundred and fifty

(150) Turbo/Prop Aircraft in Feeder Flying service

on [DOS] and that are thereafter retired from Feeder

Flying; or

1-C-1-f-(3)-(b) Permitting the replacement of BAe-146

aircraft as provided in subparagraph (4) below.

1-C-1-f-(4) In addition to the Small Jets provided for in

paragraphs 1-C-1-f-(1) through (3) above, Feeder

Carrier Air Wisconsin Airlines Corp. ("AWAC") may

operate up to eighteen (18) aircraft with seating

capacity in excess of fifty (50) seats (the "AWAC

Quota"). Currently, the AWAC Quota is filled by BAe-146

aircraft with the following tail numbers: N463AP,

N179US, N181US, N183US, N606AW, N607AW,

N608AW, N609AW, N610AW, N611AW, N612AW,

N614AW, N615AW, N616AW, N290UE, N291UE,

N292UE, and N156TR. As needed, AWAC may replace

any aircraft within the AWAC Quota with: (i) any other

BAe-146 or AVRO 85 aircraft each with no more

passenger seats than were carried in the actual

operation of the replaced aircraft, or (ii) any other

aircraft with a maximum certificated seating capacity in

the United States of eighty-five (85) seats and a

maximum certificated gross takeoff weight in the United

States of up to ninety thousand (90,000) pounds, or (iii) up to two Small Jets.

1-C-1-f-(5) In order to satisfy the requirements set forth in this paragraph 1-C-1-f, including sub-paragraphs 1-C-1-f-(1) through (3) above, the Narrowbody and Widebody Aircraft in the Company's Active Fleet must maintain the Average Utilization Rate.

1-C-1-g- Numbers of Pilots

The absolute number of captains plus first officers employed by the Company shall not be reduced below 9592 captains plus first officers employed on Date of Signing as a result of Feeder Flying under the terms of this Agreement.

1-C-1-h- Feeder Carriers Conducting Operations for Themselves and Other Carriers

1-C-1-h-(1) An air carrier that is acting as a Feeder Carrier (other than a Company Affiliate) may also

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operate jet aircraft with a maximum certificated seating capacity in the United States of up to seventy (70) seats and a maximum certificated gross takeoff weight in the United States of up to eighty thousand (80,000) pounds on its own behalf or pursuant to agreements with air carriers other than the Company or Company Affiliate;

1-C-1-h-(2) An Affiliate of a Feeder Carrier (other than a Company Affiliate) may operate any size and weight aircraft on its own behalf and pursuant to agreements with other carriers.

1-C-1-i- Feeder Carrier Branding

1-C-1-i-(1) Feeder Carriers may not conduct commercial flight operations under the name United Airlines, United Shuttle, or other names used by the Company except as provided in subparagraph (2) below.

1-C-1-i-(2) Aircraft operated in Feeder Flying may bear the Company's logo or aircraft livery only if such

aircraft bear the name United Express or similar name connoting a connection with United Airlines (other than the names United Airlines, United Shuttle or other name used by the Company).

1-C-2- Other Domestic Code Sharing Agreements

1-C-2-a- The Company may enter into or maintain code sharing with Domestic Air Carriers ("Domestic Code Sharing Agreements") that permit such carriers to apply the Company's designator code to their operations as long as:

1-C-2-a-(1) The number of quarterly block hours scheduled to be operated by such carriers utilizing the Company's designator code does not exceed one percent (1%) of the Company's total scheduled block hours for the same quarter within the United States and Territories; and

1-C-2-a-(2) Domestic Code Sharing Agreements do not take place in any operations between any current or future Company Key Cities or Company gateway airports.

1-C-2-a-(3) Except as provided in paragraphs C-2-a-(1) and (2) above and C-2-b below, the Company will not enter into schedule coordination agreements with other Domestic Air Carriers for the purpose of creating

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Section 1-C-2-b

greater schedule connectivity. Notwithstanding the foregoing, the Company shall not be prevented from participating in IATA Scheduling or Slot Conferences nor from engaging in slot exchanges with Domestic Air Carriers.

1-C-2-b- The restrictions contained in paragraph C-2-a above shall not apply to (i) Feeder Flying, (ii) code-share flying operated by Aloha Airlines, Inc. in the Hawaiian Islands under the current United-Aloha agreement and renewals thereof or (iii) code share flying operated by a Domestic Air Carrier that replaces Aloha Airlines under a similar agreement limited to the Hawaiian Islands,

provided that the replacement air carrier and any major Domestic Air Carrier Parent it may have maintain their headquarters, executive offices, and offices for senior flight operations personnel within the State of Hawaii.

1-C-3- International Code Sharing Agreements

The Company may enter into or maintain code sharing agreements with Foreign Air Carriers ("International Code Sharing Agreements") that permit such carriers to utilize the Company's designator code with the Company on such carriers' flight operations between the United States and Territories and foreign points or between two foreign points ("International Flying") under the following terms and conditions:

1-C-3-a- Protection for Company International Flying

Unless the Company obtains the approval of the Association, it must demonstrate that implementation of all International Code Sharing Agreements and renewals thereof, does not cause a reduction in the then-current total number of block hours of International Flying performed by the Company. Such block hours will be measured at the conclusion of the calendar quarter following implementation of the International Code Sharing Agreement and renewals thereafter.

1-C-3-b- Minimum Company International Flying

The Company shall schedule at least the following block hours of Company International Flying in the following years: 2000: 511,538; 2001: 542,373; 2002: 559,515; 2003 and thereafter: 576,300.

1-C-3-b-(1) If, in any rolling twelve (12) month period, the Company operates fewer than ninety-five percent (95%) of the total number of block hours required by

Section 1-C-3

paragraph 1-C-3-b above, (measured by the monthly averages determined by the annual requirements), then the Company shall not expand total number of block hours operated by other carriers pursuant to International Code Sharing Agreements until the

Company maintains ninety-five percent (95%) of the required number of scheduled block hours (measured by the monthly averages determined by the annual requirements) for the twelve (12) month period prior to any such expansion.

1-C-3-b-(2) If, in any rolling twelve-month period the Company operates fewer than ninety-five percent (95%) of the total number of block hours required by paragraph 1-C-3-b above, (measured by the monthly averages determined by the annual requirements), then the Company will review the ASM growth of the Company and its international code sharing partners in each Joint International Non-Stop Market contained within an International Code Sharing Agreement. If the ASM growth of the international code sharing partner in the Joint International Non-Stop Market since the later of the inception of the International Code Sharing Agreement or the [DOS] is two or more times greater than the Company's ASM growth in the same Joint International Non-Stop Market, the Company will further evaluate the Joint International Non-Stop Market to determine if the addition of one or more Company Round Trips instead of an existing international code share partner flight in such Joint International Market would pass the BIRR Test. If the evaluation determines that the addition of one or more Company Round Trips passes the BIRR Test, the Company will add such Round Trip(s) as soon as practical. Notwithstanding this paragraph, the Company is not required to add a Round Trip to a Joint International Market that it is barred from adding unilaterally by virtue of an agreement that satisfies paragraph 1-C-3-d below.

1-C-3-c- Protection Against Reduction of Company Flights

Except as provided in paragraph 1-C-3-d below, the Company shall not remove a scheduled Company Non-Stop from a Joint International Non-Stop Market unless the Company demonstrates that the Company Non-Stop to

1-C-3-d- Revenue Sharing With Foreign Air Carriers

The Company may enter into and maintain agreements with Foreign Air Carriers where the Company has antitrust immunity with such carriers, providing for a sharing of profits and losses, if the Company will maintain, throughout the agreement, the ASM ratio no less favorable to the Company than the one that exists among participating carriers at the inception of the agreement, of scheduled ASMs generated by Round Trips in Markets covered by the agreement in which all participating carriers have rights to fly (the "Covered Markets"). The ratio shall be the number of scheduled ASMs generated by Company Round Trips in the Covered Markets at the inception of the agreement divided by the total number of scheduled ASMs generated by all Round Trips in the Covered Markets operated by all parties to the agreement (the "Company's ASM Share"). The manner in which the Company Share is maintained shall be as follows:

1-C-3-d-(1) The Company's ASM Share at the inception of the agreement shall be the base line ratio (the "Base Line Ratio" or "BLR") for the duration of the agreement. However, if the Company's ASM Share is less than sixty-five percent (65%) divided by the number of carriers in the agreement (the "Target BLR"), it shall operate all new Round Trips in Covered Markets until such time as the Company's Share equals or exceeds the Target BLR.

1-C-3-d-(2) Annually, the Company will audit the total number of scheduled ASMs generated by Round Trips in Covered Markets.

1-C-3-d-(3) If, at the time of the annual audit, the Company's ASM Share has fallen below the Target BLR, it will take the necessary steps to return the Company's Share to the Target BLR by the date of the next annual audit.

1-C-3-d-(4) For determining all profits and losses

under the agreement:

1-C-3-d-(4)-(a) Total costs for all parties to the agreement shall not include employment costs as defined under DOT Form 41;

1-C-3-d-(4)-(b) Profits and losses that are subject to sharing shall be those that are incremental to the profits and losses prior to the applicable agreement.

On an annual basis, the Company's share of incremental profits from flight operations under the

Section 1-C-3-d

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agreement shall not exceed the Company's ASM Share.

1-C-3-e- Prohibition on Cabotage

Regardless of any future modification in legal rules governing cabotage, Foreign Air Carriers that are parties to International Code Sharing Agreements may not operate any flights where the Foreign Air Carrier picks up for hire at any point in the United States and Territories passengers, property or mail destined for any other point in the United States and Territories ("U.S. Flight") if the U.S. Flight operates under the designator code of the Company or a Company Affiliate. Further, such Foreign Air Carrier shall be prohibited from placing its code on Company Aircraft in any domestic market where the Foreign Air Carrier operates a U.S. Flight.

1-C-3-f- Acquisition of Equity of Foreign Air Carriers

The Company or a Company Affiliate may acquire (i) up to twenty percent (20%) of the total Equity in the form of Common Equity and (ii) up to twenty percent (20%) of the total Equity in a form or forms which are not Common Equity, in each case, of any Foreign Air Carrier that is a member of the Star Alliance or any successor multi-airline network (the "Network") or of any other Foreign Air Carrier that, as a condition of such investment, commits within six months of the investment to become a member of the Network, without such investment by itself causing the flight operations of such air carrier to be considered

Company Flying, the aircraft of such air carrier to be considered Company Aircraft or such Entity to be considered a Company Affiliate. However, the Company or its Affiliate, as the case may be, shall sell its Equity in a Foreign Air Carrier as soon as practicable if that Foreign Air Carrier ceases to be a member of the Network, or fails to become a member of the Network within eighteen months of the commitment to do so. In the event the Company or a Company Affiliate acquires any Equity pursuant to clause (ii) above, it will ensure that under no circumstances, except in connection with the sale or other transfer of such Equity other than to a Company Affiliate, shall such non-Common Equity be exchanged or exercised for, or converted into Common Equity whether at the election of the Company or such Company Affiliate or otherwise, without the prior written consent of the Association.

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Section 1-C-4

1-C-4- Code Sharing Agreements - General

1-C-4-a- Except as provided in paragraph 1-C-1, 1-C-2, and 1-C-3 above, neither the Company nor a Company Affiliate shall enter into any agreement or arrangement that permits any other air carrier to conduct commercial flight operations:

1-C-4-a-(1) Under any designator code currently or in the future used by the Company or a Company Affiliate, or

1-C-4-a-(2) In any aircraft which bear the name, trade name, logo, aircraft livery, trademarks or service marks ("Brand") currently or in the future used by the Company or a Company Affiliate other than (i) a Brand of Star Alliance (which may include the Company's Brand) placed in an inferior position to the Brand of the operating carrier so as to indicate that the flying under that Brand is not being performed by the Company, or (iii) a Brand of United Express or similar Feeder Carrier Brand; or

1-C-4-a-(3) That utilize the Brand used by the

Company in a manner that holds out to the public that such carrier's flying is being conducted by the Company.

1-C-4-b- The Company and Company Affiliates may enter into and maintain marketing agreements, revenue sharing agreements and schedule coordination agreements with other air carriers that do not contravene the provisions of this Section 1-C. Notwithstanding the foregoing sentence, agreements that provide for sharing of profits and/or of profits and losses may only be entered into with air carriers pursuant to and in accordance with paragraph 1-C-3-d.

1-C-4-c- Nothing herein shall prevent the Company from entering into, maintaining or implementing International Code Sharing Agreements covering a route or routes that the Company is unable to operate due to the loss of operating authority (including but not limited to slots) provided that the Company has made a good-faith effort to retain the lost operating authority or slots. Further, the Company shall not be required to add a Round Trip that it is unable to operate due to the lack of operating authority (including but not limited to slots) provided that the Company has made a good-faith effort to obtain the applicable operating authority or slots.

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1-C-5- Block Space

The Company may enter into block space arrangements with other carriers (i.e., the advance purchase or reservation of blocks of seats on other carriers for resale by the Company) only

1-C-5-a- On flights which carry the Company's designator code pursuant to paragraph 1-C-1, 1-C-2 and 1-C-3 above, provided that the Company may not enter into a block space arrangement with a Foreign Air Carrier for more than one hundred and seventy-five (175) seats on any aircraft on which the space is blocked (seventy

(70) seats for operations to or from Mexico, Canada, the Caribbean or Central America).

1-C-5-b- On a limited number of occasions where United Vacations or Mileage Plus from time to time purchases block seats in order to provide connecting service as part of group vacation packages where such service or seats on such service are not available from the Company; or

1-C-5-c- On other occasions, limited in number and consistent with the Company's limited practices as of the date of this Agreement, where the Company from time to time purchases seats for connecting passengers over routes on which the Company does not maintain operating authority.

1-C-6- Cargo

When the Company ships cargo for hire, whether independently or as part of a cooperative agreement with other Entities, it shall endeavor to maximize the carriage of such cargo on Company Aircraft as opposed to on other carriers. Further, when shipped by air between two points served by the Company on a Non-Stop basis, the cargo will be scheduled to be shipped on Company Aircraft. Further, the Company and its Affiliates shall not share profits from shipment of cargo by other Domestic Air Carriers except Feeder Carriers.

1-D- Successorship

1-D-1- Successorship Transactions

The Company and its Affiliates shall require any successor, assign, assignee, transferee, administrator, executor and/or trustee of the Company or of a Parent (a "Successor") resulting from the transfer (in a single transaction or in multi-

step transactions) to the Successor of the ownership and/or control of fifty (50%) percent or more of the Equity of the Company or Parent or fifty percent (50%) of the value of the assets of the Company (a "Successorship Transaction") to employ or cause the Company to continue to employ the United Pilots in accordance with the provisions of the

Agreement and to assume and be bound by the Agreement, provided:

1-D-1-a- In order for a Successor to be required to employ or to cause the Company to continue to employ any of the United Pilots in accordance with the provisions of the Agreement at any air carrier other than the Company, the Successor must be engaged in the operation of an air carrier; however, if the Successorship Transaction is for less than all or substantially all of the Equity of the Company or a Parent, or assets of the Company, the sections of the Agreement providing for minimum numbers of pilots, aircraft, and flying shall be modified and/or prorated to correspond to the size of the Company airline operations disposed of to the Successor, and

1-D-1-b- A Successor shall not include an Entity that is (a) an IRS-qualified employee benefit plan of the Company or a Parent or a trustee or other fiduciary of such plan acting in its capacity as such, provided that the plan is one in which (i) all United Pilots who meet the general service requirements applicable to all participants are entitled to participate; (ii) stock of the Company or Company Affiliate allocated to accounts of participants is voted (subject to the ERISA obligations of the trustees) in accordance with the instructions of the participants if any are given; and (iii) the trustee voting unallocated stock is a nationally recognized bank or financial institution or (b) any similar plan or arrangement involving broad-based participation by the Company's pilots. If stock in the plan which is required to be voted in accordance with directions of the participants is tendered to and purchased by an Entity outside the plan (other than a plan that satisfies the foregoing sentence), such stock shall be deemed to be no longer owned by the plan for purposes of this exemption.

1-D-2- Successorship Agreements

The Company and its Affiliates shall not conclude any agreement for a Successorship Transaction unless the Successor agrees in writing, as an irrevocable condition of the Successorship Transaction, to assume and be bound by

the Agreement, to recognize the Association as the representative of the Successor's pilots, and to guarantee that the pilots on the United Pilots' System Seniority List will be employed by the Successor in accordance with the provisions of the Agreement.

1-D-3- Air Carrier Successors

In the event of a Successorship Transaction in which the Successor is an air carrier or Entity that Controls or is under the Control of an air carrier, the Successor shall provide the Company's pilots with the seniority integration rights provided in Sections 2, 3, and 13 of the Labor Protective Provisions specified by the Civil Aeronautics Merger Board in the Allegheny-Mohawk merger ("Allegheny-Mohawk LPPs"), except that the integration of the seniority lists of the respective pilot groups shall be governed by Association Merger Policy if both pre-transaction pilot groups are represented by the Association.

1-E- Change of Control

1-E-1- Rights Agreement

In addition to all other rights, the Association shall be provided protection as follows at the same time protection is provided to shareholders pursuant to any shareholder agreement adopted by UAL Corporation that is substantially similar to the Rights Agreement dated December 11, 1986, as amended, between UAL Corporation and Morgan Shareholder Services Trust Company (any such agreement as the same may be amended, supplemented or otherwise modified from time to time, a "Rights Agreement"). The Association shall have the right, during the period described in this paragraph E-1, to serve a Section 6 notice to reopen the Agreement. For purposes hereof, the Association's right to serve a Section 6 notice under this provision shall be effective only during the time period the registered holders of then outstanding rights certificates issued pursuant to a Rights Agreement may exercise rights to purchase shares of stock of the Company or UAL Corporation pursuant to such

Rights Agreement.

1-E-2- Additional Rights

In the event of a Successorship Transaction, the Association shall, in addition to all other rights, thereupon have the right in its sole discretion, upon written notice to the Company within 60 days of written notice following the closing of such

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Section 1-E-3

transaction, (a) to extend the duration of this Agreement for one, two or three years at the Association's option, past its amendable date with across-the-board wage increases of five percent (5%) on the amendable date (i.e. September 1, 2004) and each annual anniversary of the amendable date thereafter (i.e., on September 1 as applicable); (b) to serve notice under Section 6 of the Railway Labor Act, as amended, to reopen the Agreement without regard to Section 22 (Duration) of the Agreement; or (c) to exercise any combination of the rights specified in this paragraph.

1-E-3- Competing Proposal

In the event the Company or its Parent receives a proposal (a "Proposal") for a transaction which would result in a Successor if completed, and the Company or its Parent determines to pursue or facilitate the Proposal, the Company or its Parent will in good faith seek to provide the Association with the opportunity to make a competing Proposal at such time and under such circumstances as the Board of Directors of UAL or the Company reasonably determines to be consistent with its or their fiduciary duties.

1-F- Operations Following Successorship Transaction

If the acquiring Entity in a Successorship Transaction is an air carrier or Affiliate of an air carrier ("Air Carrier Purchaser"):

1-F-1- The flight operations of the Company and Air Carrier Purchaser shall remain separate until the implementation of an integrated seniority list pursuant to paragraph 1-D-3 above and a single collective bargaining agreement (the "Operational Merger Date"); and

1-F-2- All aircraft in the Company's Active Fleet and all

aircraft on firm order by the Company that are delivered to the Company or the Air Carrier Purchaser shall be operated by the United Pilots under the terms and conditions provided in the Agreement until the Operational Merger Date; and

1-F-3- Until the Operational Merger Date, in each month following the Successorship Transaction the ratio of block hours of Company Flying to block hours of flying by the Air Carrier Purchaser shall equal or exceed the same ratio determined for the twelve calendar months prior to the Successorship Transaction.

Section 1-G

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1-G- Other Labor Protective Provisions

If the Company transfers to an Entity (the "Transferee") (by sale, lease or other transaction) or disposes of aircraft or route authority which produced fifteen percent (15%) or more of the Company's operating revenues, block hours, or ASMs during the twelve (12) months immediately prior to the date of the agreement to transfer such aircraft or route authority (the "Transaction Date"), net of revenues, block hours or ASMs that are produced by aircraft or route authority that were placed into service during the same period (any such transfer, a "Substantial Asset Sale"), then:

1-G-1- Offer of Employment to United Pilots

The Company shall require the Transferee to offer pilot employment to eligible United Pilots. The eligibility criteria shall be determined by agreement between the Company and the Association and shall be reasonably related to the assets transferred, the interests of the United Pilots and the Company, and the nature and timing of the transaction among other issues. If the Association and the Company are unable to agree upon eligibility criteria that are consistent with the foregoing considerations, the System Board of Adjustment shall determine such eligibility criteria pursuant to the expedited procedures set forth in paragraph 1-L-1 below (the "Transferring Pilots"). The number of pilot employment opportunities for Transferring Pilots shall be, as measured in the twelve (12) months prior to the Transaction

Date, the sum of (i) the average monthly pilot staffing actually utilized in the operation of the aircraft transferred to the Transferee in connection with the Substantial Asset Sale plus (ii) the average monthly pilot staffing actually utilized in the operation of the route authority transferred to the Transferee in connection with the Substantial Asset Sale to the extent such pilot staffing is not included in the calculation of clause (i) above. Offers of employment that are rejected by a United Pilot shall in turn be offered to other United Pilots under the eligibility criteria determined under the first sentence of this subparagraph 1, until such opportunities have been exhausted.

1-G-2- Seniority Integration

The Company shall require the Transferee to provide the Transferring Pilots with the seniority integration rights provided in Sections 2, 3, and 13 of the Allegheny-Mohawk LPPs except that the integration of the Transferring Pilots

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into the Transferee's seniority list shall be governed by Association Merger Policy if both pre-transaction pilot groups are represented by the Association. The Company shall require each Transferee to agree, and such Transferee shall agree, to provide the seniority integration rights specified in the preceding sentence in connection with a Substantial Asset Sale in a written document enforceable against the Transferee by the Association and/or the Transferring Pilots.

1-H- General Furlough and Job Security Protection

1-H-1- Furlough Protection

United Pilots who have completed their probationary period will not be furloughed. Regardless of any other provision of the Agreement, the Company may require a United Pilot who would have been furloughed but for this paragraph to utilize his accrued unused vacation.

1-H-2- Active Status Protection

The total number of Captains, First Officers and Management Pilots in active status under the Agreement (i.e., excluding United Pilots on long-term sick leave or leave of absence) will

not be reduced below 9458.

1-H-3- Fleet Size Guarantee

The Active Fleet of Large-Gauge Narrowbody Aircraft and of Widebody Aircraft shall be no fewer than the following as of yearend for each of the following years: 2000: 571; 2001: 608; 2002: 625; 2003 and thereafter: 633.

1-H-4- Block Hours Guarantee

The Company shall schedule no fewer than the following specified number of block hours of Company Flying in Large-Gauge Narrowbody Aircraft and Widebody Aircraft in each of the following calendar years: 2000: 2,188,166; 2001: 2,337,557; 2002: 2,418,125; 2003 and thereafter: 2,449,077.

1-H-5- Changed Circumstances

The following will govern the Company's obligations under this Section 1-H in the event the Company experiences changed economic circumstances beyond the Company's control:

1-H-5-a- Substantial Economic Downturn

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Although the Company is fully committed to maintaining the Active Fleet and the minimum block hours guarantees established in paragraph 1-H-3 (Fleet Size Guarantee) and 1-H-4 (Block Hours Guarantee) above, the parties recognize that a substantial economic downturn beyond the control of the Company may require a reduction in its planned level of flight operations as a matter of prudent business judgment in order to avoid a substantial decline in profitability (a "Reduction"). Accordingly, the Company shall be permitted to reduce flight operations from the levels established in paragraph 1-H-3 and 1-H-4 if it fully complies with each element of the following review and approval process:

1-H-5-a-(1) The Company rationally projects, in an exercise of the Company's rational business judgment and customary forecasting practices, that the Company will suffer a year-over-year reduction of at least thirty-three and one-third percent (33 1/3%) in its reported pre-tax earnings (excluding extraordinary debits and

credits in accordance with GAAP) over the next twelve (12) months if it does not initiate a Reduction (such projection being referred to as the "Downturn Projection"). The factors that might warrant a Reduction include without limitation:

1-H-5-a-(1)-(a) Significant declines in the Company's advance bookings or current ticketing;

1-H-5-a-(1)-(b) Significant declines in current or forecast Company or industry revenues;

1-H-5-a-(1)-(c) Significant increases in current or forecast unit costs;

1-H-5-a-(1)-(d) Significant current or forecast competitive capacity changes; or

1-H-5-a-(1)-(e) Any other factor or combination of factors that in the Company's rational business judgment justifies the substantial year-over-year projected decline in profitability described above.

1-H-5-a-(2) The Company presents its Downturn Projection and supporting information and documentation to the Association as early as practicable in the Company's planning process but at least forty-five (45) days before a Reduction. The Company will provide the Association with every reasonable opportunity to review the Downturn Projection and to suggest ways of avoiding a substantial decrease in profitability without a Reduction. The Association will provide any comments

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it may have on the Company's Downturn Projection within 10 business days of the date it receives the Downturn Projection and supporting information and documentation from the Company.

1-H-5-a-(3) The Board of Directors of the Company's Parent (the "Board") determines, at least 30 days before a Reduction and through a formal resolution following full review and debate that the Company must initiate a Reduction in order to avoid the substantial

decrease in profitability described above.

1-H-5-a-(4) The Company and the Association jointly select and brief a recognized expert of national standing (the "Neutral Professional") in connection with the following review process:

1-H-5-a-(4)-(a) If the Association disputes that the Downturn Projection is based upon a rational business judgment, the Association shall so inform the Company within two business days of the Board's determination. In that event, the Company and the Association will immediately submit their dispute to the Neutral Professional.

1-H-5-a-(4)-(b) The Neutral Professional will determine within three days of submission whether the Company failed to base the Downturn Projection on a rational business judgment and shall inform both the Company and the Association of the basis for any determination that the Company failed to base the Downtown Projection on an rational business judgment (a "Downturn Rejection Decision").

1-H-5-a-(4)-(c) If the Neutral Professional makes a Downturn Rejection Decision, the Company may not initiate a Reduction until the Board reconsiders and takes a new vote on whether, in light of the Neutral Professional's report, the Company must initiate a Reduction in order to avoid the substantial decrease in profitability described above.

1-H-5-a-(5) - While a Reduction remains in effect:

1-H-5-a-(5)-(a) The Company will provide the Association any financial and operational information that the Association reasonably requests to monitor the Company's performance and projections;

1-H-5-a-(5)-(b) The Company will meet with the Association on a monthly basis to review the

Company's operational results, financial performance, business plans and future projections in order to discuss whether the Company would continue to experience the substantial decrease in profitability described above in the absence of the Reduction; and

1-H-5-a-(5)-(c) The Board will review and re-evaluate the reduction resolution at least every six months in light of the Company's then-current operational and financial performance and projections.

1-H-5-b- Reduction Limits

If the Company fully complies with the review and approval process described in paragraph 1-H-5-a above, it may initiate a Reduction in accordance with the following:

1-H-5-b-(1) The Company may initiate the Reduction to the extent necessary to eliminate flight operations that, according to the Company's reasonable projections, produce negative cash flow for the Company over the projected period of reduced flight operations. As a general rule, the Company will project cash flow based on the difference between (i) the net forgone revenues for the applicable flight operations (including segment and beyond revenues and after adjusting for revenue recapture on other Company operations, the resale of beyond seats, competitive capacity adjustments and pricing adjustments) and (ii) the actual system-wide (both segment and beyond) flight operating expenses, traffic related expenses, aircraft ownership costs (excluding depreciation), infrastructure and overhead costs, and cost of capital that are reasonably allocated to the applicable flight operations.

1-H-5-b-(2) It is the intent of the Company that a Reduction will be temporary in nature. At the conclusion of the Reduction, the Company will resume the levels set forth in paragraph 1-H-3 and 1-H-4 above as soon as circumstances warrant; and

1-H-5-b-(3) During a Reduction, the Company will not permit Feeder Carriers to:

1-H-5-b-(3)-(a) Operate more Small Jets in Feeder Carrier Operations than were operated in the period sixty to ninety (60-90) days before the Reduction except for replacement aircraft permitted by paragraph 1-C-1-f-(3) above and a maximum of six (6) Small Jets that (i) are subject to firm and binding

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orders at the commencement of the Reduction and (ii) are placed into active service within twelve (12) months of the commencement of the Reduction;

1-H-5-b-(3)-(b) Initiate a scheduled Small Jet Round Trips in any Market operated by the Company at any time during the twenty-four (24) months preceding the Reduction unless the Company demonstrates that increased Round Trips initiated in the Market instead of the Small Jet Round Trip would not pass the BIRR Test; or

1-H-5-b-(3)-(c) Increase the number of Small Jet frequencies, Small Jet block hours or Small Jet ASMs on any Route operated by the Company at any time in the twenty-four (24) months preceding the Reduction, unless the Feeder Carrier provided Feeder Carrier Small Jet service on the Route for at least six (6) months immediately prior to the Reduction and the Company did not serve the Route during that six-month period.

1-H-5-c- Pilot Protection during a Reduction

Any pilot who is surplus pursuant to Section 8-K of the Agreement during a Pay Protection Period who lacks the seniority to hold an assignment in the same or a higher-paying pilot position (status and equipment) that he held prior to the surplus notice, and who bumps into a lower-paying pilot assignment pursuant to Section 8-K of the Agreement, will continue to be paid at the hourly pay rate applicable to his pre-surplus assignment for all work performed each month in his post-surplus assignment until the earlier of:

1-H-5-c-(1) The date he is activated in an assignment with an equal or greater hourly pay rate than his pre-surplus assignment;

1-H-5-c-(2) The date he passes up an opportunity to bid for an available vacancy that his seniority would permit him to be awarded with an hourly pay rate equal to or greater than his pre-surplus assignment (in which case pay protection will be discontinued on the first of the month following the publication of the award which caused him to lose his pay protection);

1-H-5-c-(3) The first of the month following the date he retires, provided a pilot who reaches age sixty (60) and bumps to a Second Officer Position will be pay protected at the Second Officer rate; or

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1-H-5-c-(4) Eighteen (18) months following the date he is activated into a lower-paying pilot position in connection with Section 8-K of the Agreement.

A Pay Protection Period means and includes any period between (i) the first day of a month in which the Company has failed to reach the minimum block hour guarantee described in paragraph 1-H-4 and (ii) the last day of the next occurring month by which the Company has met the minimum block hour guarantee described in paragraph 1-H-4 each month for the preceding twelve (12) consecutive months.

1-H-5-d- Circumstances beyond the Company's Control

In addition to the Company's ability to reduce flight operations under the terms and conditions described in paragraph 1-H-5-a (Substantial Economic Downturn) and 1-H-5-b (Reduction Limits) above, the commitments and protections described in paragraph 1-H-1 (Furlough Protection), 1-H-2 (Active Status Protection), 1-H-3 (Fleet Size Guarantee), 1-H-4 (Block Hours Guarantee) and 1-H-5-c (Pay Protection) above may be modified if and only to the extent that the Company demonstrates that any such

modification is a direct result of a circumstance beyond the Company's control. The phrase "circumstance beyond the Company's control" means only a natural disaster, a labor dispute within the Company involving a cessation of work, the grounding of a substantial number of Company Aircraft by a government agency, a reduction in flight operations directly caused by a supplier's inability to provide sufficient aircraft, fuel or other critical materials for the Company's operations, revocation of the Company's operating certificate(s), a declared or undeclared war emergency that causes the Company to cease conducting a substantial portion of its flight operations, compulsion by a domestic or foreign government agency, or court or legislative action. For purposes of clarification, the phrase "circumstance beyond the Company's control" does not include any economic or financial considerations including, but not limited to, the price of fuel, aircraft or other supplies, the cost of labor, the level of revenues, the state of the economy, the financial state of the Company, or the relative profitability or unprofitability of the Company's then-current operations in the absence of the circumstances described in the preceding sentence.

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Section 1-I

1-I- Labor Disputes

1-I-1- The Agreement contains no contractual prohibition whatsoever on the ability of ALPA and the United Pilots to honor lawful picket lines.

1-I-2- ALPA and/or the United Pilots are not prohibited from:

1-I-2-a- Refusing to layover at a struck hotel or other struck facility;

1-I-2-b- Refusing to deadhead on carriers whose employees are engaged in a lawful strike, as long as alternatives are reasonably available; and

1-I-2-c- Engaging in a concerted refusal, called by the Association, to perform pilot work or services on flights where the Company, pursuant to an agreement or

arrangement with another air carrier, is performing that air carrier's flying in response to a labor dispute and that air carrier's employees are engaged in a lawful strike.

1-J- Foreign Ownership and Domiciles

1-J-1- The Company shall continue to be a Domestic Air Carrier subject to the Railway Labor Act, as amended.

1-J-2- The Company shall maintain its world headquarters, executive offices, and offices for senior Flight Operations personnel in the fifty United States.

1-J-3- Neither the Company nor any Affiliate (other than a Feeder Carrier) shall open, establish or maintain any additional pilot domicile other than a TDY domicile, outside the fifty United States without the consent of the Association.

1-K- Review Committee

1-K-1- A standing committee, consisting of two (2) Association representatives and two (2) Company representatives (plus additional representatives if deemed appropriate by the Association and the Company) (the "Related Carrier Review Committee" or "RCRC") shall be maintained by the parties. The RCRC may establish such subcommittees as it deems appropriate. The RCRC and its subcommittees will meet as often as they deem necessary, but no less than quarterly, in order to implement and monitor compliance with this Section 1.

Section 1-K-2

1-K-2- The Company shall provide the RCRC, on a monthly basis, all information necessary to monitor and enforce the terms and conditions established in Section 1 of the Agreement. When this information involves proprietary, sensitive or confidential information concerning either the Company or any other carrier, the RCRC will review such information under a confidentiality agreement with the same terms as the confidentiality agreement currently in effect between the Company and the Association with such modifications, if any, as are acceptable to the Association and Company.

1-K-3- The RCRC shall review all new and modified

agreements concerning the Company's relationships with other air carriers as governed by this Section 1 in order to ensure compliance with the terms of this Section 1. In reviewing agreements with Feeder Carriers, the RCRC shall make such recommendations to the Company as the RCRC deems appropriate for the purpose of strengthening the Company's contractual relationships with Feeder Carriers and protecting the Company's feed.

1-K-4- The parties will utilize appropriate aspects of the NPDM procedures currently utilized by the System Schedule Committee in connection with a review of the Feeder Carriers aimed at ensuring that all Feeder Carriers maintain the highest possible quality assurance and flight safety programs and provide a product that meets the Company's high quality standards.

1-L- Remedies

1-L-1- A grievance filed by the Association alleging a violation of Section 1 of the Agreement, shall, at the request of either party, bypass the initial steps of the grievance process and shall be submitted and heard on an expedited basis directly before the System Board of Adjustment sitting with a neutral arbitrator. The dispute shall be heard by the System Board of Adjustment no later than fifteen (15) days following the submission of the grievance to the System Board and decided no later than twenty-one (21) days after such submission, unless the parties agree otherwise in writing.

1-L-2- If the System Board decides that the Company has violated any part of Section 1, the System Board will direct the Company to comply with the Agreement and will fashion an appropriate remedy for the harm caused by the Company's failure to comply with the Agreement.

1-M- Definitions

The following definitions shall apply to the capitalized terms in Section 1 of the Agreement:

1-M-1- "Active Fleet" means the Narrowbody and Widebody

aircraft owned or leased by the Company or its Parent (other than aircraft carried on the Company's books as retired in accordance with generally accepted accounting principles or leased to a third party for more than thirty (30) days) and reported as the Company's system fleet in the Company's internal fleet planning documents, annual reports and public filings under the securities laws. For purposes of clarification, the Company's Active Fleet in any month will be limited to the Company's in-schedule aircraft plus, in accordance with the Company's normal and historical practice as of the Effective Date, a reasonable number of spare aircraft, aircraft undergoing maintenance, aircraft undergoing reconfiguration, and aircraft out of service on a short-term basis.

1-M-2- "Affiliate" of Entity A means, any other Entity which directly or indirectly Controls, is Controlled by or is under common Control with Entity A.

1-M-3- "Average Utilization Rate" means on average ten (10) block hours per each Active Fleet Aircraft per day.

1-M-4- "Base Internal Rate of Return" or "BIRR" means the discount rate at which the net present value of the stream of Cash Flows generated by the Capital Resources measured by the Company's customary methods and time periods, equals zero:

1-M-4-a- "Cash Flow" means the after-tax difference between:

1-M-4-a-(1) The actual or reasonably projected revenues generated by operating the applicable Round Trip (including the point to point segment revenues and all beyond revenues not otherwise carried by the Company's flight operations); and

1-M-4-a-(2) The fully allocated expenses incurred to produce those revenues (including the actual or

Section 1-M-4-b

reasonably projected cost of operating the Round Trip and a reasonably allocated portion of the beyond expenses attributable to the applicable Round Trip including flight variable, overhead, ownership and

variable beyond traffic costs).

1-M-4-b- "Capital Resources" means the assets necessary to operate the Round Trip consisting of the cost of the aircraft and all supporting infrastructure such as gates, slots, ground equipment, spare parts and spare aircraft that are reasonably allocated to the Round Trip.

1-M-4-c- When measuring the rate of return of a Round Trip, revenues and costs associated with connecting traffic will be allocated to the Company Round Trip using the established Company prorate method. Further, where appropriate the revenues and costs for operating the aircraft used in the Round Trip over the course of the aircraft day or international flight cycle as applicable may be utilized as part of determining the Cash Flow for that Round Trip. This would include applying the BIRR Test to a Non-Stop where no Round Trip exists for the operation to be measured.

1-M-5- "Base Internal Rate of Return Test" or "BIRR Test" means a comparison of the BIRR to the Hurdle Rate. If the BIRR is less than the Hurdle Rate on the operation to be measured, the BIRR Test is failed.

1-M-6- "Company" means United Air Lines, Inc.

1-M-7- "Company Aircraft" includes all aircraft owned or leased by the Company or a Company Affiliate. Company Aircraft do not include aircraft that have been sold, leased or transferred in accordance with Section 1-B-4-a above.

1-M-8- "Control": Entity A shall be deemed to "Control" Entity B if Entity A, whether directly or indirectly,

1-M-8-a- owns securities that constitute, are exercisable for or are exchangeable into thirty (30%) or more of (i) Entity B's outstanding common stock or (ii) securities entitled to vote on the election of directors of Entity B; or otherwise owns thirty percent (30%) or more of the Equity of Entity B; or

1-M-8-b- maintains the power, right, or authority--by contract or otherwise--to direct, manage or direct the management of all or substantially all of Entity B's

operations or provides all or substantially all of the controlling management personnel of Entity B; or

1-M-8-c- maintains the power, right or authority to appoint or prevent the appointment of a majority of Entity B's Board of Directors or similar governing body; or

1-M-8-d- maintains the power, right or authority to appoint a minority of Entity B's Board of Directors or similar governing body, if such minority maintains the power, right or authority to appoint or remove any of Entity B's executive officers or any committee of Entity B's Board of Directors or similar governing body, to approve a material part of Entity B's business or operating plans or to approve a substantial part of Entity B's debt or equity offerings.

1-M-9- "Domestic Air Carrier" means an Air Carrier as defined in 49 U.S.C. Section 40102(a)(2).

1-M-10- "Entity" means any business form of any kind including without limitation any natural person, corporation, company, unincorporated association, division, partnership, group of Affiliated Entities acting in concert, trustee, trust, receivership, debtor-in-possession, administrator or executor.

1-M-11- "Equity" means: (i) common stock or other securities that carry the right to vote for one or more members of a board of directors or similar governing body, or shares or interests in a partnership or limited partnership which shares or interests have general voting rights (all of the foregoing being collectively referred to as "Common Equity") and (ii) securities that are then currently or in the future exchangeable into, exercisable for, or convertible into Common Equity.

1-M-12- "Feeder Carrier" means a Domestic Air Carrier that, when engaged in code sharing with the Company:

1-M-12-a- Does not operate any aircraft that utilizes an engine with an external propeller ("Turbo/Prop Aircraft") other than Turbo/Prop Aircraft that are certificated for seventy-eight (78) or fewer seats and have a maximum permitted gross takeoff weight of less than seventy-five

thousand (75,000) pounds; and

1-M-12-b- Does not operate any aircraft that utilizes a turbine-driven engine without an external propeller ("Jet Aircraft"), other than Small Jets.

Section 1-M-13

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1-M-13- "Feeder Flying" means flight operations conducted by a Feeder Carrier pursuant to paragraph 1-C-1 and flight operations conducted by AWAC under paragraph 1-C-1-f(4).

1-M-14- "Feeder Carrier Ratio" means a relationship in any calendar quarter between ASMs scheduled in Feeder Flying and ASMs scheduled in the Company's Large-Gauge Narrowbody flying, equal to $7.7 + (.09 \times (SJ-21))$, expressed as a percentage and rounded to the nearest one tenth of a percent, where "SJ" is the average number of Small Jets operated in Feeder Flying by Feeder Carriers as a group in that calendar quarter.

1-M-15- "Foreign Air Carrier" means an air carrier that is not a Domestic Air Carrier.

1-M-16- "Gateway" (used with or without capitalization) means an airport in the United States from which the Company engages in non-stop flights to and from foreign points.

1-M-17- "Key City" means DCA, MIA, LGA, EWR, JFK, and SEA and any other city that is identified as a hub (currently IAD, ORD, DEN, SFO and LAX) in the Company's Annual Report on Form 10-K.

1-M-18- "Hurdle Rate" means the internal rate of return established by the Company for allocating capital resources for airline related expenditures.

1-M-19- "Industry Standard Interline Agreement" means an agreement or other arrangement between two carriers or among three or more carriers, such as the International Air Transport Association's "Multilateral Interline Traffic Agreements," establishing rights and obligations relating to the transportation of through passengers and/or through shipments by the party carriers.

1-M-20- "Joint International Non-Stop Market" means a

Non-Stop Market in which parties to an International Code

Share Agreement may apply their respective designator codes to each other's flight(s).

1-M-21- "Large-Gauge Narrowbody Aircraft" means solely for the purposes of Section 1, the Company's B-737, A-319, A-320, B-727 and B-757 aircraft plus any future aircraft with single aisle configuration and a certificated seating capacity in the United States of at least one hundred (100) seats.

1-M-22- "Market" means a pair of airports, e.g., ORD-MSP.

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Section 1-M-23

1-M-23- "Narrowbody Aircraft" means solely for the purposes of Section 1 the Company's Small-Gauge and Large-Gauge Narrowbody Aircraft.

1-M-24- "Non-Stop" means a flight in a Market that does not include a scheduled intervening take off and landing.

1-M-25- "Parent" refers to UAL Corp. ("UAL") or any other Entity that has majority control of the Company, whether directly or indirectly through the majority control of other Entities that have majority control the Company.

1-M-26- "Round Trip" means a pair of flights to and from one city in a Market to the other, e.g. ORD-STL-ORD.

1-M-27- "Small-Gauge Narrowbody" means solely for the purpose of Section 1 aircraft with seventy (70) to ninety-nine (99) seats.

1-M-28- "Small Jets" means Jet Aircraft that are certificated in the United States of America for fifty (50) or fewer seats and a maximum permitted gross takeoff weight of less than sixty thousand (60,000) pounds. If an FAA-certificated small jet aircraft type (e.g., an RJ-50-100) meets the requirements of this definition when first placed into operation by a Feeder Carrier but is subsequently certificated for operation in the United States with a maximum seating capacity in excess of 50 seats, the Small Jet aircraft type may continue to be operated by any Feeder Carrier as long as all Feeder Carriers operate such aircraft type with no more than 50 seats at all times.

1-M-29- "United States" when referring to geographical

extent means only the States of the United States of America and the District of Columbia.

1-M-30- "United States and Territories" means the United States and its territories and possessions including but not limited to the Commonwealth of Puerto Rico.

1-M-31- "Widebody Aircraft" means, solely for the purpose of Section 1, the Company's B-767, DC-10, B-777, B-747 and B-747-400 aircraft and any future aircraft with a multiple-aisle seating configuration and with a maximum certificated gross takeoff weight in the United States of no less than three hundred twenty thousand pounds.

Section 2-A

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Section 2

Definitions

2-A- Pilot

"Pilot" means Captain, First Officer, International Relief Pilot and Second Officer on the United Air Lines Second Officer Eligibility Seniority List, whether or not the pilot is assigned to the Company's Shuttle operation, and including those Second Officers unable to perform pilot duties under FAR 121 who will also be referred to as "pilot" for purpose of this Agreement.

2-B- Captain

"Captain" means a pilot who is in command of the aircraft and its crew members while on duty and who is responsible for the manipulation of or who manipulates the controls of an aircraft including take-off and landing of such aircraft, and who is properly qualified to serve as and holds a currently effective airman's certificate authorizing him to serve as such pilot.

2-C- First Officer

"First Officer" means a pilot who is second in command and any part of whose duty is to assist or relieve the Captain in the manipulation of the controls of an aircraft including take-off and landing of such aircraft, and who is properly qualified

to serve as and holds a currently effective airman's certificate authorizing him to serve as such First Officer. On aircraft operated with a Captain and First Officer only, the First Officer shall inspect the aircraft before flight.

2-D- International Relief Pilot

An "International Relief Pilot" is a pilot who shall be qualified to provide relief, on those flights on which he is required, at the Captain, First Officer and Second Officer stations. Such qualifications shall be established by the Company to permit him to accomplish:

2-D-1- Pre-flight, post-flight and en route First Officer duties, not including take-off or landing of the aircraft.

2-D-2- All Second Officer duties.

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Section 2-D-3

2-D-3- Any other duties assigned to him by the Company or the pilot in command.

2-D-4- An International Relief Pilot will be third in command on a flight on which he serves.

2-E- Second Officer

"Second Officer" means a pilot who is third in command (or fourth in command in 4-man crew) whose duties as a member of the flight crew are to assist the Captain, First Officer and International Relief Pilot in the analysis, operation and monitoring of the mechanical and electrical systems of the aircraft, to relieve other flight crew members and to inspect the aircraft before flight and who is properly qualified to serve as and holds currently effective airman's certificates authorizing him to serve as such Second Officer, including a Commercial Pilot's License and Instrument Rating and Flight Engineers certificate.

2-F- Lineholder

"Lineholder" means a Captain, First Officer, International Relief Pilot or Second Officer who is assigned to a line of flying (not including a secondary line) in his assigned status and equipment type for the month as a result of the "Schedule Selection Procedure."

2-G- Reserve

"Reserve" means a Captain, First Officer, International Relief Pilot or Second Officer who is not a lineholder.

2-H- Line of Flying

"Line of Flying" means a planned pattern of trip sequences and intervening days off constructed so as to not exceed eighty-one (81) hours of credited flight time.

2-I- Secondary Line

A "Secondary Line" is composed of flying which is unassigned after the assignment of lines of flying for a month and which is then combined into a month's schedule for assignment to reserve pilots.

Section 2-J

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2-J- Allocation of Flying

"Allocation of Flying" means the establishment of hours of flying in an equipment type at a domicile.

2-K- Assignment of Flying

"Assignment of Flying" means the designation of specific trips to be flown in an equipment type from a domicile.

2-L- Pilot Status

"Status" means a pilot's assigned classification as either Captain, First Officer, International Relief Pilot or Second Officer.

2-M- Open Flying

"Open Flying" means trips and portions of trips which, after the schedule selection process, remain unassigned or become unassigned due to any pilot absence.

2-N- Flight Time

"Flight Time" (block-to-block) means the time from the moment an aircraft moves from the blocks, under its own power or under tow, for the purpose of flight until the time the aircraft comes to rest at the unloading point at the next point of landing.

2-O- Month

"Month" means that for pilot scheduling and pay purposes the period from the first day of, to and including the last day of each of twelve (12) 30 or 31 day periods.

Prior to December 31, 2000, the Company will publish the

schedule of calendar months which will remain in effect for the term of the Agreement. In leap year, the Company may modify one (1) 30 day month to a 31 day month.

2-P- Domicile

"Domicile" means a geographical location designated by the Company where pilots are based.

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Section 2-Q

2-Q- Pilot's Schedule

"Pilot's Schedule" means a monthly work assignment and associated trip information which is published by the Company and assigned to a pilot.

2-R- Trip or Trip Sequence

"Trip or Trip Sequence" is a series of flight segments, starting with the initial departure from the pilot's domicile and ending with the final arrival at the pilot's domicile, which are combined as a package for preparation of pilot schedules or for assignment to a pilot.

2-S- Hours Flown

"Hours Flown" means the actual flight time from block-to-block recorded cumulatively on a stop-to-stop basis.

2-T- Geographical Relocation of Assignments

"Geographical Relocation of Assignments" is that process whereby pilot assignments at a domicile, associated with flying which have been and can (based on available entries of the equipment at the domicile) continue to be flown by pilots at that domicile, are relocated to another domicile(s) from which the flying can also be accomplished.

2-U-

"He", "Him", "His" - The masculine pronouns used herein shall include the feminine unless specifically excluded.

2-V- Pilot Concurrence

In any assignment where the Agreement requires pilot concurrence, pilot concurrence will be construed to mean that the pilot will be advised his concurrence is required and he will accept or reject any offered options prior to being scheduled for such assignment. The Company may request a pilot, and the pilot may concur, to waive only those specific

provisions of the Agreement which specify a waiver is permissible.

2-W- Equipment Domicile

A domicile wherein pilots hold assignments in a designated equipment type.

Section 2-X

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2-X- Student Pilot

A "Student Pilot" is an individual who reports to United Airlines for initial training as a United Airlines flight officer in contemplation of continuing employment as a United Airlines pilot. Student Pilots shall be employees and pilot seniority shall commence as of the first day of training per Section 6 of this Agreement.

2-Y- Only Reserve Available

A reserve pilot will be considered to be the only reserve available if he falls within either of the following situations:

2-Y-1- Time-critical departure. A reserve can be assigned to an open flight as the only reserve available if (1) that assignment can be made within his applicable duty and flight time limitations and (2) assigning another reserve would cause the operation in question to be delayed, further delayed or canceled.

2-Y-2- Planned coverage. A reserve can be assigned to an open flight as only reserve available in order to avoid junior manning.

2-Y-3- In the event that it becomes necessary to use an inbound reserve to cover an open trip and there is more than one reserve legal and available per a. above for coverage of the open trip, the reserve whose arrival time is closest to the report time but not less than thirty (30) minutes before the departure of the open trip will be considered the only reserve available for the assignment.

2-Z- Mainline

All of the Company's operations other than the Shuttle operation as defined in Letter 00-XX.

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Section 3-A

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Section 3

Compensation

3-A- Longevity For Pay Purposes

3-A-1- Longevity as a pilot with the Company shall commence to accrue as of the date on which a pilot is first released from technical training at DENTK (excluding IOE preparation or any similar training) and shall continue to accrue except as otherwise provided in sub-paragraphs 2

*Commencement
of Longevity*

and 3 of this Paragraph. Longevity increases will be paid on the first of that month for longevity dates from the first through the twentieth of the month, and on the first of the following month for the longevity dates after the twentieth.

3-A-2- Pilots shall not accrue longevity as a pilot during any period that seniority ceases to accrue. Once longevity commences, as provided by 3-A-1, above, pilots shall accrue longevity as a pilot during any period that seniority accrues, except that longevity shall not accrue during any period of furlough according to the provisions of Section 7-E.

3-A-3- Any pilot who resigns from the service of the Company or is discharged for just cause or loses seniority as provided in Paragraph 7-D of Section 7 shall forfeit all longevity accrued to the date of such resignation or discharge.

3-B- Hourly Rates

3-B-1- The hourly rates for Captains, First Officers, International Relief Pilots and Second Officers who are on the Second Officers Seniority Eligibility List shall be as follows. The hourly rates, overrides, and incentive pay established in this Section 3 shall govern all aspects of pilot compensation.

Hourly Rates

3-B-1-a-

CAPTAINS

	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1st yr	280.18	266.27	247.57	240.88	219.05	202.88	193.73	182.56	172.41	170.74
2nd yr	280.18	266.27	248.98	242.87	220.86	204.43	195.34	184.22	173.90	172.23
3rd yr	280.18	266.27	250.27	244.67	222.50	206.05	196.93	185.80	175.44	173.77
4th yr	280.18	266.27	251.64	246.61	224.26	207.69	198.56	187.39	177.09	175.43
5th yr	280.18	266.27	253.07	248.61	226.09	209.33	200.21	189.07	178.75	177.10
6th yr	280.18	266.27	254.36	250.42	227.73	210.88	201.75	190.60	180.34	178.69
7th yr	280.93	266.97	255.77	252.14	229.29	212.28	203.22	192.17	181.93	180.29
8th yr	281.74	267.73	257.47	254.24	231.20	214.07	204.93	193.77	183.55	181.90
9th yr	282.42	268.40	258.89	255.98	232.78	215.48	206.37	195.24	184.93	183.28
10th yr	283.27	269.21	261.00	258.62	235.19	217.70	208.58	197.44	187.22	185.58
11th yr	283.95	269.85	262.99	261.19	237.52	220.05	210.80	199.64	189.38	187.74
12th yr	285.97	270.60	265.36	263.78	239.88	222.11	212.99	201.82	191.64	190.00.

3-B-1-b- First Officers

3-B-1-b-(1) The following First Officer rates will apply to individuals employed as a First Officer at any time during the period April 13, 2000 up to, and including, the date upon which this Agreement is signed (DOS). These rates will apply for all retroactive pay calculations, and a First Officer will continue to receive pay after the DOS according to this table until he receives his next longevity increase. (All First Officers being paid according to the "12th yr" rates listed below on DOS will continue to receive this hourly rate until May 1, 2001). Upon reaching his next longevity date after the DOS, the First Officer will be entitled to the rates listed in 3-B-1-b-(2). If, however, the pilot's next longevity date after DOS is on or after May 1, 2001, he will receive pay according to the rates in effect as of May 1, 2001. Additionally, if a pilot becomes eligible for the rates listed in 3-B-1-b-(2), but such rate is less than the rate he received prior to reaching his longevity date, he will continue to be paid at the hourly rate he received on the DOS:

Section 3-B-1-a

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	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1st yr	61.11	58.13	58.00	54.78	54.78	52.23	49.19	45.58	45.58	45.58
2nd yr	117.39	111.56	110.42	109.30	99.40	91.98	87.89	82.91	78.25	77.49
3rd yr	141.91	134.88	133.06	132.11	120.14	111.25	106.34	100.34	94.72	93.82
4th yr	165.81	157.57	155.16	154.38	140.40	131.07	124.88	117.30	111.74	110.70
5th yr	169.83	161.40	158.87	158.12	143.81	134.17	127.90	120.24	114.56	113.50
6th yr	178.85	170.00	163.99	162.03	147.35	137.49	131.11	123.32	117.59	116.52
7th yr	182.91	173.83	168.17	166.41	151.34	141.16	134.70	126.82	121.00	119.91
8th yr	187.04	177.75	172.03	170.34	154.91	144.51	137.89	129.82	123.89	122.77
9th yr	191.12	181.65	174.31	172.04	156.45	145.87	139.24	131.20	125.21	124.10
10th yr	193.82	184.23	177.02	174.83	159.00	148.24	141.59	133.46	127.51	126.39
11th yr	196.54	186.80	179.15	176.83	160.82	150.00	143.32	135.17	129.17	128.05
12th yr	199.27	189.38	181.28	178.85	162.65	151.70	145.00	136.85	130.89	129.77

3-B-1-b-(2) The following First Officer rates will apply to First Officers who first begin to accrue longevity as pilot after the DOS and as provided in 3-B-1-b-(1)

above:

	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1yr	45.58	45.58	45.58	45.58	45.58	45.58	45.58	45.58	45.58	45.58
2yr	116.84	111.03	103.83	101.28	92.10	85.25	81.46	76.82	72.52	71.82
3yr	168.11	159.76	150.16	146.80	133.50	123.63	118.16	111.48	105.26	104.26
4yr	176.79	168.01	158.79	155.61	141.51	131.05	125.29	118.24	111.74	110.70
5yr	179.46	170.54	162.09	159.24	144.81	134.07	128.23	121.10	114.49	113.43
6yr	182.68	173.61	165.84	163.27	148.48	137.50	131.54	124.27	117.58	116.51
7yr	186.40	177.14	169.71	167.30	152.14	140.85	134.84	127.50	120.71	119.62
8yr	190.17	180.72	173.79	171.61	156.06	144.49	138.33	130.80	123.89	122.78
9yr	191.20	181.71	175.27	173.30	157.59	145.88	139.71	132.18	125.20	124.08
10yr	192.48	182.93	177.35	175.73	159.81	147.93	141.73	134.16	127.22	126.10
11yr	193.65	184.04	179.36	178.13	161.99	150.08	143.77	136.15	129.16	128.04
12yr	195.32	184.82	181.24	180.16	163.84	151.70	145.47	137.84	130.89	129.77.

3-B-1-c- Second Officers

	B747	DC10-F	DC10	B727
1yr	45.58	45.58	45.58	45.58
2yr	79.40	77.72	70.68	58.95
3yr	89.99	88.09	80.10	66.89
4yr	131.25	128.49	116.85	97.63
5yr	134.87	132.02	120.05	100.40
6yr	145.05	135.22	122.97	102.92
7yr	148.95	137.67	125.19	104.92
8yr	152.86	139.07	126.47	106.00
9yr	155.86	140.27	127.56	106.99
10yr	158.38	141.73	128.89	108.20
11yr	161.94	143.13	130.16	109.40
12yr	165.80	144.55	131.45	110.59

3-B-1-d- The following International Overrides will be paid for actual flight hours flown in the international operation and will be in addition to any other hourly and/or incentive pay. First Officers who have been activated into their assignments on or before date of signing (DOS) will be paid the First Officer Monthly International Override or the International Hourly Override for actual hours flown in the international operation, whichever is greater. A First Officer who has been activated into his assignment on or before the DOS will also continue to receive the greater of the First Officer Monthly International Override or the

Incumbent First Officer receives greater of hourly or monthly International Override

International Hourly Override for actual hours flown in the international operation if his next assignment after the DOS is First Officer in the same equipment type at a different domicile (lateral award). First Officers activated into their assignments after DOS will be paid the International Hourly Override for actual hours flown in the international operation.

FIRST OFFICER MONTHLY INTERNATIONAL OVERRIDE

B-747-400	\$376.16
B-747	\$358.02
B-777	\$463.69
DC-10	\$500.57
B-767	\$409.11

International Hourly Override

Captain	\$8.00/Hr.
First Officer	\$6.00/Hr.
Second Officer	\$4.00/Hr.

3-B-2- Effective May 1, 2001 the hourly rates for Captains, First Officers, International Relief Pilots and Second Officers who are on the Second Officers Seniority Eligibility List shall be as follows:

CAPTAINS

	B74- 400	B747	B777	F	DC-10- DC10	767/ 757	A319/ A320	B300/ B727 500	B737	
1yr	295.91	279.04	258.71	251.72	228.91	212.01	202.45	190.77	180.17	178.43
2yr	295.91	279.04	260.19	253.80	230.80	213.63	204.13	192.51	181.73	179.98
3yr	295.91	279.04	261.53	255.68	232.52	215.32	205.79	194.16	183.33	181.59
4yr	295.91	279.04	262.97	257.71	234.36	217.03	207.49	195.83	185.06	183.33
5yr	295.91	279.04	264.46	259.80	236.26	218.75	209.22	197.58	186.80	185.07
6yr	295.91	279.04	265.81	261.69	237.98	220.37	210.83	199.18	188.45	186.73
7yr	296.72	279.78	267.28	263.49	239.61	221.83	212.37	200.82	190.12	188.41
8yr	297.56	280.58	269.06	265.68	241.61	223.70	214.16	202.49	191.81	190.08
9yr	298.28	281.28	270.54	267.49	243.26	225.17	215.65	204.03	193.25	191.53
10yr	299.18	282.13	272.74	270.26	245.77	227.50	217.97	206.33	195.65	193.93
11yr	299.90	282.80	274.83	272.94	248.21	229.95	220.29	208.62	197.90	196.19
12yr	302.03	283.58	277.30	275.65	250.67	232.11	222.57	210.90	200.26	198.55

FIRST OFFICERS

	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1yr	47.63	47.63	47.63	47.63	47.63	47.63	47.63	47.63	47.63	47.63
2yr	123.40	116.36	108.50	105.83	96.24	89.08	85.12	80.28	75.78	75.05
3yr	177.55	167.43	156.92	153.41	139.51	129.19	123.47	116.50	110.00	108.95
4yr	186.72	176.08	165.93	162.61	147.88	136.95	130.93	123.57	116.77	115.68
5yr	189.53	178.73	169.39	166.40	151.33	140.11	134.00	126.55	119.64	118.54
6yr	192.94	181.94	173.31	170.62	155.16	143.68	137.46	129.86	122.87	121.75
7yr	196.87	185.64	177.34	174.82	158.98	147.19	140.91	133.24	126.15	125.01
8yr	200.85	189.39	181.61	179.33	163.08	151.00	144.56	136.68	129.47	128.31
9yr	201.93	190.43	183.15	181.09	164.69	152.44	146.00	138.13	130.83	129.67
10yr	203.29	191.71	185.33	183.64	167.00	154.58	148.11	140.20	132.94	131.78
11yr	204.53	192.87	187.43	186.14	169.28	156.83	150.24	142.28	134.97	133.80
12yr	206.29	193.69	189.40	188.27	171.21	158.53	152.02	144.04	136.78	135.61

SECOND OFFICERS

	B747	DC10-F	DC10	B727
1yr	47.63	47.63	47.63	47.63
2yr	83.21	81.22	73.86	61.61
3yr	94.31	92.05	83.71	69.90
4yr	137.55	134.27	122.10	102.02
5yr	141.35	137.96	125.46	104.92
6yr	152.01	141.31	128.50	107.56
7yr	156.10	143.86	130.83	109.64
8yr	160.19	145.33	132.16	110.77
9yr	163.34	146.59	133.30	111.81
10yr	165.98	148.11	134.69	113.07
11yr	169.71	149.57	136.02	114.32
12yr	173.75	151.05	137.37	115.57

Effective May 1, 2002 the hourly rates for Captains, First Officers, International Relief Pilots and Second Officers who are on the Second Officers Seniority Eligibility List shall be as follows:

CAPTAINS

	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1yr	312.53	292.44	270.35	263.05	239.21	221.55	211.56	199.36	188.28	186.46
2yr	312.53	292.44	271.89	265.22	241.18	223.24	213.31	201.17	189.90	188.08
3yr	312.53	292.44	273.30	267.19	242.98	225.01	215.05	202.90	191.58	189.76
4yr	312.53	292.44	274.80	269.30	244.90	226.80	216.83	204.64	193.39	191.58
5yr	312.53	292.44	276.36	271.49	246.89	228.59	218.63	206.47	195.20	193.40
6yr	312.53	292.44	277.77	273.46	248.68	230.29	220.32	208.14	196.93	195.13
7yr	313.40	293.22	279.31	275.34	250.39	231.82	221.92	209.85	198.68	196.89
8yr	314.27	294.05	281.17	277.64	252.49	233.77	223.79	211.60	200.44	198.64
9yr	315.03	294.79	282.71	279.53	254.20	235.31	225.36	213.21	201.94	200.15
10yr	315.98	295.67	285.02	282.42	256.83	237.74	227.77	215.61	204.45	202.66
11yr	316.74	296.38	287.19	285.22	259.38	240.30	230.20	218.01	206.81	205.02
12yr	318.99	297.20	289.78	288.05	261.95	242.55	232.59	220.39	209.28	207.49

FIRST OFFICERS

	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1yr	49.77	49.77	49.77	49.77	49.77	49.77	49.77	49.77	49.77	49.77
2yr	130.33	121.95	113.38	110.60	100.58	93.09	88.95	83.89	79.19	78.43
3yr	187.52	175.47	163.98	160.31	145.79	135.01	129.03	121.74	114.95	113.86
4yr	197.21	184.53	173.40	169.93	154.53	143.11	136.82	129.13	122.03	120.89
5yr	200.18	187.31	177.01	173.89	158.13	146.41	140.03	132.24	125.03	123.87
6yr	203.77	190.67	181.10	178.30	162.14	150.15	143.65	135.71	128.40	127.23
7yr	207.94	194.55	185.32	182.69	166.14	153.81	147.25	139.24	131.82	130.63
8yr	212.13	198.48	189.79	187.40	170.42	157.79	151.06	142.83	135.29	134.08
9yr	213.27	199.57	191.40	189.24	172.10	159.30	125.57	144.34	136.72	135.50
10yr	214.71	200.91	193.67	191.90	174.52	161.54	154.77	146.51	138.92	137.71
11yr	216.01	202.13	195.87	194.52	176.90	163.89	157.00	148.68	141.04	139.82
12yr	217.87	202.99	197.92	196.74	178.91	165.66	158.86	150.52	142.94	141.71

SECOND OFFICERS

	B747	DC10-F	DC10	B727
1yr	49.77	49.77	49.77	49.77
2yr	87.21	84.87	77.18	64.38
3yr	98.84	96.19	87.48	73.04
4yr	144.15	140.31	127.60	106.61
5yr	148.13	144.16	131.10	109.64

6yr	159.31	147.67	134.29	112.40
7yr	163.59	150.34	136.71	114.57
8yr	167.88	151.87	138.11	115.75
9yr	171.19	153.18	139.30	116.84
10yr	173.95	154.77	140.75	118.15
11yr	177.86	156.30	142.14	119.47
12yr	182.10	157.85	143.55	120.77

Effective May 1, 2003 the hourly rates for Captains, First Officers, International Relief Pilots and Second Officers who are on the Second Officers Seniority Eligibility List shall be as follows:

CAPTAINS

	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1yr	330.08	306.49	282.51	274.88	249.98	231.52	221.08	208.33	196.75	194.85
2yr	330.08	306.49	284.13	277.15	252.04	233.29	222.91	210.23	198.45	196.54
3yr	330.08	306.49	285.60	279.21	253.91	235.13	224.73	212.03	200.20	198.30
4yr	330.08	306.49	287.17	281.42	255.92	237.01	226.59	213.85	202.09	200.20
5yr	330.08	306.49	288.80	283.71	258.00	238.88	228.47	215.76	203.99	202.10
6yr	330.08	306.49	290.27	285.77	259.87	240.65	230.23	217.51	205.80	203.92
7yr	331.01	307.30	291.88	287.74	216.66	242.25	231.91	219.30	207.62	205.75
8yr	331.92	308.18	293.82	290.13	263.85	244.29	233.86	221.13	209.46	207.58
9yr	332.72	308.95	295.43	292.11	265.64	245.89	235.50	222.80	211.03	209.16
10yr	333.72	309.88	297.84	295.13	268.39	248.44	238.02	225.31	213.65	211.78
11yr	334.52	310.62	300.12	298.06	271.05	251.11	240.56	227.82	216.11	214.24
12yr	336.90	311.48	302.82	301.01	273.74	253.46	243.06	230.30	218.69	216.82

FIRST OFFICERS

	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1yr	52.01	52.01	52.01	52.01	52.01	52.01	52.01	52.01	52.01	52.01
2yr	137.64	127.81	118.48	115.57	105.10	97.28	92.95	87.66	82.75	81.96
3yr	198.05	183.89	171.36	167.53	152.35	141.08	134.84	127.22	120.12	118.98
4yr	208.28	193.40	181.20	177.58	161.49	149.55	142.98	134.94	127.52	126.33
5yr	211.42	196.31	184.97	181.72	165.25	153.00	146.34	138.19	130.65	129.44
6yr	215.21	199.83	189.25	186.32	169.44	156.91	150.11	141.81	134.18	132.95
7yr	219.62	203.90	193.66	190.91	173.61	160.73	153.87	145.50	137.75	136.51
8yr	224.04	208.02	198.33	195.84	178.09	164.89	157.86	149.26	141.38	140.11

9yr	225.25	209.16	200.01	197.76	179.84	166.47	159.43	150.84	142.87	141.60
10yr	226.76	210.56	202.38	200.54	182.37	168.81	161.74	153.10	145.18	143.90
11yr	228.14	211.84	204.68	203.27	184.86	171.27	164.06	155.38	147.39	146.11
12yr	230.10	212.74	206.83	205.59	186.96	173.12	166.01	157.30	149.37	148.09

SECOND OFFICERS

	B747	DC-10F	DC-10	B727
1yr	52.01	52.01	52.01	52.01
2yr	91.40	88.69	80.65	67.28
3yr	103.59	100.52	91.41	76.33
4yr	151.08	146.63	133.34	111.41
5yr	155.25	150.65	137.00	114.57
6yr	166.97	154.31	140.33	117.45
7yr	171.45	157.10	142.87	119.73
8yr	175.95	158.70	144.32	120.96
9yr	179.41	160.07	145.57	122.10
10yr	182.31	161.74	147.08	123.47
11yr	186.41	163.34	148.54	124.84
12yr	190.84	164.95	150.01	126.20

Effective May 1, 2004 the hourly rates for Captains, First Officers, International Relief Pilots and Second Officers who are on the Second Officers Seniority Eligibility List shall be as follows:

CAPTAINS

	B74- 400	B747	DC-10- B777 F	767/ DC10	757	A319/ A320	B300/ B727 500	500	B737	
1yr	348.62	321.22	295.23	287.25	261.22	241.93	231.03	217.70	205.61	203.62
2yr	348.62	321.22	296.91	289.63	263.38	243.79	232.94	219.69	207.38	205.38
3yr	348.62	321.22	298.45	291.78	265.34	245.72	234.84	221.57	209.21	207.22
4yr	348.62	321.22	300.09	294.09	267.44	247.67	236.78	223.47	211.18	209.21
5yr	348.62	321.22	301.79	296.48	269.61	249.63	238.75	225.47	213.17	211.19
6yr	348.62	321.22	303.33	298.63	271.57	251.48	240.59	227.29	215.06	213.09
7yr	349.61	322.07	305.02	300.68	273.43	253.15	242.35	229.16	216.96	215.00
8yr	350.55	322.99	307.04	303.18	275.72	255.28	244.39	231.08	218.88	216.92
9yr	351.40	323.79	308.73	305.26	277.60	256.96	246.10	232.83	220.53	218.57
10yr	352.46	324.77	311.24	308.41	280.47	259.62	248.73	235.45	223.27	221.31
11yr	353.31	325.55	313.62	311.47	283.25	262.41	251.39	238.07	255.84	223.89
12yr	355.82	326.45	216.45	314.56	286.06	264.87	253.99	240.67	228.54	226.58

FIRST OFFICERS

	B74-		DC-10-		767/		A319/		B300/	
	400	B747	B777	F	DC10	757	A320	B727	500	B737
1yr	54.35	54.35	54.35	54.35	54.35	54.35	54.35	54.35	54.35	54.35
2yr	145.37	133.95	123.81	120.77	109.83	101.66	97.14	91.61	86.48	85.65
3yr	209.17	192.73	179.07	175.07	159.20	147.43	140.90	132.94	125.53	124.33
4yr	219.98	202.69	189.36	185.57	168.75	156.28	149.41	141.01	133.26	132.01
5yr	223.29	205.74	193.30	189.89	172.69	159.89	152.92	144.41	136.53	135.27
6yr	227.30	209.44	197.77	194.71	177.06	163.97	156.87	148.20	140.22	138.94
7yr	231.97	213.70	202.38	199.50	181.43	167.96	160.80	152.05	143.95	142.66
8yr	236.62	218.02	207.25	204.65	186.11	172.31	164.96	155.98	147.75	146.42
9yr	237.90	219.21	209.01	206.66	187.93	173.96	166.61	157.63	149.30	147.97
10yr	239.50	220.68	211.49	209.56	190.58	176.41	169.02	159.99	151.71	150.38
11yr	240.96	222.02	213.89	212.42	193.17	178.98	171.45	162.37	154.02	152.69
12yr	243.03	222.96	216.13	214.84	195.38	180.91	173.48	164.38	156.09	154.75

Section 3-B-3

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SECOND OFFICERS

	B747	DC10-F	DC10	B727
1yr	54.35	54.35	54.35	54.35
2yr	95.79	92.68	84.28	70.30
3yr	108.57	105.04	95.53	79.76
4yr	158.34	153.23	139.34	116.42
5yr	162.71	157.43	143.17	119.73
6yr	174.99	161.26	146.64	122.74
7yr	179.69	164.17	149.30	125.12
8yr	184.40	165.84	150.82	126.41
9yr	188.03	167.28	152.12	127.59
10yr	191.07	169.01	153.70	129.03
11yr	195.36	170.69	155.22	130.46
12yr	200.02	172.38	156.76	131.88

3-B-3- The rates stipulated in Section 3-B-1 and 3-B-2 include the terrain pay differential heretofore paid by the Company and as set forth in Decision 83 and such composite rates shall be paid for all flying whether such flying is over flat or mountainous terrain, on or off the Company's air routes and recognizes the application of the traditional base, hourly, mileage and gross weight pay factors.

3-B-4- Minimum Guarantee

3-B-4-a- Each pilot shall be paid for not less than *Minimum*
seventy-five (75) hours of pay credit each month (seventy-seven *Guarantee 75*
(77) hours in a flex month), unless he has an *hours (77 in a flex*
unpaid absence during that month. Further, any pay credit *month) for all*
which exceeds eighty-five (85) hours in any month shall *pilots with a*
not be paid, but shall be placed in a "bank", as provided in *maximum of 85*
3-l, below. *hours pay per*
month

3-B-4-b- A lineholder's salary each month shall be
determined as follows:

The Pay Credit Value of each pilot's assigned line shall be *Determination of*
determined as provided in Section 5-G-3, after taking into *L/H's pay credit*
consideration the effect of any carry-over trip from the *value for the*
prior month, including any reassignment accomplished *month*
under the provisions of Section 5-B-1-b. This pay credit
value may be increased and/or decreased due to (1)

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Section 3-B-4-c

operational loss of flying, (2) reassignment, (3) voluntary
open flying and (4) credit produced by the Minimum
Schedule Provisions, Actual Credit Provisions or Actual
Flight Time Provisions of Section 5-G-3-e.

3-B-4-c- Lineholders assigned to a line of flying with a
flight time credit projection of less than seventy-five (75)
hours (seventy-seven (77) hours in a flex month) who trip
trade into a trip, or drop and subsequently pick up a trip,
the value of which is equal to or greater than the value of
the original trip shall not have his guarantee reduced
below seventy-five (75) hours (seventy-seven (77) hours
in a flex month).

3-B-4-d- Each reserve shall be paid for the greater of the
following:

3-B-4-d-(1) Seventy-five (75) pay credit hours, as
provided by "a" above, or

3-B-4-d-(2) The pay credit value of all trips flown in the *Determination of*
month as computed under the "Minimum Schedule *reserve pay credit*

Provisions, Actual Credit Provisions or Actual Flight Time Provisions" of Section 5-G-3-e. Any pay credit produced over eighty-five (85) hours shall not be paid in that month, but shall be placed in a "bank", as described in "3-I", below.

value for the month. Bank for reserves

3-B-4-d-(3) In a flex month, the seventy-five (75) pay credit hour minimum in Section 3-B-4-d-(1) above shall be increased to seventy-seven (77) pay credit hours for all reserves in the fleet(s) that are designated for the flex month.

Reserve minimum guarantee 77 hours in flex month

3-B-5- Monthly Line Guarantee

3-B-5-a- A lineholder shall be paid for the greater of the following:

3-B-5-a-(1) Seventy-five (75) pay credit hours (seventy-seven (77) hours in a flex month),

Lineholder minimum

guarantee 77

3-B-5-a-(2) the Pay Credit Value of his schedule, as determined by 3-B-4 above, or

hours in flex month

3-B-5-a-(3) the Pay Credit Value of his schedule as determined by 3-B-4 above, substituting the scheduled pay credit value of any trip pairing(s) in his line for which he is available that is scheduled to depart on or

Pay protection for trips that depart on or after the 20th

Section 3-B-5-b

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after the 20th day of the calendar month. This projected line value is determined by adding the pay credit already earned prior to the 20th day of the calendar month to the scheduled Pay Credit Value of the remaining trip pairing(s). The "scheduled Pay Credit Value" of the remaining trip(s), for the purpose of this provision is the Pay Credit Value of the trip(s) as it existed prior to the 20th day of the calendar month.

3-B-5-b- In the event that a trip pairing is scheduled to operate over the month end, the Pay Credit Value protected under this provision is limited to that credit which is scheduled to occur in the current month.

3-B-6- Any pay credit produced by the application of Section 3-J of the International Supplement shall be in addition to all pay credit produced by the application of this Section 3-B.

One hour pay for fuel stops over and above the

guarantee

3-B-7- Incentive Pay

In addition to the Monthly Pay Credit Value determined under the provisions of this Section 3, each lineholder and reserve will receive incentive pay over and above his Pay Credit Value for the month under the following provisions:

3-B-7-a- Late Night Flying - Domestic trips that are operated under the provisions of Section 5-G-1-f will produce incentive pay in accordance with the following:

3-B-7-a-(1) Incentive pay for late night trips will be calculated based on the scheduled flight time of the trip between the hours of 2300 and 0659 home domicile time.

Pilots will receive incentive pay for scheduled flight

time between 2300 and 0659

3-B-7-a-(2) Incentive pay will be credited to the pilot at the time the trip departs on the initial segment of the pairing. However, this incentive will not be paid if the pilot subsequently removes himself from the trip prior to departing on the Late Night Flight as defined in Section 5-G-1-f-(1)-(b).

actually flown

3-B-7-a-(3) The amount of incentive pay will be \$15.00 for Captains, \$10.00 for First Officers, and \$5.00 for Second Officers for each qualifying hour.

3-B-7-b- Operational Integrity

When a pilot reports for a trip under the provisions of Section 5-G-2-d, he shall receive five (5) hours of incentive pay at his hourly rate, provided he reports for duty for the first segment following his rest period under Section 5-G-2-d. In addition to this incentive pay, the pilot shall receive pay and credit for the value of the original scheduled ID or the pay and credit for the flying actually

If crew agrees to minimum rest at layover in order to make an on time departure they will receive 5 hours of incentive pay

performed, whichever is greater.

3-B-7-c- Senior/Junior Man

A pilot who accepts an assignment under the provisions of Section 20-H-14 shall receive incentive pay as follows:

3-B-7-c-(1) The pilot will be credited with incentive pay equal to 50% of the pay credit value of the assigned trip. However, the incentive pay will be reduced by the difference in the value of the trip(s) dropped, if any, compared to the value of the trip assigned. If incentive pay is reduced in accordance with the foregoing the pilot's guarantee will be increased by the amount the incentive pay is reduced, not to exceed the pilot's flight pay credit projection before the assignment.

Pilot who accepts assignment under senior/junior man provision shall receive incentive pay up to 50% of the pay credit value of the assigned trip

3-B-7-c-(2) The flight pay credit projection of a pilot's line of flying who accepts an assignment under Section 20-H-14 will be the value of his line immediately before or immediately following the trip assignment and repair of his line, if any, whichever is greater.

3-B-7-c-(3) The 50% incentive, adjusted for the difference in trip value, if any, will be credited to the pilot when he departs on the first segment of the trip assigned to him under this provision.

3-B-7-d- Incentive pay will be separate and apart from any other flight time credit and will not be subject to reductions or offsets as provided for in any other section of the Agreement.

3-B-7-e- Accrued incentive pay will be paid as a separate line item on the pilot's monthly paycheck for the month in which it is earned.

3-C- Unpaid absences

Unpaid absences shall reduce a pilot's salary as follows:

Section 3-C-1

3-C-1- Lineholders

3-C-1-a- Pay credit hours which are reduced from those credited hours in excess of seventy-five (75) (seventy-seven (77) hours in a flex month) shall be reduced on a one-for-one basis; i.e., one (1) hour dropped shall reduce

Unpaid absences for hours in excess of the minimum

pay by one (1) hour.

guarantee

reduced on an

hour for hour

basis

3-C-1-b- A pilot who is scheduled for fewer than seventy-five (75) credit hours (seventy-seven (77) hours in a flex month), whose pay is based on the seventy-five (75) hour guarantee (seventy-seven (77) hours in a flex month), shall have his pay reduced by the amount produced by dividing the number of credit hours dropped by the number of credit hours in the line before the drop and then multiplying by his guarantee salary, e.g., a five (5) hour drop from a seventy (70) hour line would reduce a \$5,000.00 salary by \$357.00.

*Formula for
reduction of pay
for unpaid
absences for
hours less than
the minimum
guarantee*

3-C-2- Reserves

Each standby day shall be worth four hours and ten minutes (4:10) of pay credit, not to exceed seventy-five (75) hours (seventy-seven (77) hours in a flex month) in any one (1) month.

*Reserve standby
day worth 4:10*

3-C-3- Prorating Pay

When it is necessary to adjust salary due to a rate change in mid-month, the value of each hour shall be determined as above and the pilot's salary shall be the composite produced by the number of hours at each rate..

*Mid-month hourly
rate change*

3-D-

Pilots who are permitted to trade trip sequences shall have their salaries adjusted by recalculating each pilot's salary to include the effect of the trade.

3-E-

3-E-1- A pilot who is permitted to drop a trip shall have his salary reduced as in 3-C above. If he subsequently picks up open flying, his salary will be restored on an hour for hour basis calculated on the same basis as the reduction.

*ANP salary
adjustment and
restoration
procedures*

3-E-2- In addition to the pick-up of open time, a pilot may

Restore ANP by

restore his salary by agreeing to stand by as a reserve on a day suggested by the Company. The number of days of availability will be declared by the pilot at the time he accepts the offer to standby and he shall be restored salary at the rate of four hours and ten minutes (4:10) per standby day or the number of credit hours actually performed, if greater. Pilots under this provision will be placed on the reserve list as number one.

standing reserve

3-F-

The monthly guarantee provided in this Section 3 shall not apply to those pilots who are unable to fly because all or part of the Company's airplanes are not available for flight for reasons other than those normally encountered in regular scheduled operations, for such time that the affected pilots are unable to fly and the provisions of Section 3-C-1 and 3-C-2 shall apply.

3-G-

When in line operations a Captain, with his concurrence, is assigned to serve as a First Officer, his monthly salary shall continue to be paid at the rates applicable to his awarded assignment.

*Captain flying As
First Officer*

3-H- Displacement

When Company officials whose names appear on the Pilot's System Seniority List or pilots acting in a supervisory capacity or any pilot not actually assigned to airline flying, fly any trip for which compensation is paid, the scheduled pilot shall not have his salary reduced. Further, the Company may displace a pilot for an entire trip. If the Company desires to displace a pilot for a partial trip, the pilot must be given twenty-four (24) hour notification of the intended displacement. If the pilot is not given a twenty-four (24) hour notification of the intended displacement he will not be displaced without his concurrence. Additionally, an augmenting First Officer who is displaced for any reason will

*Partial trip
displacement
requires 24-hour
notification*

not be assigned to another First Officer position on the trip from which he was displaced without his concurrence.

3-I- Bank

If, in any given month, a pilot acquires pay credit in excess of eight-five (85) pay credit hours, that excess shall be held in his "bank" and administered according to the following provisions (for the application of this paragraph, the value of a "reserve availability day" shall be four hours and ten minutes (4:10)):

Hours in excess of 85 put in bank for pilots

3-I-1- The accounting for bank credits shall be in dollars. When entered into the bank, the hours and minutes earned shall be converted to dollars and cents at the pilot's current rate of pay. Whenever bank credit is paid out or used for a trip drop, the bank balance will be converted back to hours and minutes at the pay rate applicable to the pilot at the time of the pay out.

Bank balance maintained in dollars

3-I-2- A pilot's bank balance will be updated once each month, showing his balance as of the first day of the pilot schedule month, after his pay for the prior month has been finalized. That balance shall be used in the computation required by 3-I-4, below, to determine eligibility for bank drops.

3-I-3- At the end of each month, if a pilot's earned pay credit in that month does not produce eighty-five (85) hours of pay, any bank balance available as of the last day of that month will be used to increase the pilot's pay up to eighty-five (85) hours. Bank time paid in this manner will not be used as an offset for the monthly minimum guarantees.

Available bank trip used to cap pay to 85 hours for lineholders and reserves

3-I-4- Pilots will be required to reduce excess bank time accumulation by dropping trips, or reserve availability days, from their schedules. The pilot will receive pay for and accrued bank time will be reduced by the pay value of the trip or reserve availability day(s) dropped, not including any pay credit which would normally be credited to the following month.

Bank trip drop and reduction of reserve availability day procedure

3-I-5- A pilot will be considered to be eligible for a bank drop in any month in which his bank balance is high enough to satisfy the following conditions: After month-end schedule adjustments are completed for the transition from the current

Bank trip drop and reduction of reserve day availability

month to the following month, the projected Pay Credit Value eligibility

of the pilots schedules in both months will be examined and the amount of bank time necessary to provide the pilot with

eight-five (85) hours of pay in both months will be forecast.

Next, that bank time needed to increase the pilot's pay to eighty-five (85) hours in both months will be subtracted from the pilot's official bank balance as of the first of the current month. If there is sufficient bank time left to cover the entire Pay Credit Value of any complete trip pairing, or reserve availability day, originating in the following month's schedule, the pilot is eligible for a bank drop in that following month.

3-I-6- Once a trip, or reserve availability day, is dropped for bank time, it will no longer be considered part of the pilot's schedule (except as provided in 3-I-6-a and 3-I-6-b, below) and the pay credit value of the dropped trip, or reserve availability day, shall be removed from his bank balance.

3-I-6-a- For the purpose of qualifying the pilot for open flying under 20-H-3 and 20-H-5, the scheduled flight time of the dropped trip will remain in the pilot's projection for the month in which the dropped trip originated.

3-I-6-b- For the application of Section 3-C-1, above, Pay Credit Value of the dropped trip, or reserve availability day, will be considered to remain in the pilot's line.

3-I-7- It is recognized that, due to the operational events which may occur after a trip is dropped for bank time, a pilot may not have sufficient time in his bank to provide a full eighty-five (85) hours of pay in any month.

3-I-8- In any month in which a pilot is eligible for a bank drop, he will be required to drop a trip, or reserve availability day, unless the Company defers the drop due to manpower considerations. The Company may defer bank drops for two consecutive months. A bank drop may not be deferred and is required no later than the third consecutive month in which the pilot is eligible for a drop. If the Company defers the drop

Trip drops and reduction of reserve day availability may be deferred until the third month of eligibility

in the first month that the pilot is eligible and the pilot is not eligible for a drop in the following month, or if the drop is deferred for two consecutive months and the pilot is not eligible for a drop in the third month, then the next month in which the pilot is eligible will be considered the "first month" in which he is eligible for the purposes of this deferral process and the pilot is again subject to a Company deferral, as above.

Section 3-I-9

3-I-9- The Company shall determine which trip sequence, or reserve availability day, will be dropped; however, in anticipation of becoming eligible for a bank drop, a pilot may request in advance the trip, or reserve availability day, which he wants to drop or the days off which he wants to acquire. The pilot's request must be received by the Company within 48 hours after the publication of lineholder schedules for the month in which the drop is requested. (This procedure will be similar to that used to protect specific days off from a PC assignment.) The Company will accommodate the pilot's request within the constraints of available manpower, however the Company will make the final determination regarding the selection of trip, or reserve availability day, to be dropped.

Pilot may make his desire for trip or reserve availability day drop known to Company. Final determination made by Company

3-I-10- Any remaining bank balance which a pilot has on the date his pay begins for another assignment (excluding activations which change only the pilot's domicile) will be paid to the pilot within 45 days of his activation. Further, all pilots' bank balances which exist as of the first of December each year will be paid to the pilots on the 16th of December.

Bank balance paid out on December 16 or when pilot changes status or equipment type

3-J- Call out

When a pilot at his home domicile is called to the airport to fly a scheduled flight or to deadhead to protect a scheduled flight, and he does not fly or the pay credit value of the assignment, as performed, is less than two (2) hours, he shall nonetheless be credited with 2 hours of pay credit. This sub-

Pilot receives 2 hours pay credit added to his projection when called to airport

paragraph does not apply to training or instruction flights, familiarization and route qualifying flights. Further, it does not apply to a pilot's completing his interrupted trip or to a pilot who flies a trip scheduled within two (2) hours of the time called for such flying. In the case of a reserve pilot, the two (2) hours credit shall have the same pay application as two (2) hours of actual flying time.

and he does not fly

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Section 4

Expenses, Lodging, and Transportation

4-A- Expenses

4-A-1- Effective April 12, 2000, pilots when on duty or on flight assignment including qualifying flight duty shall receive Two Dollars (\$2.00) per hour, prorated from the time he is scheduled to report for duty or actually reports for duty, whichever is later and shall continue until termination of duty or flight assignment upon return to his home domicile. This \$2.00 rate will be increased by ten (10) cents on May 1, 2001, May 1, 2002, May 1, 2003 and May 1, 2004.

4-A-2- It is understood that a meal will be boarded for each crew member on all flight segments scheduled for over four (4) hours non-stop or when any portion of the on duty period, exclusive of report and debrief exceeds five (5) consecutive hours with the scheduled time on the ground at any point, one and one half (1-1/2) hours or less. A crew breakfast always will be provided on the first scheduled segment whenever the crew has a duty period scheduled to originate between 0001 and 0800. A snack will be boarded in addition to other required crew meals on any flight scheduled for five (5) or more hours of flight time. Other than the crew meal provided in this sub-paragraph, crew meals will not be boarded on any flight unless requested by the System Schedule Committee or Hotel Committee for all crews assigned that trip sequence for the entire month.

When the Company boards meals at the request of the System Schedule Committee or Hotel Committee, the payment provided in sub-paragraph 1 above, will be reduced by the cost of such meal to the Company. For the purpose of this provision, the cost to the pilots when requesting a meal shall be as follows:

Breakfast	\$2.00
Lunch	\$4.25
Dinner	\$4.25

*Hourly Expense
Allowance*

Page 58**Section 4-A-3**

4-A-3- In addition to the standard allowances set forth in sub-paragraph 4-A-1 above, a pilot deadheading on Company business in the cabin will be provided with the normal meal service aboard such aircraft.

4-A-4- The Company will provide a supply of "energy" food to be available for the pilot at his request on all flights. The type and location of this food will be reviewed with the Association on a periodic basis.

4-B-**4-B-1-**

4-B-1-a- Pilots when scheduled for layovers in excess of four (4) hours shall be furnished suitable single occupancy lodging in a quiet room in a suitable location. Rooms will be located within fifteen (15) minutes normal driving time from the airport and transportation will be provided within fifteen (15) minutes of the crew's scheduled or planned arrival time whichever is later.

Hotel rooms provided for layovers of 4 hours or more will be within 15 minutes driving time

4-B-1-a-(1) Notwithstanding Paragraph B-1-a above, whenever a pilot (including a reserve) is scheduled for any layover (block to block) in excess of four (4) hours, but no more than five (5) hours, the crew desk may contact the pilot prior to departure of the trip sequence and request his waiver of the layover hotel room.

Hotel rooms may be waived by the pilot for layovers between 4 and 5 hours

Lineholders may advise the crew desk of their requirements on a monthly basis. If the room is not available upon arrival for those pilots who have not agreed to waive the room, the pilot may arrange for his own room and be reimbursed as per Section 4-B-1-c-(1) and 4-B-1-c-(2).

4-B-1-a-(2) Pilots when on layover of less than four (4) hours shall be furnished suitable lounge facilities as necessary to minimize fatigue. Such facilities shall be reviewed periodically with the Association.

In the event the Company is unable to provide the above lounge facilities at non-domicile airports, the Association may request and the Company will provide

Hotel room may be used in lieu of lounge at non-

mutually acceptable off airport facilities.

domicile locations

4-B-1-b- A Hotel/Transportation Representative(s) of the pilots shall meet quarterly with representatives of the Company or more frequently, if needed, to review the suitability of layover and training lodging accommodations

Section 4-B-1-b

Page 59

and/or rest facilities and transportation for pilots. The parties shall be guided by the current Hotel Protocol and this Protocol may only be modified by the mutual agreement of the Parties. It is the intent of the parties to this Agreement that the Hotel/Transportation representative shall be given the opportunity to consult with and make recommendations to the Company on the suitability of accommodations and/or transportation within the following limitations:

4-B-1-b-(1) Guidelines for the selection of hotels/motels shall be established by agreement between the Company and the Association Representatives. The agreed upon guidelines and evaluation form will be used as a criteria for determining hotels or motels used for layovers. If changes or modifications are desired by either party, conferences will be held between the Company and Association Representatives, for the purpose of concluding what these changes or modifications shall be. If changes or modifications in the criteria or evaluation form are mutually agreed upon, these changes will be put into effect. Copies of the evaluation form will be retained by the Company and Association as long as the hotel/motel is used as a layover facility.

4-B-1-b-(2) If a change in hotel/motel facilities is requested, the Company and the Association Representative or their designees will within thirty (30) days jointly inspect other available facilities before making the change. Nothing herein would prevent prior

*Hotel change
request*

agreement on acceptable facilities or deleting from such list at any time. Once a mutually acceptable facility is located, the Company will change to that facility within 60 days if the hotel is located within the United States and within 90 days if the hotel is located outside of the United States. If changes are made at the request of the Association Representative, no further changes from that hotel will be requested for a minimum of one (1) year, except by mutual agreement.

4-B-1-b-(3) The selection by the Company of the hotel/motel and/or the transportation used to and from such facility will be from the list of available facilities which have been jointly approved. If no joint approval can be reached, the Senior Vice President of Flight Operations and the UAL-MEC Chairman shall meet to attempt to reconcile such differences. If the Senior Vice President

*Hotel dispute
resolution*

Section 4-B-1-c

of Flight Operations and the UAL-MEC Chairman cannot reach agreement, the Company will make the final determination.

4-B-1-b-(4) Prompt investigation will be made and appropriate action taken by the Company to correct any deterioration of service or facilities within thirty (30) days of being reported by the Hotel/Motel Transportation Representative.

4-B-1-b-(5) A Downtown Hotel shall be defined as a hotel located within a city's core business district. The Parties may choose to select a hotel outside a city's core business district, but the Association reserves the right to return to that city's core business district in accordance with paragraph 4-B-1-b-(2) above

*Definition of
Downtown
Location*

4-B-1-c-

4-B-1-c-(1) If the rooms provided by the Company are not available, the pilot may obtain lodging and claim reasonable actual lodging expense on the regular

Company expense account form supported by the hotel receipt.

4-B-1-c-(2) Pilots when at other than their regular layover station shall receive reasonable actual expenses for lodging when supported by a receipt unless suitable lodging as provided in Paragraph 4-B-1-a of this Section is furnished by the Company.

4-B-2- *Hotel workers on strike*

4-B-2-a- If an employee work stoppage is encountered at any layover facility, the Company will consult with the hotel/motel transportation representative and, if requested, attempt to relocate layover crews at another mutually acceptable facility.

4-C-
4-C-1- Standard allowances provided in Paragraph 4-A of this Section will be allowed automatically and lodging, as provided in Paragraph 4-B of this Section, will be allowed when a pilot lays over at any layover point in connection with flight duties other than qualifying flight duty. In applying this Paragraph to reserve pilots, they shall be considered as standing in the same place as the pilot in whose schedule the trip appears.

Section 4-C-2

4-C-2- When a pilot is required to layover away from his domicile in connection with qualifying flight duty, and the cost of the lodging and/or necessary transportation is not billed directly to the Company, he will be entitled to claim reasonable actual lodging and/or transportation expenses on a regular Company expense account form.

Qualifying expenses

4-D- Transportation

4-D-1- When transportation provided by the Company at a layover point does not leave within thirty (30) minutes after actual block arrival, pilots may use any other available means of ground transportation to their place of lodging and may

Layover transportation pick-up at airport

claim reimbursement for expenses for such transportation on the regular Company expense account form and pilots shall be reimbursed therefor.

4-D-2- Hotel pick up times will be arranged to have the pilots arrive at the airport in sufficient time to report for duty at their assigned report time. Pick-up times will be adjusted with regard to the time of day and day of week of planned travel so that the pilot is not required to arrive excessively early for his scheduled report time.

*Hotel pick-up
times*

4-D-3- In the event a pilot's trip sequence originates at one airport and terminates at another airport at his home domicile, the pilot shall be furnished transportation one way between one airport and the other at his option. A pilot assigned to a schedule involving this type of operation shall advise the Company prior to the start of the schedule, the one direction he desires such transportation during the period he is assigned to that schedule. When transportation does not leave within (30) minutes of actual block arrival such pilot may use any other available means of ground transportation between one airport and the other and may claim reimbursement for expenses for such transportation on the regular Company expense account form and said pilot shall be reimbursed therefor.

Crosstown
transportation

4-D-4- When a pilot is scheduled to originate and terminate a trip sequence at an airport serving his domicile other than the domicile airport, as defined in Section 5-G-1-a-(2), he shall receive for the actual performance of the scheduled trip a mileage allowance of twenty-nine cents (29) per mile or Company policy, whichever is greater, for the round trip

*Doubletown
mileage
allowance*

driving distance between the domicile airport and the airport at which the trip originates and terminates. Further, he shall receive Fifteen Dollars (\$15.00) per hour and the meal allowance set forth in Paragraph 4-A-1, prorated, based on the applicable time listed in Section 5-G-1-b-(3).

4-D-5- If transportation provided by the Company is reported to be unacceptable by the Hotel/Transportation Committee, the Company and the Association representative or their designees will within thirty (30) days jointly inspect other available transportation before making the change. Once a mutually acceptable mode of transportation is located, the Company will change to that mode at the earliest possible time. Nothing herein would prevent prior agreement on acceptable transportation. If no joint approval can be reached, the Senior Vice President of Flight Operations and the UAL-MEC Chairman shall meet to attempt to reconcile such differences. If the Senior Vice President of Flight Operations and the UAL-MEC Chairman cannot reach agreement, the Company will make the final determination.

*Unacceptable
layover
transportation*

4-E- Miscellaneous Assignments

4-E-1- When a pilot is away from his home domicile at Company request for temporary flight duty, he will receive the standard allowances provided in Paragraph 4-A of this Section from the time of the departure of the trip on which he deadheads to begin the assignment until the time of the arrival of the trip on which he returns to his home domicile at the completion of the assignment, except that such expenses will be discontinued during any period of days off during which he returns to his home domicile or residence. Additionally, the pilot will receive twenty-five dollars (\$25.00) per day for the entire duration of the TDY assignment. For purposes of this paragraph, a TDY assignment begins one day prior to the pilot's first required day on duty and ends one day after the completion of his last duty period. The pilot will be provided suitable single lodging accommodations paid for by the Company or be reimbursed for reasonable actual hotel expenses if he is required to secure his own accommodations. The pilot shall also be furnished transportation to and from his temporary domicile, plus transportation between the lodgings and the airport or expenses therefor if such transportation is not furnished by the Company. Such expenses shall be claimed on a regular Company expense account form and must be submitted within ten (10) days after incurring the expenses. The

TDY per diem

cleaning expenses when temporary duty is for more than five (5) consecutive days.

4-E-2- When pilots are away from their home domicile on special assignment for the Company other than those provided for in Paragraph 4-E-1 above, reasonable actual expenses will be allowed for meals, transportation, laundry and lodging when not provided by the Company. All such expenses will be claimed on regular Company expense account forms and must be submitted within ten (10) days after incurring the expenses. Upon application, a pilot will be given an advance by the Company to cover such expense while on special assignment and within five (5) days after returning to his domicile or at the close of each week in the event a pilot is away for a period longer than one (1) week, he shall submit an expense account for such advance in accordance with Company regulations and if he has returned to his domicile, such expense account shall be accompanied by the balance of any money advanced and not accounted for on such expense accounts.

4-E-3- When pilots perform special assignments at their domiciles not directly associated with their duties at the Company's request, they shall receive reasonable actual expenses for transportation and/or meals. Such expense shall be claimed in accordance with Company regulations on Company expense account forms within ten (10) days after incurring the expenses.

4-F-

In those cases wherein pilots are entitled to claim actual reasonable expenses for meals and/or transportation, they may claim up to fifteen per cent (15%) of such expenses to cover gratuities.

4-G-

Expenses for the Charter Operation will be as provided in this

Section, except that pilots assigned to the International Charter Operation shall receive, in addition to the expenses provided in this Section, Fifty Cents (\$0.50) for each hour away from home.

4-G-1- Should isolated cases of unusual expenses be encountered by a pilot which the expense allowance will not normally cover, the Company will reimburse the pilot for such

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Section 4-H

expenses upon receipt of a documented Company expense form.

4-H-

Pilots shall be allowed actual reasonable cleaning expenses, when supported by a receipt from a commercial cleaner for the cleaning of the following uniform items: jacket, vest, trousers, necktie, shirt and outer coat.

*Reimbursement of
cleaning
expenses*

4-I-

4-I-1- In the event the Company makes a change to the pilot uniform and requires pilots to wear such new uniform item(s) (and disallows the wearing of the old item(s), if a replacement), the purchase cost of these new uniform item(s) will be borne by the Company. This provision does not cover the acquisition costs of routine replacements required by age and wear.

*Replacement
uniforms at
Company cost*

4-I-2- The cost of a new hire pilot's standard initial uniform issue will be borne by the Company. Contract Admin Home

Section 5-A

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Section 5

Hours of Service

5-A-

This Agreement contemplates that pilots shall devote their entire professional flying service to the Company provided that nothing in this Agreement shall be construed to prevent any pilot from affiliating or assuming duties with the military services of the United States.

5-B- Flight Time Limitations and Flexible Months

The Company may, at its option, designate any month as a flexible month (flex month) for which the normal monthly schedule and actual limits stated in this Section 5-B, and where referenced throughout this Agreement, may be increased for any fleet by up to two (2) hours. The Company may designate such flex months in no more than four (4) months in any calendar year. The Company will notify ALPA and the pilots of its intention to increase the monthly schedule and actual limits in any fleet prior to the SSC meeting at which the affected month's schedules are to be reviewed. The Company may not increase the normal monthly schedule and actual limits under this Section 5-B when any pilot is on furlough.

Company may designate four flex months per year

5-B-1- Scheduling Provisions

5-B-1-a- Schedules published for preferencing shall contain no more than eighty-one (81) flight credit hours. Should the last trip in a prior month require adjustment to an awarded schedule, the adjusted schedule shall be limited to eighty-one (81) actual flight hours. The Local Schedule Committee, with the concurrence of the SSC and the Company, may authorize the construction of lines of flying in any equipment domicile to exceed the applicable monthly schedule limit by up to thirty (30) minutes, provided the extended monthly schedule limit improves the quality of the affected lines.

Monthly schedule limit 81 credit hours. With monthly SSC concurrence lines may exceed schedule limit by up to 30 minutes

5-B-1-b- If a pilot is scheduled to fly a trip sequence originating in the prior month which is projected to interfere with or make him illegal for any part of his awarded schedule in the new month, he may be reassigned by the Company to any flying for which he is

Month-end conflict repair procedure

legal in the new month. Under this provision, he may be assigned up to eighty-one (81) actual hours and up to the same number of calendar days for which he was originally scheduled. Assignment of the replacement trip(s) shall be subject to the following:

5-B-1-b-(1) Every reasonable effort will be made to comply with a pilot's request to retain certain designated days off, provided his request is received within forty-eight (48) hours of the publication of lineholder schedules. Additionally, during this forty-eight (48) hour period, a pilot may indicate a desire for a repair in the current month if possible, rather than in the following month. This assignment shall be made prior to the beginning of the subject month.

Pilot may designate certain days holy from month-end repair

5-B-1-b-(2) In making repairs under this Paragraph, consideration will be given to minimizing disruption to the pilot's line(s), consistent with schedule efficiencies.

5-B-1-b-(3) A trip may be inserted into a line under these provisions only if it does not create another illegality within that line.

5-B-1-b-(4) New trip(s) may be substituted for trip(s) in the previous month's line, with pilot concurrence.

5-B-2- Actual Performance Limits

5-B-2-a- Eighty-one (81) actual flight hours shall constitute the monthly maximum, including the value of any inbound time produced by the completion of a trip sequence which originated in the prior month; unless the pilot volunteers to eighty-three (83) flight hours as provided by 5-B-3, below. When a pilot is projected to exceed eighty-one (81) hours of actual flight time, a trip or a portion of a trip will be removed from his schedule to reduce his projected flight time to the actual monthly maximum or less, or his projection prior to departing his domicile, whichever is higher. The selection of the trip or portion of a trip to be dropped will be subject to concurrence between the pilot and the crew desk unless concurrence cannot be reached, in which case a Flight

Actual monthly flight limitations

Manager will decide. Further, should the Local Schedule Committee, with the concurrence of the SSC and the Company, authorize the construction of lines of flying in any equipment domicile to exceed the applicable monthly schedule limit by up to thirty (30) minutes, as provided in above, the 81/83 hour maximums stated in this paragraph shall be increased by an amount equal to the time which

*With SSC
concurrence
actual limit may
be exceeded by
up to 30 minutes*

Section 5-B-2-b

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the scheduled lines of flying exceed the monthly schedule limits.

5-B-2-b- A reserve shall be limited to seventy-five (75) actual flight hours. A reserve may exceed the monthly credit limit as long as his actual projection does not exceed seventy-five (75) hours. However, a reserve may fly up to eighty-one (81) actual flight hours provided his flight pay credit does not exceed eighty-one (81) hours.

*Reserves limited
to 75/81 actual
hours*

5-B-2-c- Notwithstanding the provisions of 5-B-2-a, above, a lineholder may be required to continue to fly his schedule even if he becomes projected over 81 hours (or 83, if applicable), so long as he was projected at or below 81 hours (or 83, if applicable) before departing on his next to last trip of the month. Further during the performance of a pilot's last trip of the month, the limitations of 5-B-2-a above (with respect to a lineholder) and 5-B-2-b above (with respect to a reserve) shall not apply and he may be required to complete his schedule. A reserve pilot involved in a reassignment under this provision shall not be available to any greater extent than a lineholder and may be assigned to exceed the limits in 5-B-2-b above only when given the same assignment as the other members of the disrupted crew.

*Pilot will fly last
trip of month even
if projected over
81/83 as
applicable due to
actual flying or
reassignment*

*Reserve may be
reassigned over
75/77 hours if
given the same
assignment as*

other crew

members

5-B-3- Operational Flexibility

Notwithstanding the 81 hour actual monthly flight time limitation of 5-B-1 and 5-B-2, above, a lineholder may elect to fly up to 83 actual flight hours. A pilot may make this election at any time including during the line award process, in which case any adjustment made necessary by an inbound carry-over conflict can be repaired up to 83 actual flight hours.

Pilot may opt to fly up to 83 actual hours

5-B-3-a- A pilot who has not previously elected to fly over 81 hours may, with his concurrence, be reassigned under Section 20-F-1 and 20-F-2 to flying which exceeds 81 flight hours, but in no event more than 83 actual flight hours, unless it is his last trip of the month.

Pilot may concur to be reassigned up to 83 actual hours

5-B-3-b- A pilot who at any time agrees to fly above 81 actual hours shall be considered available up to 83 hours for the remainder of the relevant month.

Page 68

Section 5-B-3-c

5-B-3-c- This 83 flight hour flexibility provision shall be applicable to all monthly flight time limitations; except for the pick up of open flying under the provisions of Section 20-H-3 and 20-H-5, which are limited to 81 flight hours.

Open time pick up limited to 81 actual hours

5-B-3-d- This flexibility provision shall not be available at any time that any pilots are on furlough.

5-B-4- Reassignment Limitations

5-B-4-a- If a lineholder is assigned or reassigned under the provisions of Section 20-H or 20-I, he shall be limited, at the time of the assignment to eighty-one (81) actual flight hours or to his projection just prior to the reassignment, if higher. Should an assignment be given which, at the time of that assignment, projects a pilot above the applicable limit, he shall have a trip or a portion of a trip removed from his schedule upon his return to his domicile at the completion of the assignment, in order to reduce his projection to or below the applicable limit. The selection of the trip or portion of a trip to be dropped will be subject to concurrence between the pilot and the crew

Reassignment under 20-H and I are limited to a pilot's projection or 81 actual hours which ever is greater. Any assignment projecting pilot above these limits must have his projection

desk unless concurrence cannot be reached, in which case a Flight Manager will decide.

*reduced upon
returning home*

5-B-5- A pilot on reserve part of the month and assigned to a line of flying under Section 20 for some portion of the month shall, if such assignment results in a projection higher than the actual monthly maximum at the time he starts flying the line of flying, have a trip(s) or portion of a trip deleted from the line of flying to produce a projection equal to or less than the actual monthly maximum. The monthly maximum for this application shall be as provided in 5-B-2-b above.

*Reserves with
partial line
assignment
limited to 75
actual hours*

5-B-6- Trips which originate in the current month and project into the following month shall have only that time scheduled prior to 2400 home domicile time of the last day of the month credited to the current month.

5-B-7- When a pilot has been on duty aloft in excess of eight (8) hours in any consecutive twenty-four (24) hours, he shall, upon completion of his assigned flight or series of flights be given at least twelve (12) hours for rest before being assigned any further duty with the Company.

*8 in 24 requires at
least 12 hours
rest*

Section 5-B-8

Page 69

5-B-8- A pilot shall not be scheduled for duty aloft for more than eight (8) hours during any duty period. At the completion of each duty period a pilot shall be scheduled for a rest period of no less than the applicable minimum provided by Section 5-G-1-c. In the actual operation, the minimum rest requirement shall be no less than (a) the actual rest period provided by Section 5-G-2-c below or (b) the rest period prescribed by the applicable FAR, whichever is greater.

*No 2 for 1 rest
application*

5-B-9- A pilot shall not be scheduled for duty aloft if his total flight time will exceed thirty (30) hours in any seven (7) consecutive twenty-four (24) hour period.

30 in 7

5-B-10- If a pilot is projected to become illegal, under the provisions of Paragraph 5-B-7, 5-B-8 and/or 5-B-9 above, he shall continue to fly his assigned trip until he is actually illegal except as provided below:

*Procedure for
correcting 8 in 24
problems*

5-B-10-a- If a pilot is scheduled for a layover at a non-equipment domicile and is projected to be illegal to fly the first leg of the next duty period, the Company may designate any remaining portion of his trip sequence open under Paragraph 20-H or 20-I and repair accordingly.

5-B-10-b- If a pilot is scheduled for a layover at a non-equipment domicile and is projected to be illegal for some portion of his remaining trip after the layover, and the remaining portion of his trip does not pass through an equipment domicile prior to the point at which he is projected to become illegal, the Company may designate any remaining portion of his trip sequence open under Paragraph 20-H or 20-I and repair accordingly.

5-B-10-c- In addition to the repairs provided in 5-B-10-a and 5-B-10-b above, a pilot projected to become illegal under this provision may be removed from any portion of his sequence; or he may be reassigned to another pilot's pairing (or portion thereof) if that pilot can be assigned the flying for which the subject pilot is illegal under the provisions of Section 20-H or 20-I.

5-B-10-d- If a pilot becomes illegal, or is expected to become illegal, under the provisions of sub-paragraph 5-B-8 and/or 5-B-9 above to fly his entire scheduled trip sequence, he will not be required to deadhead between flight segments which he was scheduled to fly in one (1) duty period. However, a pilot may be required to deadhead

No DHD between flight segments to satisfy 8 in 24 legality

on either the first or last flight segment(s) of any one (1) duty period to become legal.

5-B-11- No pilot shall be assigned any duty with the Company during any rest period required by this Paragraph B. In the application of this sub-paragraph, a reserve pilot upon completion of any assignment, will be specifically advised if he is not released from duty and is not commencing a rest period.

Reserve released unless specifically advised

5-B-12- Duty aloft includes the entire period during which a pilot is assigned as a member of an airplane crew during flight time.

5-B-13- Scheduled for duty aloft means the assignment of a pilot on the basis of the flight time established in the applicable Domicile Schedule Letter rather than the actual flight time.

5-B-14- Relief from all duty for not less than twenty-four (24) consecutive hours shall be provided for and given to a pilot at his home domicile at least once during any seven (7) consecutive calendar days.

5-C- 8 in 24 Application

5-C-1- For qualifying purposes, a pilot shall not be required to fly as a pilot or as an observer crew member a combined total flight time of more than eight (8) hours in any twenty-four (24) hour period.

5-C-2- When the combined total actual flight time of a pilot as a pilot and as an observer crew member (deadhead time as a passenger excluded) is more than eight (8) hours or is scheduled for over eight (8) hours in any consecutive twenty-four (24) hour period, such pilot for such combined total actual flight time shall have a minimum rest period as specified in Section 5-G-2-c.

8 in 24

5-D- Deadhead

5-D-1- Time spent as a passenger or as an Observer Member of the Crew (OMC) shall not contribute to flight time under the provisions of this Agreement.

Section 5-D-2

5-D-2- When a pilot assigned a line of flying is displaced from or is required to deadhead or ride as observer on a flight because he has been displaced from the flight or a part thereof to which he has previously been designated as a member of the crew and he is unable to deadhead or ride as observer member of the crew on the flight from which displaced, he shall be permitted to deadhead or return as

observer member of the crew on any other flight in order that he may return to his domicile as soon as possible. This Paragraph shall not apply when a pilot is removed from his assigned trip as a result of the operation of the pilot's schedule selection procedure, equipment substitution, cancellation due to weather or equipment, moving to another trip, or being removed from a trip due to the application of Section 20-F, 20-G, 20-H and 20-I.

5-D-3- Pilots when deadheading over the Company's domestic routes shall be on non-revenue positive space (NRPS) or OMC at the pilot's option unless OMC provides the only expedient method of transportation. Pilots will be booked in first class if space is available at the time of booking. If first class space is not available at the time of booking, pilots will be booked in business class. If business class space is not available at the time of booking, pilots will be booked in economy class and assigned a seat according to the following order of preference: aisle seat, window seat, middle seat.

First Class DHD if available at time of booking

5-D-4- Offline deadheading shall be First Class when available on all flights scheduled for three (3) hours or more.

5-E-

5-E-1-

5-E-1-a- When a pilot assigned to a line of flying is on sick leave, his total allowable monthly flight time shall be reduced by the number of actual flight hours which the pilot missed as a result of sick leave.

Sick leave adjustment for lineholders

5-E-1-b- When a reserve pilot is on sick leave, his total allowable monthly flight time shall be reduced by four hours and ten minutes (4:10) for each duty day he was on sick leave, except as provided in Section 20-H-3 of this Agreement.

Sick leave adjustment for reserves

5-E-2-

5-E-2-a- When a pilot assigned a line of flying is on vacation, his total allowable monthly flight time shall be reduced by the number of actual flight hours which the pilot missed as a result of his vacation.

*Vacation
adjustment for
lineholders*

5-E-2-b- When a pilot serving as reserve is on vacation, his total allowable monthly flight time shall be reduced by four hours and ten minutes (4:10) for each duty day he is on vacation.

*Vacation
adjustment for
reserves*

5-F-

A pilot shall not be required to keep the Company advised of his whereabouts on his days off.

5-G- Duty Time

5-G-1- Preparation of Pilot's Schedule

The following on-duty provisions shall apply to the preparation of pilot schedules and the preparation of initial pilot, including reserve pilot, assignments (other than trip pairings appearing in the Pilots' Schedules).

5-G-1-a-

5-G-1-a-(1) A pilot shall not be scheduled to be on duty in excess of the following limitations, except that with the concurrence of the System Schedule Committee, duty periods up to fourteen (14) consecutive hours may be scheduled:

5-G-1-a-(1)-(a)

For Duty Period

Starting	Trip Preparation
0600-1329	13 hours
1330-2359	13 hours, reduced 1 min. for each 3 min. beyond 1330
2400-0414	9 1/2 hours
0415-0559	9 1/2 hours, increased 2 min. for each 1 min. beyond 0415.

5-G-1-a-(1)-(b) When a duty period is scheduled to end with a deadhead segment, the applicable duty

Section 5-G-1-b

limits shall be one (1) hour greater than the times

indicated above.

5-G-1-a-(1)-(c) A pilot shall not be scheduled to be on duty for more than ten (10) hours in any duty period following a layover scheduled for less than ten (10) hours and forty-five (45) minutes free from duty, except that if the duty period begins between 2301 and 0359, the on-duty period shall be scheduled for not more than nine (9) hours.

*Duty period limit
after field layover*

5-G-1-a-(1)-(d) Determination of all on-duty periods shall be based on home domicile time.

5-G-1-a-(1)-(e) When a pilot is scheduled into one airport and out of another airport serving the layover point, the duty period will have the driving time shown in Section 5-G-1-b-(3) included in the duty time. This provision will not apply to downtown layovers in New York City, downtown layovers between IAD and DCA, all downtown layovers between OAK and SFO when scheduled for a downtown San Francisco hotel.

*Drive time for
crosstown
layovers shall be
included in the
duty time*

5-G-1-a-(2) The domicile airports are LAX, SFO, SEA, DEN, ORD, MIA/FLL, JFK/LGA, IAD/DCA, ANC, and HNL. In the event a trip sequence is scheduled to originate and terminate at an airport serving the domicile other than these domicile airports, the provisions of Section 4-D-4 shall apply.

Domicile airports

5-G-1-b-

5-G-1-b-(1) Duty time on a scheduled basis shall include scheduled flight and ground time and a pilot shall be considered to be on duty for one (1) hour before the scheduled departure of his trip until fifteen (15) minutes after the scheduled termination of the trip. If the required reporting time exceeds one (1) hour, such additional time shall be considered as duty time. If, due to their arrival from an international city, a crew is required to clear customs at the completion of a trip sequence, the 15 minute debriefing time shall be increased to 30 minutes. This sub-paragraph shall not apply in the application of Section 5-G-1-b-(3).

*Report and
debrief times*

*Debrief increased
to 30 minutes if
crew must clear
customs*

5-G-1-b-(2) Notwithstanding sub-paragraph 5-G-1-b-(

1) above, a pilot scheduled to fly a cargoliner shall be considered to be on duty until thirty (30) minutes after the scheduled termination of the trip. This cargoliner

debrief time shall remain 30 minutes unless the SSC and the Company agree an increased time is necessary at a particular airport. If the SSC and the Company are unable to reach agreement, the issue will be referred to the UAL-MEC Master Chairman and the Senior Vice President of Flight Operations for resolution.

5-G-1-b-(3) When a pilot's scheduled trip sequence originates out of one airport and terminates at another airport serving his domicile, the following times will be used to increase either the first or last duty period, depending on whether the time is provided at the beginning or end of the trip. Such times shall be considered as scheduled deadhead time at one-half (1/2) flight time credit for the application of Section 5-G-3-f.

*Crosstown duty
period extension
added to either
first or last duty
period*

LGA-JFK	:45	LAX-ONT	2:15
EWR-LGA	1:30	LAX-PMD	2:30
JFK-EWR	2:00	SFO-OAK	1:00
MDW-ORD	2:00	SEA-BFI	:45
DCA-IAD	1:10	MIA-FLL	1:45
DCA-BWI	1:10	PBI-MIA	2:00
IAD-BWI	1:45	SJC-SFO	1:00
LAX-BUR	1:15	PBI-FLL	1:00

When a pilot is scheduled in accordance with Section 4-D-4 of this Agreement, the above times will be used with the following exceptions: JFK/LGA-EWR 1:30; MDW-ORD 1:45; MIA-FLL/PBI 2:00.

5-G-1-c- For the purpose of determining scheduled duty time, a pilot's on-duty period cannot be broken by an off duty period of less than:

5-G-1-c-(1) Nine (9) hours and thirty (30) minutes- in case of relief from flight duty at a point where sleeping

*1 hour scheduled
report may be*

accommodations are provided within fifteen (15) minutes normal driving time from the airport and transportation is provided within fifteen (15) minutes of the scheduled arrival time of the trip. At non-domicile locations, the Company may, on a monthly basis with SSC concurrence, reduce the one (1) hour report time

*reduced to :30 at
non domiciles*

Section 5-G-1-d

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specified in Section 5-G-1-b-(1) to thirty (30) minutes in order to provide the required period free of duty. Such action, however, will not dilute the application or any of the provisions of this Paragraph. Specifically, it will be assumed that the pilot reported for duty one (1) hour before departure.

5-G-1-c-(2) Twelve (12) hours and forty-five (45) minutes - in case of relief from flight duty at a point where sleeping accommodations are not provided as specified in sub-paragraph (1) above.

5-G-1-c-(3) Twelve (12) hours and forty-five (45) minutes - in case of relief from flight duty at the conclusion of a trip sequence at a scheduled or reserve pilot's home domicile regardless of whether sleeping accommodations are or are not available at the airport.

*Pilot will be
scheduled for
12:45 rest at his
home domicile*

5-G-1-c-(4) Thirteen (13) hours and forty-five (45) minutes - in case of relief from flight duty at the conclusion of a trip sequence at a scheduled or reserve pilot's home domicile when the pilot is scheduled out of one airport and into another serving his home domicile if not covered in sub-paragraph 5-G-1-b-(3) above.

*Pilot will be
scheduled for
13:45 rest at his
home domicile for
scheduled
crosstown*

5-G-1-c-(5) Fourteen (14) hours - in case of relief from flight duty at the first rest following a duty period in which the pilot is scheduled to exceed seven (7) hours and thirty (30) minutes flight time in twenty-four (24) consecutive hours.

*Pilots scheduled
to exceed 7:30
flight time will
have 14 hours*

rest

5-G-1-c-(6) Notwithstanding the minimum free of duty times required in 5-G-1-c-(3) above, the Company and

*Company and
SSC may*

Association System Schedule Committee may select specific trip pairings which, on a scheduled basis, may be combined into lines of flying while providing thirty (30) minutes less time between trips than required above.

schedule back to back trip pairings in lines with 30 minutes less rest

5-G-1-c-(7) The above off-duty periods may be reduced by one (1) hour under this sub-paragraph c when such off duty period extends to or beyond 0200 Standard Time on the designated day when the change is made from Standard Time to Daylight Time.

Schedule preparation time change

5-G-1-d-

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Section 5-G-1-e

5-G-1-d-(1) Each schedule line for a full month that is submitted for the schedule selection procedure, as provided in Section 20-B and 20-C shall contain a minimum of twelve (12) calendar days free of all duty at the home domicile in a thirty (30) day Month and thirteen (13) calendar days free of all duty at the home domicile in a thirty-one (31) day Month [fourteen (14) calendar days in all months for Shuttle pilots]. A lineholder may voluntarily reduce the number of days off in a thirty-one (31) day Month to not less than twelve (12) calendar days free of all duty at the home domicile [thirteen (13) calendar days in all Months for a Shuttle lineholder] to legally fly an inbound. For the purpose of this subparagraph d-(1) only, a day shall be a "day free of all duty", if the lineholder is scheduled to be released from duty before 0100 home domicile time.

Lines will have a minimum of 12 days off in a 30 day month, 13 days off in a 31 day month and 14 days off for all months for shuttle

L/H may be scheduled to be released by 0100 and that day is still considered a day off

5-G-1-d-(2) Shuttle lines of flying must average no less than sixteen (16) days off per month for each status on a systemwide basis.

5-G-1-e-

5-G-1-e-(1) Pilots functioning as reserves shall be scheduled for a minimum of twelve (12) calendar days free of duty in a thirty (30) day Month and for a

Reserve lines will have a minimum of 12 days off in a

minimum of thirteen (13) calendar days free from duty in a thirty-one (31) day Month [fourteen (14) calendar days free of duty in all months for Shuttle pilots] with the Company each month in patterns consisting of a maximum of four (4) periods of not less than two (2) days off. Reserve lines posted for preferencing shall include all of those lines which will be awarded, however, the actual lines awarded may not include all of those posted. Additionally, the same line may be awarded to more than one (1) pilot. The schedules posted for preferencing will include a variety of lines sufficient to insure that the following specific day-off patterns are awarded, depending upon the actual number of pilots awarded reserve lines, to the extent they are preferenced.

If 7 reserve lines, 1 line with weekends off.

If 14 reserve lines, 2 lines with weekends off.

If 21 reserve lines, 3 lines with weekends off.

Section 5-G-1-e

If more than 21 reserve lines, one additional line with weekends off for each additional 7 reserve lines; except that these additional weekend off lines (above the first 3 weekends off lines) shall have only three weekends off whenever any part of the fourth weekend falls within either the first four days or the last four days of the schedule month.

If 10 reserve lines, 1 line with the first four days off. For each additional 10 reserve lines, 1 additional line with the first four days off.

If 10 reserve lines, 1 line with the last four days off. For each additional 10 reserve lines, 1 additional line with the last four days off.

These additional reserve lines will not be provided when any part of a weekend falls on both the first four days and last four days of the month.

30 day month, 13 days off in a 31 day month and 14 days off in all months for shuttle

Construction and awarding of posted reserve lines

5-G-1-e-(2) A pilot functioning as a reserve will not be scheduled into a day(s) off.

5-G-1-e-(3) If as a result of the pilot's schedule selection procedure a reserve has not been provided with one (1) day off in a seven (7) day period, one (1) day of other than a two (2) day off period may be used to provide the required one (1) day off in a seven (7) day period.

5-G-1-e-(4) The Company may assign a reserve an additional day off to insure legality of the transition into the next month's schedule with the concurrence of the reserve pilot.

*Additional day off
for reserves*

5-G-1-e-(5) Reserve pilots may be permitted to mutually trade day(s) off periods, consistent with the needs of the service so long as such trade does not result in either pilot being scheduled for less than one (1) day off in a seven (7) day period. Additionally, a reserve pilot's scheduled days off may be rescheduled with pilot concurrence.

*Trade reserve
days off*

5-G-1-e-(6)

5-G-1-e-(6)-(a) A pilot on reserve shall not be required to report for duty to fly or deadhead on a trip which is scheduled to depart from his home domicile prior to 0700 local domicile time on the day following his day(s) off, provided that the Company may release a reserve from being available for assignment at or before 1500 local domicile time on

*Reserve early
release and early
report*

the day preceding his scheduled day(s) off, and if so released, the reserve pilot may be required to report for duty to fly or deadhead on a trip which is scheduled to depart from his home domicile at or after 0600 local domicile time on the day following his day(s) off. With pilot concurrence, the Company may also assign a reserve pilot who is not released

from duty before 1500 local domicile time to a trip scheduled to depart at or after 0600 local domicile time on the day following his day(s) off.

5-G-1-e-(6)-(b) A reserve on call will be released from duty at 1500 for purposes of this subparagraph (6) if he has not been notified of an assignment or notified to remain on duty by 1500 local domicile time.

5-G-1-e-(6)-(c) A reserve on a designated rest period extending beyond 1500 on a day prior to a reserve day(s) off, if not previously given an assignment following the designated rest period, will automatically be released from duty nine (9) hours prior to the completion of the designated rest period.

5-G-1-e-(7) If a reserve pilot is assigned to a line of flying he shall receive the days off in such scheduled line for the period assigned in lieu of the days off shown in his reserve line for the same period. In no event shall a reserve pilot assigned to a line of flying for less than a full month be scheduled for less than twelve/thirteen (12/13) calendar days off [fourteen (14) calendar days off for Shuttle pilots]. Whenever a reserve pilot is scheduled for less than the minimum of twelve/thirteen (12/13) days off [fourteen (14) days off for Shuttle pilots] when assigned to a line of flying for less than a month, a trip(s) may be deleted or replaced in the line of flying under the provisions of Section 20-F-1, to provide the required days off. It is understood that, on a voluntary basis, a Shuttle reserve pilot assigned to a partial line of flying may require only twelve (12) days off in the line of flying.

*Restoration of
minimum days off
for reserve
assigned to line*

Section 5-G-1-e

5-G-1-e-(8) In the application of Section 5-G-1-c-(3) and 5-G-1-c-(4) to the scheduling of reserve pilots, the

*Reserve
scheduled for*

twelve (12) hours and forty-five (45) minutes or thirteen (13) hours and forty-five (45) minutes, as applicable, will be added to the end of the last duty period of the trip sequence at the time of the initial assignment. The time so established is considered to be the time at which the reserve is scheduled to be legal for his next reserve assignment. However, the provisions of Section 5-G-2-c will apply if the trip sequence is not flown as scheduled, but the required rest (12:45 or 13:45) will be reduced only by the amount of time the reserve arrived later than his scheduled arrival at home. The provisions of 5-G-2-c will also apply if the next assignment is made under the provisions of Section 20-G-8. In no case will a reserve pilot receive less rest than provided in Section 5-G-2-c.

12:45 rest at home---13:45 after crosstown operations

Rest will be reduced only by the amount of time the reserve arrived later than his scheduled arrival at home

5-G-1-f- Late Night and All Night Flying

5-G-1-f-(1) Definitions

5-G-1-f-(1)-(a) Window of Circadian Low ("WOCL") means 0100 through 0459 home domicile time

Late night and all night flying

scheduling

5-G-1-f-(1)-(b) Late Night Flight ("LNF") means a flight any portion of which is scheduled to operate between 0045 and 0600 (inclusive) home domicile time.

restrictions

5-G-1-f-(1)-(c) All Night Flight ("ANF") means a LNF any portion of which is scheduled to operate during the hours of 0230 and 0329 home domicile time.

5-G-1-f-(2) No pilot may be scheduled for duty in consecutive WOCL periods.

5-G-1-f-(3) Within a pairing, a pilot shall have a minimum of sixteen (16) hours and forty-five (45) minutes free from duty prior to a duty period that contains an ANF.

5-G-1-f-(4) After an ANF a duty break must be scheduled before the pilot's next scheduled flight segment.

5-G-1-f-(5) Any duty period that contains an ANF shall meet the following requirements:

5-G-1-f-(5)-(a) A maximum of two (2) flight

segments, except no more than one (1) segment if the ANF departs from an equipment domicile, and

5-G-1-f-(5)-(b) A maximum duty period of Nine (9) hours and forty-five (45) minutes unless further

restricted by Section 5-G-1-a-(1)-(a) above, and

5-G-1-f-(5)-(c) If the duty period contains two (2)

flight segments, no more than one (1) hour and

forty-five (45) minutes ground time between flight

segments.

5-G-1-f-(6) Central and South American trip pairings that are specifically addressed by the current "doctors letter" are exempt from the provisions of this Section 5-G-1-f.

*Above night flying
rules not
applicable to*

*Central and South
America*

5-G-2- Actual On-Duty Provisions

The following on-duty provisions shall apply to scheduled pilots and reserve pilots in the actual performance of their duties, including any reassignments made after the pilot has reported for duty for his initially assigned trip sequence.

5-G-2-a- A pilot shall not be required to be on duty in excess of the following limitations, except by agreement between the pilot and a Flight Manager.

5-G-2-a-(1) As a result of a reassignment, a duty period may not be planned to exceed the applicable schedule maximum in 5-G-1-a-(1) above, by more than one (1) hour, without pilot concurrence.

*Actual duty time
limits including
reassignment*

(a) Additionally, a pilot shall not be reassigned to be on duty for more than eleven (11) hours in any duty period following a layover scheduled for less than ten (10) hours and forty-five (45) minutes free from duty.

*Actual duty time
limits for
reassignments
following a field
layover*

Between 2301 and 0359, the on-duty period shall not be scheduled to exceed ten (10) hours.

(b) Should a pilot become involved in a reassignment which produces a layover that, had it been scheduled,

*Pilot reassigned
into a short field*

would have subjected him to the provisions of 5-G-1-a-(1)-c, *layover shall have*
above; such pilot shall be treated in the actual *the more*
operation as if he had been scheduled under 5-G-1-a-(1)-(c). *restrictive duty*
Conversely, a pilot scheduled under 5-G-1-a-(1)-(c) *limits following*
who is reassigned so as to actually receive a *the layover, and if*
longer layover not subject to 5-G-1-a-(1)-(c) that pilot *reassigned into a*
shall not be limited to the shorter duty period. *longer layover*
those duty period
restrictions shall
not apply

Section 5-G-2-b

5-G-2-a-(2) In the actual operation, a duty period may *Actual duty limits*
not exceed the applicable schedule limits as provided *1 1/2 hour greater*
in 5-G-1-a-(1) above by more than one and one-half *than scheduled*
(11/2) hours (or fourteen (14) hours total if less) *with 14 hours max*
without pilot concurrence.

5-G-2-a-(3) In the event a pilot is reassigned to
deadhead to a layover point or to his home domicile,
the actual limitations shall apply.

5-G-2-a-(4) Determination of all on-duty periods shall
be based on home domicile time.

5-G-2-b-

5-G-2-b-(1) Duty time on an actual basis shall include
actual flight and ground time and a pilot shall be
considered to be on duty for one (1) hour before the
scheduled departure of his trip until fifteen (15)
minutes after the termination of the trip. If the required
reporting time exceeds one (1) hour, such additional
time shall be considered as duty time. This
subparagraph shall not apply in the application of
Section 5-G-1-b-(3).

5-G-2-b-(2) Notwithstanding sub-paragraph 5-G-2-b-(
1) above, a pilot who flies a cargoliner at the
conclusion of a trip sequence shall be considered to be

on duty until thirty (30) minutes after the termination of the trip. This cargo liner debrief time shall remain 30 minutes unless the SSC and the Company agree an increased time is necessary at a particular airport. If the SSC and the Company are unable to reach agreement, the issue will be referred to the UAL-MEC Master Chairman and the Senior Vice President of Flight Operations for resolution.

5-G-2-b-(3) Notwithstanding the provisions of sub-paragraph

5-G-2-b-(1) above, the one (1) hour reporting time may be reduced to not less than thirty (30) minutes before departure of a trip on a daily basis by request of the crew and with the concurrence of a Flight Manager. This waiver applies only to reporting time of one (1) hour which has not previously been resolved under the provisions of Section 5-G-1-c-(1). Such action, however, will not dilute the application of any of the provisions of this Paragraph. Specifically, it will be assumed that the pilot reported for duty one (1) hour before departure.

5-G-2-b-(4) When a pilot's return trip terminates at an airport serving his domicile other than the airport at which his return trip was scheduled to terminate, the pilot's on-duty period shall be extended in accordance with Section 5-G-1-b-(3), based on the actual termination airport or the scheduled termination airport, whichever is greater, provided, that if in the actual operation a pilot returns to the airport from which he was scheduled to originate, the provisions of this Paragraph shall not apply.

5-G-2-b-(5) When a pilot is scheduled into one airport and out of another airport serving the layover point, the

duty period will have the driving time shown in Section

5-G-1-b-(3) included.

5-G-2-c- For the purpose of determining actual duty time, a pilot's on-duty period cannot be broken by an actual off-duty period of less than:

5-G-2-c-(1) Nine (9) hours and fifteen (15) minutes - in case of relief from flight duty at a point where sleeping accommodations are provided within fifteen (15) minutes normal driving time from the airport and transportation is provided within fifteen (15) minutes of the crews planned arrival time if later than the scheduled arrival time. At non-domicile locations, the Company may reduce the one (1) hour report time specified in Section 5-G-1-b-(1) to thirty (30) minutes in order to provide the required period free of duty. Such action, however, will not dilute the application or any of the provisions of this Paragraph. Specifically, it will be assumed that the pilot reported for duty one (1) hour before departure.

5-G-2-c-(2) Ten (10) hours and forty-five (45) minutes -In case of relief from flight duty at a point where sleeping accommodations are not provided as specified in sub-paragraph 5-G-2-c-(1) above. At non-domicile locations the Company may, with pilot concurrence, reduce the one (1) hour report time specified in Section 5-G-1-b-(1) to thirty (30) minutes in order to provide the required period free of duty. Such action, however, will not dilute the application or any of the provisions of this Paragraph. Specifically, it will be assumed that the pilot reported for duty one (1) hour before departure.

5-G-2-c-(3) Ten (10) hours and forty-five (45) minutes-

the conclusion of an assigned trip sequence at a scheduled pilot's home domicile regardless of whether sleeping accommodations are or are not available at the airport or when a pilot departs from one airport and arrives at another airport serving his domicile at the conclusion of an assigned trip sequence.

5-G-2-c-(3)-(b) In case of relief from flight duty at the conclusion of an assigned trip sequence at a reserve pilot's home domicile regardless of whether sleeping accommodations are or are not available at the airport.

5-G-2-c-(3)-(c) In case of relief from flight duty under the provisions of Section 20-F-1-a-(2) and Section 20-F-1-b-(3) and 20-F-1-b-(4).

5-G-2-c-(4) Twelve (12) hours - in case of relief from flight duty at the first rest following a duty period in which the pilot exceeds eight (8) hours flight time in any consecutive twenty-four (24) hours.

*12 hours rest after
8 hours actual in
24*

5-G-2-c-(5) Notwithstanding the provisions of sub-paragraph 5-G-1-c-(1) and 5-G-1-c-(2) above, an on-duty period cannot be broken by less than nine (9) hours at the place where sleeping accommodations are provided.

*Minimum rest of 9
hours at hotel*

5-G-2-c-(6) The off duty periods required by 5-G-2-c-(1)-5-G-2-c-(2)-5-G-2-c-(3) above, may be reduced by one (1) hour, but in no case less than the amount of time necessary to provide eight (8) hours and thirty (30) minutes at the place where sleeping accommodations are provided, under this sub-paragraph c when such off duty periods extend to or beyond 0200 Standard Time on the designated day when the change is made from Standard Time to Daylight Time. This exception does not apply to the required rest period for a reserve at his home domicile as provided in Section 5-G-2-c-(3)-(b).

Time change

5-G-2-c-(7) Pairings which have been scheduled under the provisions of Paragraph 5-G-1-c-(6), shall require thirty (30) minutes less time free of duty in the actual operation than the times provided in Paragraph 5-G-2-c-(3) above.

Actual rest provisions reduced by :30 when Company and SSC agree to schedule back to back pairing in lines.

5-G-2-d- Operational Integrity

The Company may initiate the following procedures whenever it is anticipated that a flight crew will be unable to depart on-time following a scheduled layover. These procedures only apply to a layover at a non-domicile location where timely replacement of the crew is not possible:

Company may request pilot to waive contractual rest at non-domicile location for an ontime departure

5-G-2-d-(1) Notwithstanding the provisions of Section 5-G-2-c above and with pilot concurrence, the minimum rest will be the greater of eight (8) hours or the rest required by the FAR. Provided, however, that:

5-G-2-d-(1)-(a) Each pilot is notified prior to, or immediately upon arrival at the layover station of the Company's request to implement this provision, and

5-G-2-d-(1)-(b) The layover hotel meets the field layover requirements of Section 5-G-2-c-(1) above, and

Field layover required

5-G-2-d-(1)-(c) Transportation to the layover hotel is immediately available upon arrival. If the transportation is not immediately available, the pilot may, at his option and after notifying the Company upon his arrival at the hotel, revert to the actual minimum layover under Section 5-G-2-c-(1) above.

Immediate transportation required

5-G-2-d-(2) Prior to agreeing to rest under this Section 5-G-2-d, the pilot will be informed of the anticipated duty following the rest period.

5-G-2-d-(3) Following any rest period under this *Limitations on*
Section 5-G-2-d, a pilot may fly up to four (4) *duty period*
scheduled flight hours and shall be relieved from duty *following reduced*
upon the earliest of: *rest*

5-G-2-d-(3)-(a) The first arrival at a domicile
location for his equipment type, or

Section 5-G-3

5-G-2-d-(3)-(b) Completion of two (2) flight
segments, or

5-G-2-d-(3)-(c) Completion of six (6) hours on duty

5-G-2-d-(4) When a pilot is relieved from duty following *After completion*
a rest period under this Section 5-G-2-d, the pilot will *of the duty period*
be either: *following reduced*

5-G-2-d-(4)-(a) Released from the balance of the *released or given*
trip, or *a minimum 14*
;hours rest

5-G-2-d-(4)-(b) Given a rest period extending
through 0459 home domicile time following release
from duty, and in no case shall this rest period be
less than fourteen (14) hours.

5-G-2-d-(5) If the pilot is given a rest under Section 5-
G-2-d-(4)-(b) above, after completing this rest and
provided he is notified prior to 1700 on the day
following the rest, the pilot may be:

5-G-2-d-(5)-(a) Assigned to join the balance of his *If notified by 1700*
original trip, or *following a 14*
hour minimum

5-G-2-d-(5)-(b) Reassigned other flying under *rest a pilot may be*
Section 20-F for which the pilot is legal, except that *assigned the*
such other flying shall be scheduled to return the *balance of his*
pilot to his home domicile no later than two (2) *original trip,*
hours after the scheduled arrival time of his original *reassigned other*

trip, or

flying under 20-F,

or released from

5-G-2-d-(5)-(c) Released from further duty, except

further duty.

deadhead if necessary to return to his home domicile.

5-G-2-d-(6) Following any rest period under this subparagraph d, a reserve will not be available for any assignment until he receives the required rest under Section 5-G-2-d-(4)-(b) above.

5-G-2-d-(7) A pilot shall receive incentive pay in accordance with Section 3-B-7-b of the Agreement.

5 hour incentive pay

5-G-3- Minimum Scheduling and Actual Credit Provisions

The following schedule and actual credit provisions shall apply to the construction of schedules for preferencing and in the actual operation and wherever this Agreement refers to "credit hours" or "pay credit." All duty assignments involving line flying duty will be considered as having the minimum

Flight time credit provisions for schedule and actual operations

flight time credit applications set forth in this sub-paragraph G-3.

5-G-3-a- Schedules shall contain a minimum of one (1) hour's flight time credit for each two (2) hours of duty time scheduled between 0600 and 2159 and a minimum of one (1) hour's flight time credit for each one and three-quarter (1-3/4) hours of duty time scheduled between 2200 and 0559, prorated on a schedule or actual basis whichever is greater.

5-G-3-b-

5-G-3-b-(1) For Mainline pilots, schedules shall contain a minimum of five (5) hours of flight time credit, averaged, for each on-duty period in multiple duty period trip sequences or five (5) hours for one (1) duty

M5H average

period trip sequences. In computing the five (5) hour minimum, there shall not be included any on-duty periods which do not involve line flying, and this provision does not apply to publicity and courtesy flights. The five (5) hour minimum shall not apply to any duty period composed solely of deadheading.

5-G-3-b-(2) For Shuttle pilots, schedules shall contain a minimum of five and one-half (5 1/2) hours of flight time credit, averaged, for each on-duty period in multiple duty period trip sequences or five and one-half (5 1/2) hours for one (1) duty period trip sequence. In computing the five and one-half (5 1/2) hour minimum, there shall not be included any on-duty periods which do not involve line flying, and this provision does not apply to publicity and courtesy flights. The five and one-half (5 1/2) hour minimum shall not apply to any duty period composed solely of deadheading.

*Shuttle M5 1/2H
average*

5-G-3-c- Schedules shall contain a minimum of one (1) hour's flight time credit for each three and one-half (3 1/2) hours elapsed time away from his domicile, prorated on a schedule or actual basis whichever is greater.

Trip Rig 1 for 31/2

5-G-3-d- When a trip pairing does not provide the minimum credit provided by sub-paragraph 5-G-3-a, 5-G-3-b and 5-G-3-c above, the following shall apply:

5-G-3-d-(1) Credit time accrued as a result of the application of the one (1) for two (2) and/or the one (1) for one and three-quarters (1-3/4) on-duty formula when applicable, shall for purposes of credit be added

Section 5-G-3-f

to the end of the last flight in the on-duty period in which such credit was accumulated.

5-G-3-d-(2) Credit time accrued as a result of the application of the one (1) for three and one-half (3 1/2) hours away-from-domicile formula and/or the minimum

five (5) hours average per duty period {five and one-half (5 1/2) hours average per duty period for Shuttle pilots}, shall, for purposes of credit, be added to the end of the last flight in the away-from-domicile period in which such credit was accumulated.

5-G-3-e- Minimum Schedule Provisions, Minimum Actual Credit Provisions or Actual Flight Time

At the completion of each trip pairing, the pay credit value of the pairing shall be considered to be the pay credit value of the pairing as computed above, the pay credit value of the credit provisions applied in the actual performance of the trip pairing, or the accumulated total flight time performed in that pairing, whichever is greater. A pilot will be entitled to accrue "actual flight time" once the flight has left the blocks for the purpose of flight, regardless of whether the segment is cancelled or otherwise terminates at a location other than the scheduled destination. The pilot will be entitled to the actual flight time accrual on the basis of his actual block to block time.

At the completion of the ID the pilot will be paid the greater of the credit value in the schedule or the value of the duty rigs applied in the actual operation or the actual flight time performed

5-G-3-f- On a schedule or actual basis, whichever is greater, deadheading shall provide full flight time credit and shall be used to offset the minimum credit and actual provisions provided above.

5-G-3-g- Trip sequences may be scheduled with up to four (4) duty periods.

4 duty period sequences

5-G-4- When a pilot assigned to a line of flying is reassigned or junior manned, and the assignment interferes with his minimum calendar days off, as provided in sub-paragraph 5-G-1-d above, he shall be given additional calendar days free of duty to restore him to his minimum calendar days free of all duty at his domicile. Should a trip drop provide more than the required number of days off to restore the minimum to the pilot, he may be given a Section 20-F standby or flight assignment on those "extra" days off. The day(s) on which the pilot will be given such assignment will be by mutual agreement; unless agreement cannot be reached, in which

Junior manned or reassigned restoration of minimum days off

case a Flight Manager shall make the determination. A lineholder pilot who picks up open flying under Section 20-H shall not reduce scheduled days off below twelve (12) for the month. If he flies into a day off as a result of an irregular operation, he is not subject to the provisions of this sub-paragraph.

Trips dropped under this provision will not affect the pilot's minimum guarantee.

5-G-5- Reserve On Standby Status

5-G-5-a- When a pilot on reserve is called to the airport on a standby basis without a specified flight assignment, his duty time shall begin at the time he is scheduled to report or actually reports, whichever is later. The time on standby duty plus the scheduled time of the assigned flight cannot exceed the schedule maximum set forth in Paragraph 5-G-1-a.

*Reserve airport
standby*

5-G-5-b- A pilot on standby duty will receive five hours (5:00) pay credit and have his total allowable monthly flight time reduced by five hours (5:00) for each standby assignment which does not result in a flight assignment.

*Flight time credit
for reserve
standby
assignment*

5-G-5-c- A pilot shall not be held on standby duty at the airport in excess of four (4) hours and any assigned flight must be scheduled to depart no later than five (5) hours of his report time. If a pilot is released from standby duty without a flight assignment, he shall be entitled to legal rest and may, at his option, revert to the bottom of the FIFO list.

*Time limits on
standby
assignment*

5-H-

The following provisions shall apply to trip pairings in which at least two (2) segments involve flying to or from Hawaii:

*Hawaii Special
Provisions*

5-H-1- Flying to and from Hawaii may be assigned to any

domicile, provided no trip pairing exceeds four (4) duty periods.

5-H-2- The provisions of Section 5-G-1-a-(1)-(a) and 5-G-2-a-(1) shall apply to all duty periods except to duty periods scheduled under sub-paragraph 3 below. When a pilot is scheduled for duty aloft in excess of eight (8) hours as provided by sub-paragraph 3, the duty period will not be scheduled for more than fourteen (14) hours, nor will a pilot so scheduled be required to remain on duty over sixteen (16) hours without his concurrence.

Section 5-H-3

5-H-3- Notwithstanding Section 5-B-8, non-stop flights may be scheduled which exceed eight (8) hours flight time, but no more than twelve (12) hours, provided that such flight is the only flight segment in that duty period.

5-H-4- Notwithstanding Section 5-B-8, 5-G-1-c and 5-G-2-c, trip pairings scheduled under this provision shall provide ten hours and forty-five minutes (10:45) free from duty after duty periods which contain eight (8) or fewer hours of flight time. For duty periods which contain more than eight (8) hours of flight time, the pilot shall have sixteen (16) hours free from duty following such period.

5-H-5- Notwithstanding Section 5-B-8, Mainland-Hawaii-Mainland or Hawaii-Mainland-Hawaii flights may be scheduled in one (1) duty period only if the first segment is scheduled to depart between 0759 and 1301 domicile time of the pilot so assigned. Trip pairings scheduled under this sub-paragraph may be assigned only to the LAX, SFO, SEA and HNL domiciles; except coverage may be provided from any domicile under the provisions of Paragraph 8-L-6.

West Coast pilots only may be scheduled for turn-arounds in a single duty period

5-H-6- For flying from Hawaii to the Mainland when the first scheduled Mainland landing is between 0259 and 1159 local time, only one (1) landing will be scheduled in that duty

period.

5-H-7- Notwithstanding the provisions of Section 5-B-9, a pilot involved in flying to or from the Mainland and Hawaii may be scheduled to exceed thirty (30) hours in seven (7) days provided that the segment that exceeds thirty (30) hours in seven (7) days is an overwater segment.

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Section 6

Seniority

6-A- General

6-A-1- Pilot seniority shall accrue from the date of hire as a student pilot with the Company, as defined by Section 2-X of this Agreement, or with other companies whose operations have been taken over by the Company prior to signing of this Agreement. Seniority shall continue to accrue from such date and shall not cease to accrue or be lost except as provided in this Section and Section 7 and 12 of this Agreement. The accrual of Pilot seniority is contingent upon the successful completion of initial training as a student pilot.

*Establishment of
pilot seniority date*

6-A-2- Seniority shall govern all pilots in the case of promotion and demotion, their retention in case of reduction in force, their assignment or reassignment due to expansion or reduction in schedules, their reemployment after release due to reduction in force and their choice of vacancies, provided that the pilot's qualifications are sufficient for the conduct of the operation. In the event that a pilot is considered by the Company not to be sufficiently qualified, the Company shall immediately furnish such pilot written reasons therefor. This Section shall apply unless otherwise specifically excepted by some other provision of this Agreement.

6-B- Seniority Lists

Two official Flight Officer Seniority Lists shall be published annually. One shall be called the Pilot Eligibility Seniority List and shall contain the names of all flight officers who are eligible to be awarded Captain, First Officer and International Relief Pilot assignments. The second list shall be called the Second Officer Eligibility Seniority List and shall contain the names of all flight officers who are eligible to be awarded Second Officer assignments. The Second Officers Eligibility Seniority List shall recognize the special rights of those who have been designated "Career Second Officers" under the Letter of Agreement, dated June 11, 1963. Copies of the United Air Lines Pilot Eligibility Seniority List and the Second

*Company will
publish annually 2
official lists. S/O
Eligibility List and
the Pilot Eligibility
Seniority List*

Officer Eligibility Seniority List will be brought up to date as of July 1 of each year and shall be posted and considered the official list. Each pilot shall be allowed a maximum period of

sixty (60) days after the date of distribution by the Company of each list in which to protest any alleged omission or incorrect listing affecting his seniority. A pilot who does not protest such alleged omission or incorrect listing within sixty (60) days after the date of distribution by the Company of the list in which the alleged omission or incorrect listing initially appears, shall thereafter be precluded from protesting the same except that when a pilot is on vacation, leave of absence or sick leave, he shall protest any alleged omission or incorrect listing within sixty (60) days after returning to duty. All seniority protests arising from such revised lists shall be handled in accordance with the procedures outlined in Section 17 of this Agreement, and, when so handled, the result forthcoming therefrom shall be final and binding.

6-C- Period of Probation

Pilots shall be on probation for the twelve (12) months of service as a pilot employee of the Company (measured from the pilot's Pilot Longevity Date) and having performed 165 days of work for the Company. "Work" in this context, will include pilot duty, reserve availability, training, instruction, special assignment and all other flight duties for which compensation is paid. Nothing in this Agreement shall be construed to prevent the Company from releasing a pilot during his period of probation regardless of his position on the System Seniority List.

Probation is 12 month and 165 days of work

6-D- Loss of Seniority

Any pilot who resigns from the service of the Company as a pilot or is discharged as a pilot for just cause shall forfeit all pilot seniority accrued to the date of such resignation or discharge.

6-E- Transfer to Non-Flying, Supervisory Duty or Special

Assignment

6-E-1- A pilot transferred to non-flying, supervisory duties or special assignment shall retain and continue to accrue seniority.

6-E-2- When a pilot is transferred to non-flying, supervisory duty or special assignment on account of any physical incapacity, or becomes sick or injured while on such non-flying, supervisory duty or special assignment, he shall retain and continue to accrue seniority during such period of sickness or injury regardless of whether or not he is able to

Section 6-E-3

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maintain his airline pilot's certificate or certificates required for his pilot's status, until he is able to return to flying duty or is found to be unfit for such duty for a continuous period of seven (7) years, provided, however, that such period will be extended to ten (10) years if in the opinion of the Company's Medical Director, the medical possibility exists for the pilot's ability to obtain his airline pilot's certificate or certificates required for his pilot's status within such extended period.

Any pilot who is not granted an extension to ten (10) years may, at his option, have a review of such determination under the provisions of Paragraph 14-B, 14-C and 14-D of Section 14.

6-E-3- When a pilot engaged in non-flying, supervisory duty or special assignments returns to flying duty, he shall assume his former assignment or, in the event he has bid another assignment while on such duty, assume such new assignment.

6-E-4- Any dispute arising hereunder concerning the physical fitness of such pilot shall be settled in accordance with Section 14.

6-F-

A pilot, while assigned to supervisory or management duty, shall *Management*
perform as Captain in line operations only if he holds a Captain bid and *pilots flying*
shall perform as a First Officer in line operations only if he holds a
Captain, First Officer, or IRP bid. Management pilots shall serve in line
operations on an equipment type assigned by the Company.

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Section 6-F

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Section 7-A

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Section 7

Reduction In Personnel

7-A-

7-A-1- Any reduction in pilot personnel shall be in the

reverse order of system seniority, except as provided in the Letter of Agreement between the Company and the Association, signed June 11, 1963. When it becomes necessary to furlough pilots covered by this Agreement, at least thirty (30) days, but not more than one hundred and twenty (120) days, notice of such furlough shall be given all pilots affected; provided, however, that when there is no work because of an Act of God, labor dispute, or other circumstances over which the Company has no control, pilots covered by this Agreement may be furloughed without advance notice. Such pilots furloughed due to reduction in force shall be reemployed in the order of their seniority at the time of furlough.

7-A-2- Pilots returning to active service from furlough shall be assigned, in accordance with their seniority and preference, to advertised but unfilled assignment vacancies on the system as provided in Section 8-F-3-c. If the recalled pilot is assigned to a domicile other than that from which he was furloughed, he shall be allowed moving expenses and travel time in accordance with Section 10 from his former domicile to the domicile to which recalled. Additionally, pilots returning from furlough to the domicile from which they were furloughed will be allowed travel time from their residence during furlough to their domicile as per Section 10-A-2.

*Recalled pilots
will receive travel
time*

7-B-
When a probationary pilot is furloughed, he shall be furloughed in accordance with the provisions of this Section.

7-C-
A pilot who has been furloughed due to reduction in force shall file his address in writing with the Personnel Department of the Company and shall thereafter promptly advise the Personnel Department in writing of any change in address.

7-D-

A pilot shall not be entitled to recall as provided in Paragraph 7-A of this Section and shall forfeit all seniority if he does not comply with the requirements of Paragraph 7-C of this Section or if he does not return to the service of the Company on or before the date specified in the notice offering re-employment, which date shall be not less than thirty (30) days, or if such pilot is outside the continental limits of the United States forty-five (45) days, after notice to return is sent by registered mail, return receipt requested, or by telegram to the last address filed with the Personnel Department. Notice of intent to accept offer of recall from furlough must be furnished to the Company by telegram or registered letter within fourteen (14) days from the date of receipt of recall notice.

7-D-1- Notwithstanding Paragraph D above, a pilot who accepts employment while on furlough which requires a contractual commitment for a period not to exceed two (2) years, shall be allowed to fulfill such obligation and shall be considered to be on personal leave of absence commencing with the date of recall until fulfillment of such employment obligation, provided such pilot has received Company concurrence prior to such contractual commitment.

7-E-

A pilot furloughed due to reduction in force who returns to duty as provided in Paragraph 7-D of this Section shall be allowed, for seniority purposes, all time accrued prior to such furlough as well as all time within the period of furlough. All furloughs shall expire at the end of seven (7) years from the effective date of such furloughs and any accrued seniority shall be forfeited; provided, however, that there shall be no change in the relative seniority position on the System Seniority List as the result of any furloughs unless the pilot fails to exercise the privilege provided for in Paragraph 7-D of this Section. Reinstatement shall be subject to the furloughed pilot's passing a satisfactory physical examination and to his possessing the airman's certificate or certificates required for his pilot status at the time of reinstatement. After

*Recall from
furlough*

reinstatement, pilots shall be required to serve any unexpired portion of their probationary period.

Section 7-F

7-F-

7-F-1- A pilot who has one (1) or more years of service as a pilot and who is furloughed shall receive furlough pay equivalent to the minimum monthly flight pay guarantee based on the type of equipment flown his last full month prior to furlough for the period of time specified below, except that no furlough shall be paid where furloughs are caused by an Act of God, labor dispute or other circumstances over which the Company has no control.

If pilot has completed:

Furlough Pay

1 yr of service	1/2 month furlough pay
2 yrs of service	1 month furlough pay
3 yrs of service	1 1/2 months furlough pay
4 yrs of service	2 months furlough pay
5 yrs of service	2 1/2 months furlough pay
6 yrs of service	3 months furlough pay
7 yrs of service	3 1/2 months furlough pay
8 yrs of service	4 months furlough pay
9 yrs of service	4 1/2 months furlough pay

7-F-2- A pilot eligible for furlough pay shall receive such pay starting at the time of furlough and such payments shall be at regular pay periods and continue until all furlough pay credit is exhausted, except that in no event shall any such payment be due after his effective date of recall by the Company.

7-F-3- A pilot recalled by the Company who is later furloughed shall again be entitled to furlough pay as provided in Paragraph 7-F-1 of this Section.

Pay for multiple

furlough

7-F-4- The Company may offer furloughed pilots other jobs in the Company on a voluntary basis. If a pilot volunteers to accept such job, he will only be eligible for that portion of his monthly furlough payment which exceeds the amount of his monthly salary in the volunteer assignment..

7-G-

The Accident-Sickness-Dental Insurance of a pilot (and of his eligible dependents) who is furloughed due to a reduction in force will be continued while he is on furlough for a period of ninety (90) days from the date of his furlough.

*Accident /
sickness / dental
- 90 days*

7-H-

A pilot who has received notice of furlough shall be exempt from the provisions of Section 8-F-3-a and 8-F-3-b and Section 8-K. Pilots who are declared surplus while other junior pilots in the same domicile, status and equipment are exempted under this provision shall be pay protected on a one-for-one basis for the period of this exemption. During this period those pilots qualifying for pay protection shall continue to receive the salary of the equipment from which displaced.

*Pilot with furlough
notice cannot be
bumped*

Section 8

Filling Of Vacancies

8-A- Classification of Assignments

8-A-1- Pilot assignments at a domicile shall be classified in the status of Captain, First Officer, International Relief Pilot and Second Officer, as applicable, in each of the following equipment types: B-747-400, B-747, B-777, DC-10, B-767/B-757, A-320/A-319, B-727, B-737-300/400/500, B-737 and all

*Assignments
classified*

Shuttle equipment.

8-A-2- The Company shall each month post on computer, in Unimatic and in the Pilots' Bulletin Book at all domiciles an up-to-date list of all pilot assignments.

8-B- Manpower Requirements

The number of Captain, First Officer, International Relief Pilot and Second Officer assignments in each equipment type, *Minimum manpower requirements*

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Section 8-B-1

when required, shall be determined by the following procedure:

8-B-1- Scheduled hours (including MAC) plus flight time credit

81:00 = pilots

8-B-2- Reserve -
17% of item #1 (Captains)
15% of item #1 (First Officers)
15% of item #1 (second Officers)

12% of all Shuttle scheduled hours and flight time credit

= pilots

8-B-3- Charter & extra lift hours

65:00= pilots

8-B-4- Sick leave man months

= pilots

8-B-5- Vacation man months

= pilots

8-B-6- Training man months (including PC/PT)

= pilots

TOTAL SYSTEM PILOT REQUIREMENTS FOR 60 DAYS

= pilots

Nothing herein shall prevent the Company from bidding or maintaining additional assignments for reserve coverage by equipment type in excess of the percentage set forth above.

8-C- Advertising of Vacancies

8-C-1-

8-C-1-a- Vacancies in Captain, First Officer, International Relief Pilot and Second Officer assignments shall exist when, in accordance with Section 8-B, there is a need for additional assignment for an anticipated period of sixty (60) days or more. Vacancies shall be advertised at all domiciles as far in advance as possible but not later than thirty (30) days after such vacancy exists.

*Advertise within
30 days after
vacancy exists*

8-C-1-b- Vacancies which were not expected to exist more than sixty (60) days, if existing at the end of sixty (60) days, shall be reviewed with the System Schedule Committee. Such vacancies shall be advertised within five

Section 8-C-2

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(5) days after such review unless it is mutually agreed that the vacancies will cease to exist within a reasonable period.

8-C-2- All such vacancies shall be open to bid by the pilots eligible to bid under the provisions of Section 8-D. Vacancy bulletins shall state the number and status of primary vacancies to be filled; the anticipated effective date of the assignment; the anticipated dates training is to start; the equipment type involved; and the domicile at which the vacancy exists. All vacancies posted together shall share a common closing date and a common effective date, except that DC-10 and B-727 Second Officer vacancies which are posted at the same time as other vacancies, shall share the same closing date, but may have an earlier advertised effective date. If, as a result of this special Second Officer provision, a pilot has an opportunity to bid a vacancy which has an earlier effective date than an assignment previously bid, he shall be eligible for such assignment, notwithstanding any prior freeze. Vacancy bulletins shall be posted not later

than noon local time on the date of the bulletin and shall close not sooner than noon local time on the tenth (10th) day following the date of the bulletin.

8-C-3- Bidding on Vacancies

8-C-3-a- During the time when primary vacancies are posted for bid, bids will be accepted from eligible pilots for pilot assignments in all domiciles, status and equipment types active on the airline. A pilot desiring a change in domicile, status and/or equipment type should submit bids for all assignments which he desires, in preference order, at any time any vacancies are advertised.

8-C-3-b- In addition to the process described in a above, pilots who desire to have their bids remain on file indefinitely for consideration in filling future vacancies may submit "permanent bids." Permanent bids may require direct entry by the pilot into the Company's computer system. A pilot may revise his permanent bid file at any time, however, the bid on file at the close of each bidding period shall be the pilot's official bid for those vacancies.

Pilot may submit and maintain a permanent bid on file

8-C-3-c- The Company will implement within twelve (12) months of the date of the signing of the Agreement, conditional bidding for all new equipment domiciles or for

Conditional Bidding

the splitting of an existing domicile (e.g. conversion from Mainline to Shuttle).

8-C-3-d- Permanent bids as described above shall be considered as cancelled by one of the following:

Procedure for cancellation of permanent bid

8-C-3-d-(1) Submission of a request to cancel the permanent bid.

8-C-3-d-(2) Submission of a vacancy bid on any posted primary vacancies.

8-C-3-d-(3) Being awarded a vacancy as a result of a *Including both*

bid. *permanent and*

alternate

passover bids

8-C-4- Awarding of Vacancies

Upon closing of a vacancy bulletin, pilots shall be awarded the number of assignments needed in each of the advertised vacancies. At the same time, pilots shall be awarded assignments, if needed, in domicile, status and equipment types which have become available due to the assignment of pilots to fill the advertised primary vacancies. Further, awards may be made to fill the vacancies resulting from all subsequent awards. These secondary vacancies will not have been advertised, but will share the same effective date as the primary vacancies.

8-C-5-

8-C-5-a- The most senior pilot bidding on an assignment vacancy, unless excepted by Section 8-C-5-b below, shall be awarded such assignment. The filling of all vacancies shall be subject to Paragraph 6-A-2 of Section 6 and Paragraph 8-D of this Section, provided that, for the purpose of this Paragraph, the phrase "sufficiently qualified" appearing in Paragraph 6-A-2 of Section 6 means the pilot's qualifications as an airline pilot, exclusive of route and equipment qualification, provided that if the pilot has been given the opportunity to so qualify and has failed, he may be denied the assignment.

8-C-5-b- When a vacancy or vacancies occur in a status, equipment type and domicile from which pilot(s) has been displaced, under the provisions of Section 8-F and 8-K, the displaced pilot(s) shall for a period of one hundred and twenty (120) days beyond the effective date of their displacement be offered in order of seniority the assignment(s) prior to the awarding of that assignment(s)

under the provisions of 8-C. This 120 day period is measured from the effective date of the surplus to the bulletin date of the vacancy.

8-C-6-

All vacancies will be advertised for bid and awards made not more than six (6) months prior to the effective date of the vacancy, except the Company may exceed this time limit if necessary to meet training requirements after review with the System Schedule Committee.

*6 months
advertised to
effective date*

8-D- Eligibility To Be Awarded Vacancies

In addition to the provisions stated in 8-C above, a pilot's eligibility to vacancies shall be subject to the following conditions:

*Bidding
restrictions*

8-D-1- A pilot occupying a Second Officer assignment and any pilot in his first year of service is eligible to be awarded any other assignment.

8-D-2- A pilot occupying an International Relief Pilot assignment is eligible to be awarded any other International Relief Pilot assignment and any First Officer and any Captain assignment.

8-D-3- A pilot occupying a First Officer assignment is eligible to be awarded any other First Officer assignment and any Captain assignment.

8-D-4- A pilot occupying a Captain assignment is eligible to be awarded any other Captain assignment.

8-D-5- In addition to the provisions of sub-paragraph 8-D-1, 8-D-2, 8-D-3 and 8-D-4 above, a pilot holding an assignment as a A-320/319, B-727, B-737-300/400/500, B-737 or Shuttle B-737-300/400/500 Captain may bid and be awarded a vacancy in a B-747-400, B-747 or a B777 First Officer assignment and a pilot holding an assignment as a B-767/757, A-320/319, B-727, B-737-300/400/500, B-737 or Shuttle First Officer may bid and be awarded a vacancy in a B-747 or DC-10 Second Officer assignment or an International Relief Pilot (IRP) assignment. A pilot awarded an assignment under the provisions of this sub-paragraph may be required to fill such assignment for a period of twenty-four (24) months

Downbid in status

following the date on which he is activated in the assignment.

Further, a Captain who is awarded a First Officer assignment

under the provisions of this sub-paragraph shall be ineligible to bid and be awarded any Shuttle, B-737, B-737-300/400/500, B-727, A-320/319, or B-767/757 Captain assignment during that twenty-four (24) month bid restriction, notwithstanding the provisions of 8-D-6-c, below.

8-D-6-

8-D-6-a- Notwithstanding the eligibility provisions of Section 8, Paragraph 8-D-1, 8-D-2, 8-D-3 and 8-D-4, when a pilot is awarded an assignment through bidding, he may be ineligible to bid and be awarded any other vacancy with an effective date earlier than fourteen (14) months (twenty-four (24) months, if scheduled training includes more than twelve (12) days which contain training duty) after the first day of the month following the month he was awarded his bid. In determining the number of scheduled training days for this application only, INS, overwater and/ or any other specialized training shall not be counted when such qualification(s) is not required of all pilots assigned to that equipment type and status.

Bidding freezes

8-D-6-b- The above bid restriction shall also apply to a pilot who requires training upon being hired as a pilot or upon being recalled from furlough; except that the period of restriction shall begin upon the date the pilot is assigned to training.

*Freeze
restrictions for
recallees and new
hires*

8-D-6-c- The above provision shall not restrict a pilot from bidding up in status (i.e., Second Officer to International Relief Pilot to First Officer to Captain) at any time; however, a pilot who vacates an awarded assignment by bidding up in status, may be ineligible to bid and be awarded any other vacancy with an effective date earlier than the fourteen (14) (twenty-four (24))

months provided above, plus the amount remaining unfulfilled from his prior assignment. Notwithstanding the above bidding restriction, a pilot who is awarded a vacancy and subsequently receives another award to a higher status prior to beginning training for the initial vacancy award shall not incur any bidding restriction as a result of the initial vacancy award.

Section 8-D-6-d

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8-D-6-d- A pilot who is not within a bid restriction period as provided by this sub-paragraph D-6 and who is awarded a vacancy in his present status and equipment type at another domicile will be entitled to reimbursement of moving expenses as provided in Section 8-E-2-b and may incur a fourteen (14) month bid restriction as provided in Section 8-D-6-a. Such a bid restriction, however, will not be imposed until the pilot incurs an expense associated with exercising his paid move entitlement. Conversely, if the pilot does not seek reimbursement from the Company for expenses associated with his relocation, a bid restriction period will not be imposed. In the event a bid restriction is imposed, the period of the bid restriction will run fourteen (14) months from the first day of the schedule month following the posting of the tentative award, regardless of when the expense was first incurred. For the purpose of this provision, the phrase "incurs an expense" shall not include the moving provisions contained in Section 10-A-2-a, and 10-A-2-c and the use of the applicable authorized travel for the purposes of house-hunting.

Pilot who is not serving a freeze may be awarded a lateral with no freeze if he elects not to take the paid move

8-D-7- A pilot who is ineligible to be awarded a vacancy in his present status and equipment type at another domicile because of the bid restrictions of 8-D-6 above, may nonetheless be awarded such vacancy under the following conditions:

Pilot serving a freeze may be awarded unlimited laterals with no additional freeze

or paid moves

8-D-7-a- If awarded, he shall receive no new paid move

nor travel time entitlement as a result of his new assignments.

8-D-7-b- He shall continue to serve out the period of his bid restriction associated with the assignment held prior to the lateral award, but shall incur no additional bid restriction.

8-D-7-c- This provision shall be available to a pilot on an unlimited basis.

8-D-8- Only pilots who have met the basic prerequisite piloting requirements for Air Line Transport Pilot Certificate, including successful completion of the written examination and notification to the Company of this completion, and who have completed twelve (12) months of service as a United First Officer shall be eligible to bid or bump to Captain vacancies.

8-D-9- Only those pilots who are either active Second Officers or have completed the FAA Flight Engineer turbo-jet written exam and have so notified the Company, shall be eligible to bid or bump an International Relief Pilot vacancy.

8-D-10- Only those pilots who have successfully completed the FAA Flight Engineer turbo-jet written exam or who possess a valid Flight Engineer's certificate and have so notified the Company may bid or bump to a Second Officer vacancy.

8-E- Awarding of Vacancies

8-E-1- A successful bidder on a vacancy at his domicile shall take over his new assignment on the date that the flying supporting such assignment actually begins or when training is completed for such assignment, whichever is later. If the new assignment is planned to be activated prior to the first day of the pilot schedule month, he may exercise his seniority in his awarded assignment under Section 20-D. If, however, the new assignment is activated at a time which precludes his

exercising his seniority in his awarded assignment under the Section 20-D, he will be assigned as a reserve in his awarded status and equipment type until the commencement of the next schedule for which he exercises his seniority under the schedule selection procedure.

8-E-2-

8-E-2-a- A successful bidder on a vacancy which required a change in domicile shall take over his new assignment on the date that the flying supporting such assignment actually begins or when training is completed for such assignment, whichever is later. If the new assignment is planned to be activated at a time which permits his exercise of seniority in his awarded assignment under Section 20-D, he shall be afforded such opportunity. If, however, the new assignment is activated at a time which precludes his exercising his seniority in his awarded assignment under Section 20-D, he will be assigned as a reserve in his awarded status and equipment type under the commencement of the next schedule for which he exercises his seniority until the schedule selection procedure.

8-E-2-b- A pilot who is awarded a vacancy at another domicile shall be entitled to moving expenses upon

*Paid move
application*

Section 8-E-2-c

activation of that vacancy, under the provisions of Section 10.

8-E-2-c- Should a pilot be activated into his new assignment during a schedule month, his salary shall be prorated as provided in Section 3-C.

Salary proration

8-E-3- A pilot shall not be prevented by the Company from taking over his awarded assignment in excess of ninety-two (92) days after the awarded assignment is activated. If a pilot is prevented by the Company from taking over his new assignment after it has been activated, he shall be compensated as follows until he is released by the Company

to take over his new assignment:

8-E-3-a- He shall receive for the period involved a monthly salary based on the status and equipment type of his awarded assignment, or what he actually earned, whichever is greater; prorated, as provided by Section 3-C, if the change is mid-month.

Salary proration

8-E-3-b- Further, if the successful bidder has been prevented by the Company from taking over his new assignment as specified in sub-paragraph 8-E-2 above, or after the awarded vacancy is activated, whichever is later, in excess of forty-five (45) days, he shall receive an expense allowance in accordance with Section 4-E-1 of this Agreement until his awarded assignment is activated.

Expenses allowance for delayed activation

8-E-3-c- An awarded vacancy shall be considered to have been activated at the domicile, for the application of this sub-paragraph E-3, on a man-for-man basis if:

8-E-3-c-(1) A more junior pilot who was awarded such assignment on the same vacancy bulletin as the affected pilot is activated into the same assignment; or a pilot who was awarded such assignment on a vacancy bulletin subsequent to the bulletin awarded the affected pilot is activated into the same assignment; or

Man-for-man application

8-E-3-c-(2) Subsequent to the advised effective date of the assignment, temporary duty pilots are assigned to the domicile in the status and equipment type of the affected pilot's awarded assignment.

Note: Intent of "man-for-man" in this application:

In the event two assignments are to be activated, if 2nd and 4th are activated then #2 triggers pay for #1 and #4 triggers pay for #3.

8-E-4- A successful bidder who has been prevented by the Company from taking over his new assignment under the provisions of sub-paragraph 8-E-3 and is then released to take over such assignment at a time which precludes his exercising his seniority in his awarded vacancy under the schedule selection procedures (Section 20-B), will be assigned as a reserve in his awarded status and equipment type until the first of the month following his release; or, if a schedule selection procedure occurs as a result of a schedule change during the month, until the effective date of such schedule change.

8-F- Insufficient Bidders

8-F-1- In the event there are insufficient bids received on a Captain vacancy, the Company may fill such vacancy by assigning the junior pilot at the domicile at which the vacancy exists who meets the requirements specified in Paragraph 8-D-8 of this Section. If no junior pilot at the domicile meets these requirements then the Company may assign the junior pilot on the system who meets these requirements. Pilots transferred from one domicile to another under the provisions of this sub-paragraph shall be transferred in accordance with Section 8 and receive moving expenses in accordance with Section 10 and shall be given as much advance notice as possible but not less than thirty (30) days to assume such vacancy.

*Assignment
insufficient
Captain bidders*

8-F-2- In the event there are insufficient bids received on a First Officer vacancy, the Company may, with not less than thirty (30) days notice:

*Assignment
insufficient First
Officer bidders*

8-F-2-a- Fill such vacancy by assigning the junior pilot at the domicile, or

8-F-2-b- Fill such vacancy by assigning any surplus pilots who desire to move in order of seniority from the domicile at which a surplus exists. If no pilots desire to move, the Company may then move pilots from that domicile to fill the unfilled vacancy in reverse order of seniority. Pilots transferred from one domicile to another under the provisions of this sub-paragraph shall be transferred in accordance with Section 8 and receive moving expenses in accordance with Section 10.

8-F-3- In the event there are insufficient bids received on an *Assignment*
International Relief Pilot vacancy, the Company may, with not *insufficient IRP*
less than thirty (30) days notice: *bidders*

Section 8-F-3-a Page 109

8-F-3-a- Fill such vacancy by assigning the junior eligible
Second Officer at that domicile.

8-F-3-b- Fill such vacancy by assigning any surplus
eligible Second Officer who desires to move in order of
seniority from the domicile at which a surplus exists. If no
eligible Second Officer desires to move, the Company
may then move any eligible Second Officer from that
domicile to fill the unfilled vacancy in reverse order of
seniority. Second Officers transferred from one domicile to
an-other under provisions of this sub-paragraph shall be
transferred in accordance with Section 8 and receive
moving expenses in accordance with Section 10.

8-F-4- In the event there are insufficient bids received on a *Assignment*
Second Officer vacancy, the Company may, with not less than *insufficient*
thirty (30) days notice: *Second Officer*
bidders

8-F-4-a- Fill such vacancy by assigning the most junior *Exemption for*
pilot at the domicile who is not exempted by the provisions *pilots with*
of Section 7-H. *furlough notice*

8-F-4-b- Fill such vacancy by the following procedure:
Implement the provisions of Section 8-K-1 to surplus
Second Officers in a domicile(s) and equipment type who
are not exempted by the provisions of Section 7-H. At the
same time, the Company may issue a conditional 8-K-1
surplus letter to an equivalent number of pilots, in each
domicile and equipment type, who are junior to the
originally surplus Second Officers and who may become
surplus as a result of their bumps. The Company will then

process all bumps which are necessary to relocate the junior pilots into assignments where they will no longer be surplus, according to their seniority and preferences. All pilots who received conditional surplus notice will be advised of his bump assignment or that he is not surplus and his conditional notice is cancelled.

8-F-4-c- Fill such vacancy by assigning pilots being recalled from furlough.

8-F-5- In the event a vacancy is not filled within three (3) months of the date of the award bulletin, the vacancy shall be cancelled.

*Cancellation of
unfilled vacancies*

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Section 8-F-6

8-F-6- A surplus of pilots will be considered to exist at a domicile when pilots who have been displaced from their assignment have not exercised a bump or do not have sufficient seniority to revert to another assignment at their domicile.

8-F-7- Notwithstanding the provisions of sub-paragraph 8-F-2, 8-F-3 and 8-F-4 of this Paragraph and Paragraph 8-C-1 of Section 8, bulletined but unfilled Second Officer, IRP, and First Officer vacancies and secondary vacancies in Second Officer, IRP, and First Officer assignments may be used by the Company for the assignment of newly hired but unassigned pilots. This paragraph shall not be applicable while pilots are on furlough.

8-G- Cancellation or Delay In Activation Of Assignment

8-G-1- In the event an awarded assignment is cancelled prior to the effective date specified in the bulletin awarding the vacancy, the pilot awarded such assignment shall retain his present assignment and, if any pilot junior to him has been awarded a vacancy which, he could have bid and been awarded, had he not been restricted by the provisions of Section 8-D-5 at the time his cancelled assignment was

*Bumping rights
after cancellation
of awarded
assignment prior
to effective date*

awarded or during the period he held such assignment, he may within twenty (20) days of notification of such cancellation bump into the assignment status and equipment type which the junior pilot was awarded. The pilot exercising such bump will be considered as though he had bid and been awarded the vacancy awarded the pilot junior to him.

8-G-2- If the unactivated assignment is cancelled, on or after the advertised effective date, the pilot shall have bumping rights as established in Paragraph 8-K-2, 8-K-4, 8-K-5, 8-K-6, 8-K-7 and 8-K-8 of this Section, and shall exercise any bump within twenty (20) days of the date he is notified of the cancellation of his awarded assignment. For the purposes of Paragraph 8-K-4, the date of displacement shall be the date that the pilot notifies the Company of his intent to bump. In the event the assignment is cancelled and the pilot exercises a bump, he shall continue to receive pay for the cancelled assignment, in accordance with Paragraph 8-E-3-a of this Section until he is activated in the assignment into which he has bumped.

*Bumping rights
after cancellation
of awarded
assignment after
effective date*

Section 8-G-3

8-G-3- If a pilot is awarded an assignment and such assignment is not activated by the Company within sixty-two (62) days (or two (2) schedule months, if earlier), including the effective date specified in the bulletin advertising the vacancy, and the assignment has not been cancelled, the pilot shall be paid the greater salary of his current or awarded assignment until such time that the assignment is either activated or cancelled. If the pilot exercises a bump, he shall continue to receive pay for the cancelled assignment, in accordance with Paragraph 8-E-3-a of this Section until he is activated in the assignment into which he has bumped.

8-G-4- If at the end of ninety-two (92) days or (three (3)

Bumping rights

schedule months, if earlier), including the effective date specified in the bulletin advertising the vacancy, such assignment has not been cancelled or activated, a pilot may at his option exercise bumping rights in accordance with Paragraph 8-K-2, 8-K-4, 8-K-5, 8-K-6, 8-K-7 and 8-K-8 of this Section or be eligible to bid any vacancy or continue to receive compensation as provided in sub-paragraph 3 above. Should the pilot bid or bump to another assignment under this provision, he shall continue to receive any delayed activation pay for which he has previously qualified until his activation into the new assignment.

after 92 days

8-H- Failure To Qualify For Awarded Assignment

In the event a pilot bids or bumps into a new assignment and fails to satisfactorily complete the training required to qualify him for such assignment, or fails to qualify on his new assignment after completing the training required, he shall be considered as not having vacated his previous assignment, and if his previous assignment no longer exists, he shall have bumping rights in accordance with Section 8-K unless action has been taken by the Company under Section 6-A-2.

8-I- Order of Activation of Assignments

8-I-1- The order of activation of awarded assignments in a status and equipment type at a domicile shall be in chronological order of the award bulletins for such assignments, notwithstanding the respective bulletined effective dates of such vacancies or the relative seniority of the pilots awarded such assignments.

8-I-2- When awarded assignments are cancelled prior to their activation, the order of cancellation of such assignments in a particular status and equipment type at a domicile shall be in reverse chronological order of the award bulletins for

such assignments, notwithstanding the respective bulletined effective dates of such vacancies or the relative seniority of the pilots awarded such assignments.

8-I-3- The date of acquiring an assignment shall be considered that date which appears on the publication of the award bulletin. The date for pay purposes shall be considered that date on which the pilot physically assumes the duties of his new assignment; or, if prevented by the Company from assuming his new duties, the date on which he would have assumed the duties of his new assignment had the Company not prevented him from doing so.

8-J- Reduction in Assignments

In the event there is a reduction in Captain assignments, the procedures specified in Section 20-A-2-c of the Agreement shall be followed to determine at which domicile the assignments shall be reduced. The number of Captain assignments for each domicile in the affected equipment shall be determined by the number of Captains assigned to lines of flying for the full month at the time of publication of the pilots' schedules.

8-K- Displacement Rights

8-K-1- If the Company determines that an excess of Captain, First Officer, International Relief Pilot or Second Officer assignments exists in an equipment type at a domicile, the Company may give notice to the pilots affected that they are surplus in their assignment, status and equipment type and will be displaced from their assignment on a specified date. Such notice shall be given not less than thirty (30) days nor more than one hundred twenty-five (125) days prior to the date of displacement. (Date of displacement is also known as "surplus" date.) Displacement of pilots will be made in inverse order of seniority, unless exempted by the application of Section 7-H. Any pilot who has been notified of the impending discontinuance of his assignment, must exercise bumping rights as established in sub-paragraph 8-K-2 of this Paragraph and shall have until twenty (20) days after notification of specified date of the discontinuance to exercise such bumping rights. Official notice will be conveyed through the pilot's Company mail box. If, however, a pilot's

*Surplus
notification*

*Time limits for
bumping*

schedule shows that he does not have any duty scheduled within seven (7) days following the initiation of the notice, the Company will make an effort to contact him by telephone. If this attempt is unsuccessful, a letter will be sent by U.S. Mail to his home of record. A pilot exercising bumping rights shall be maintained in his present assignment until he assumes his new assignment, except as provided for in sub-paragraph 8-K-4 of this Paragraph.

8-K-1-a- A pilot notified of his displacement under the provisions of this Paragraph may have that displacement cancelled should the surplus be reduced or cease to exist. Such cancellations will be in seniority order.

*Surplus
cancellation*

8-K-1-b- If a surplus is declared by the Company, any pilot who bids out of the surplus situation shall be entitled to a paid move and shall not receive any freeze. The surplus will be reduced by the number of pilots who bid out of the surplus situation.

*Pilot who bids out
of surplus
situation paid
move no freeze*

8-K-2-

8-K-2-a- A pilot who has bumping rights under the provisions of this Paragraph may bump into any status on any equipment at any domicile where a pilot junior to him (excluding pilots who remain surplus after the application of Section 8-K-3 below or pilots exempt from surplus under the provisions of Section 7-H) holds an assignment, including an assignment awaiting activation, in such status and equipment type. A pilot will exercise any of the bumps provided for in this Paragraph by notice in writing to the Company and shall begin his new assignment on the effective date of his displacement or when training is completed for such assignment, whichever is later; however, the Company may utilize the provisions of

*Pilots with
bumping rights
cannot bump
pilots with
furlough notice*

Paragraph 8-K-11 below when activating such pilot. If the new assignment is planned to be activated prior to the first of the pilot schedule month, he may exercise his seniority in his new assignment under Section 20-D. If, however, the new assignment is activated at a time which precludes his exercising his seniority in his new assignment under Section 20-D, he will be assigned as a reserve in his new status and equipment type until the commencement of the next schedule for which he exercises his seniority under the schedule selection procedure. If the new assignment is at other than his present domicile, he shall be granted time, to be taken at his option, allowed by the Company Regulations, for traveling from his old domicile to his new

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Section 8-K-2-b

domicile. The pilot's applicable monthly salary will not be reduced for such period of absence from duty.

8-K-2-b- Notwithstanding sub-paragraph 8-K-2-a above and 8-K-4 and 8-K-8 below, when a surplus of pilots is expected to exist for more than sixty (60) days, such surplus may be temporarily assigned to another equipment type in their current status and at their domicile for a period not to exceed one hundred and eighty-two (182) days. Such assignments will be made on an "offer and accept" basis of the qualified pilots and such pilots shall be pay protected as provided in Paragraph 8-E-3 of this Section until they are returned to their permanent equipment or have been declared surplus as provided in 8-K-1 of this Paragraph.

8-K-3- Notwithstanding the provisions of 8-K-1 and 8-K-2 above, any pilot holding an assignment in the same domicile, status and equipment type as a pilot who has been given surplus notice may, on a man-for-man basis, volunteer to

Voluntary surplus

accept the surplus for a more junior surplus pilot. When surplus notices are given, the Company will advertise for volunteers, indicating the seniority range which will determine the bumping rights of any volunteer(s). A volunteer shall submit his request indicating the domicile(s), status(s) and equipment type(s) to which he wishes to bump and he shall be accepted as a volunteer only if his bump can be granted, based upon the seniority of the pilot he replaced on the surplus notice. Volunteers will be accepted in seniority order up to the number of the declared surplus notice as adjusted by the provisions of Section 8-K-9 Such volunteers will be entitled to a paid move under the provisions of Section 10-C. The number of pilots to be involuntarily surplusd shall be reduced by one for each volunteer accepted.

8-K-4- If as a result of exercising bumping rights training is required, a pilot will remain in the status and equipment type of his former assignment until such time as training is completed or until he reports to his new assignment, whichever is later. If training for the new assignment has not begun within thirty (30) days prior to the pilot's displacement date, as established in Paragraph 8-K-1 above, he shall be paid, on his displacement date, his current salary or the salary of the assignment to which he bumped, whichever is greater. The pilot will not receive such pay, however, if the delay in training resulted from vacation, sick leave or a leave of absence. If the equipment type from which displaced is no

*Salary application
for bumping pilot*

*TDY or 8-L-6
assignment up to
60 days*

longer being flown by that domicile, the displaced pilot will be available for either TDY or 8-L-6 assignments, at his option, until he begins training for his new assignment or for sixty (60) days, whichever is less. The pilot may choose either option on a monthly basis.

8-K-5- If a pilot bumps into an assignment awaiting activation and he cannot be utilized in his old assignment, he may be required to function in the highest status in any equipment type for which he has been trained and which he can be utilized at his present domicile until his new assignment is activated. If he cannot be utilized at his present domicile he may, notwithstanding Section 8-L-3, be assigned to temporary duty in the status and equipment type from which being displaced until his new assignment is activated. During such temporary duty assignment, he will be provided with NRPS and OMC (Priority F) transportation to and from his present domicile on his scheduled days off.

8-K-6- A pilot who bumps into an assignment awaiting activation shall for the application of Section 8-1, be considered as though he had bid and been awarded the vacancy awarded the pilot junior to him.

8-K-7- A pilot exercising bumping rights under this Paragraph which involve a change in domiciles shall be allowed moving expenses in accordance with Section 10.

*Paid move for all
bumps*

8-K-8- If a pilot is a successful bidder or has exercised bumping rights as specified in Section 8-K, he shall be given the opportunity to begin transition training in such equipment as soon as practicable but in no case later than six (6) months from the date such pilot qualified under Section 8-E-3.

8-K-9- The number of pilots declared surplus in a domicile, status and equipment type shall be reduced by the number of pilots awarded vacancies during the twenty (20) day period after the notification of displacement.

*Surplus
reductions with
volunteers*

While functioning in either of the above types of assignment, such pilot shall be paid at the rates applicable to the assignment from which he was displaced or the rates applicable to the assignment in which he is functioning, whichever is greater.

8-K-6- A pilot who bumps into an assignment awaiting activation shall for the application of Section 8-I, be considered as though he had bid and been awarded the vacancy awarded the pilot junior to him.

*Paid move for all
bumps*

8-K-7- A pilot exercising bumping rights under this

Paragraph which involve a change in domiciles shall be allowed moving expenses in accordance with Section 10.

8-K-8- If a pilot is a successful bidder or has exercised bumping rights as specified in Section 8-K, he shall be given the opportunity to begin transition training in such equipment as soon as practicable but in no case later than six (6) months from the date such pilot qualified under Section 8-E-3.

*Surplus
reductions with
volunteers*

8-K-9- The number of pilots declared surplus in a domicile, status and equipment type shall be reduced by the number of pilots awarded vacancies during the twenty (20) day period after the notification of displacement.

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Section 8-K-10

Grandfather rights

8-K-10- Should pilots be declared surplus while junior pilots remain in the same domicile, status and equipment type because of the exemption provided under Section 7-H and should the anticipated furlough subsequently be cancelled, the pilots declared surplus shall be protected as follows:

8-K-10-a- All pilots previously exempted under Section 7-H shall be immediately declared surplus, or

8-K-10-b- Those pilots who had involuntarily bumped to another assignment shall be immediately given the opportunity in seniority order to return to their prior assignment, provided further that the number of pilots exercising this option shall not exceed the number of pilots previously exempted under Section 7-H at that domicile, status and equipment type. If the pilot has moved under the provisions of Section 10 as the result of his bump assignment and elected to return to his prior assignment as the result of this sub-paragraph, he shall again be entitled to a paid move under the provisions of Section 10 back to the domicile of the prior assignment.

*Bump activation
and restrictions*

8-K-11- Notwithstanding the provisions of this Paragraph K, the Company may activate a pilot in a bump assignment earlier or later than specified above provided that:

8-K-11-a- No pilot will be activated into his bump assignment more than fifteen (15) days prior to his date of displacement nor less than thirty (30) days after date of displacement as established in 8-K-1 above.

8-K-11-a-(1) When the activation is early into a higher paying assignment the pilot shall receive pay for his new assignment upon activation.

8-K-11-a-(2) When the activation is early into a lower paying assignment the pilot so activated shall continue to receive pay at his former rate until the date of his displacement under 8-K-1 above.

8-K-11-b- When the activation is delayed into a higher

paying assignment, the pilot so delayed shall begin

receiving pay at the higher rate, if on the effective date of his surplus he is trained for his bump assignment.

8-K-11-c- Within a given status, domicile and equipment type, when the activation is delayed into a lower paying assignment, the most senior pilot with the same surplus date who is already activated into a lower paying assignment, shall continue to receive pay at his former rate so long as the junior pilot does, unless the junior pilot.

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Section 8-L

is not trained due to vacation, sick leave or a leave of

absence. This application shall be on a man-for-man

basis.

8-L- Temporary Duty Assignments

Definition of TDY

and hotel

availability

8-L-1- The Company will provide a hotel room to any pilot assigned TDY for the entire duration of the TDY assignment.

For purposes of this paragraph, a TDY assignment begins one (1) day before the pilot's first required day on duty and ends one day after completion of his last duty period. Should the pilot return to his home domicile or residence during any period of days off, the Company may ask the pilot whether the hotel room should be canceled. However, the Company may only cancel the hotel room at the TDY location with pilot concurrence.

TDY assignments

pilots may bid

TDY

8-L-2- Selection of pilots for involuntary temporary duty assignments shall be from pilots functioning as reserves in the status and equipment type needed for the temporary duty assignment. Temporary duty assignments shall not reduce reserve coverage at a domicile below required levels in any status or equipment type. Assignment of eligible reserves for temporary duty shall be in inverse order of their seniority at the domicile regardless of the reserve days off schedule, except pilots may volunteer and be assigned temporary duty in order of their seniority. Any pilot may volunteer for TDY at

any domicile(s) as part of the monthly schedule preferencing procedure as follows:

Voluntary TDY

8-L-2-a- Pilots volunteering for TDY will preference and be awarded local schedules, as provided by Section 20. In addition, they will indicate to which domiciles they desire to be sent and which reserve days off they prefer.

Voluntary TDY

8-L-2-b- To the extent that TDY is needed from the domicile, the volunteers who are available for the full month will be assigned in seniority order to the domiciles they requested. Volunteer TDY assignments will be made as early as practical and contact will be attempted at least three (3) days before the beginning of the TDY assignment. When possible a volunteer for the full month shall be assigned to the TDY domicile prior to preferencing in order to allow the volunteer to exercise his seniority at the TDY domicile. However, all pilots who have volunteered for TDY must contact the Company on the next to the last day of the month prior to the month of.

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Section 8-L-2-c

TDY (if not contacted earlier) to determine if he has received a TDY assignment. Such pilots must be available to begin TDY on the first of the following month, if there is no conflict with his prior month's schedule.

Voluntary TDY

days off

8-L-2-c- Volunteer pilots assigned TDY will be assigned reserve day off lines at the TDY domicile, taking into consideration any day off request he may have submitted. Reserve day off requests will be granted so long as the pilot receives twelve (12) days off in a thirty (30) day month (13 days off in a 31 day month) or fourteen (14) days off for Shuttle pilots in the month and reserve coverage at the TDY domicile is not adversely affected. Time permitting, such volunteer pilots may also be assigned any open lines which their seniority would entitle them to under the provisions of Section 20. These assignments will be made in seniority order. Reserve

pilots shall not be required to deadhead to or from the

TDY assignment on days off.

Reserve mov-up

to cover line

vacated by

volunteer TDY

and cancellation

of TDY 8-L-2-d- Lines of flying which are opened because the pilots awarded such lines have been sent TDY, will be covered by moving up a reserve under the provisions of Section 20-D-5, however, no further move-ups will be incurred.

No move-up will be performed if the TDY volunteer is a reserve at his domicile. Should a TDY assignment be terminated early, the volunteer shall return to his awarded line at his domicile.

Partial month TDY 8-L-2-e- TDY assignments required for partial months or after the beginning of the month shall be given to reserves only. Such assignments shall be made to reserves who have volunteered, to the extent available.

Assignment of

TDY 8-L-3- Temporary duty assignments shall be governed by the following criteria:

Travel days count

as TDY 8-L-3-a- The length of a temporary duty assignment shall be measured by the number of full calendar days so assigned, including days spent in traveling to and from the temporary duty domicile but exclusive of days required for any necessary qualification.

8-L-3-b- A reserve pilot who has accumulated a total of thirty (30) days of temporary duty during the previous twelve (12) month period shall not be required to remain on temporary duty without his consent until all qualified pilots on reserve duty at his domicile in his status and

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Section 8-L-3-c

equipment type have each accumulated thirty (30) days of temporary duty during the previous twelve (12) months, provided that said pilot shall not be assigned more than a total of forty-five (45) days of temporary duty in such

twelve (12) month period without his consent.

8-L-3-c- A pilot may not be required to be on temporary duty for more than fifteen (15) consecutive days for any one such assignment, except that a pilot may volunteer to remain on temporary duty; provided that if a pilot is the only reserve pilot in his status, equipment type and domicile who will not have accumulated thirty (30) days of temporary duty at the conclusion of fifteen (15) day assignment, he may be required to remain on temporary duty in excess of thirty (30) days.

Assignment of

TDY 8-L-3-d- In the event a reserve pilot is to be assigned on temporary duty for a period of ten (10) days or more, he shall be given notice of such assignment as far in advance as possible but in no case less than three (3) calendar days (seven (7) if such assignment commences subsequent to the tenth (10th) of the month) prior to the time he is required to depart from his home domicile for the temporary duty assignment. Such assignment shall be preferenced if time permits.

8-L-4- The term "reserve" as applied to pilots in this Paragraph will mean a pilot who is not assigned to a schedule at his home domicile. However, a reserve pilot who is given a temporary assignment under the provisions of this Paragraph may be required to complete such temporary assignment regardless of any change in his status at his home domicile.

8-L-5-

TDY 1 in 7 8-L-5-a- Pilots assigned to temporary duty, if functioning as a reserve while assigned to temporary duty for fifteen (15) days or less, shall be provided with one (1) day off in each seven (7) days during the period of temporary duty.

11 to 15 day

assign 1 in 7 not

deducted from 12/

13

8-L-5-b- A pilot assigned to temporary duty for a period of eleven (11) to fifteen (15) days shall have his days off while on temporary duty scheduled so as to provide one

period of two (2) consecutive days off. If necessary, one (1) additional day off will be granted for this purpose; however, such additional day off, above the requirement for one (1) day off in seven (7), will be subtracted from the.

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Section 8-L-5-c

days off owed to the pilot and will not be restored as provided below.

*Restoration of
days off*

8-L-5-c- Those days off lost by the pilot while on temporary duty will be restored to the pilot either immediately before or immediately after the period of temporary duty, at the option of the Company; notwithstanding the possibility that such days off may be restored in the month following the month in which the temporary duty assignment took place.

*Restoration of
days off for pilot
who is lineholder
in next month*

No offset for 1 in

7

8-L-5-d- In the event that it is necessary to restore days off to a pilot during a month when he is a lineholder such days off will be restored on the first available days of scheduled duty; provided that trip sequences will not be split apart as a result of this application. Restoration of days off will in all cases be deferred if such restoration would conflict with or cause rescheduling of training. If restoration of all lost days off cannot be completed within one month following the month in which the temporary duty was assigned, the remaining day off owed will be added to the pilot's vacation. The day(s) off granted to fulfill the one (1) day off in seven (7) requirement during the period of temporary duty will not be used to offset the number of scheduled days off lost during the temporary duty assignment.

*Involuntary TDY
pilot maintain*

schedule day off.

Reschedule with

concurrency

8-L-5-e- If involuntarily assigned to temporary duty for more than fifteen (15) days, the pilot shall retain the days off schedule assigned to him at his domicile and he shall not be required to deadhead to or from the temporary duty assignment on his days off. However, with pilot concurrency, the pilot's days off may be rescheduled.

8-L-6-

Duty period

limitation for --

6 assignment up

to 5 duty periods

8-L-6-a- To avoid junior manning for a specific trip, a pilot available under the provisions of Section 20-F, or a reserve pilot, may be assigned to cover such open one way or round trip sequence originating at another point provided it does not result in junior manning at his home domicile and such assignment will not be considered as temporary duty. Initial assignments under this provision shall not be scheduled to exceed five (5) duty periods, except for international trip assignments.

8-L-6-b- Notwithstanding Section 8-L-6-a above, a lineholder signed up for open flying under Section 20-H-3 and 20-H-5 at the domicile designated by the Company to.

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Section 8-M

cover the Section 8-L-6 assignment, may at the Company's option be offered the opportunity to cover such open flying. Pilots so assigned shall be governed by all of the provisions of sub-paragraph 8-L-6-a above.

8-M- Geographical Relocation of Assignments

In the event that the Company desires to geographically relocate flying from a domicile and to the extent that the number of assignments are relocated, the Company will offer to the pilots in the status and equipment type affected at the domicile in the order of seniority, the opportunity to be transferred to the new domicile(s). Such pilots shall be allowed moving expenses in accordance with Section 10 of

this Agreement. The relocated assignments shall be identified with and flown from the new domicile(s) and the assignments involved shall not be open for award unless the number of pilots desiring to transfer provides less than the total assignments required at the new domicile under the provisions of Section 8-B. If an insufficient number of pilots elects to transfer, the balance of the assignments required at the new domicile in accordance with Section 8-B shall be awarded systemized. To the extent that the number of assignments are relocated a like number of assignments shall be reduced at the old domicile.

8-N- Phase-Out of Equipment Type

When the Company desires to completely phaseout an equipment type at a domicile, other than as covered in Section 8-M, the provisions of Section 8-K shall be utilized for the displacement of the affected pilots; except that the opportunity for displacement shall be offered to the affected pilots in seniority order during each reduction in assignments associated with the complete phase-out of equipment type. If insufficient pilots voluntarily accept the displacement, the remainder of the displacements shall be accomplished under Section 8-K in inverse order of seniority.

8-O- Closing Of A Domicile

8-O-1- In the event the Company desires to close a domicile, the procedure set forth below shall be followed:

8-O-1-a- The Master Executive Council Chairman will be so advised by the Company and will be afforded the opportunity to consult with and make recommendations to.

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Section 8-O-1-b

the Company regarding the relocation of the affected pilots.

8-O-1-b- At least ninety (90) days notice must be given to the pilots affected by the move outlining the procedures to be followed to accomplish the move and indicating the domicile(s) to which the flying will be moved.

8-O-1-c- Pilot vacancies equal to the number of assignments existing at the old domicile will be established at the domicile(s) to which the flying is transferred. During the ninety (90) day period specified in

paragraph b above, the pilots so affected will be given an opportunity to indicate to which of the designated domiciles they desire to be transferred or to bid on vacancies which may be bulletined on the system, notwithstanding any freezes that otherwise may be applicable.

8-O-1-d- The Company will transfer the pilots to the new domicile(s) in order of their seniority preference by status and equipment type.

8-O-1-e- The pilots affected shall retain the status and equipment type held by them at the time of transfer and such flying shall be identified with and flown from the new domicile(s) and shall not be open for bidding.

8-O-1-f- Each pilot who is subject to the provisions of this sub-paragraph (O) shall be allowed NRPS transportation between his former domicile and his new domicile until such time that he moves his home to the new location under Section 10, not to exceed one (1) year after the effective date of the domicile closing. In addition, if such pilot has not moved his home to the new location within one (1) year, he shall be allowed NRSA transportation until he moves, not to exceed an additional one (1) year.

8-P- Vacating Assignments

8-P-1- A pilot may vacate an assignment only as provided by this Section 8, or Section 6-E of this Agreement..

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Section 8-P-2

8-P-2- When a pilot desires to vacate a present or future assignment, his request to vacate shall be considered jointly by the Company and the Association and in accordance with their mutual agreement a decision may be rendered permitting such pilot to vacate his assignment to take up a different assignment at his domicile, to take up a like assignment at a different domicile or to revert to his former assignment, and moving expenses shall not be allowed.

8-P-3- A pilot activated early in an awarded assignment under the provisions of Paragraph P-2 above shall not trigger pay under Section 8-E for other pilots awarded a like assignment.

8-Q- New Equipment Domicile

Opening a new

equipment

domicile

In the event the Company desires to open a new equipment domicile(s), the procedure set forth below shall be followed:

8-Q-1- The Master Executive Council Chairman will be so advised by the Company and will be afforded the opportunity to consult with and make recommendations to the Company regarding the staffing of the new equipment domicile(s).

Vacancy at new

equipment

domicile bid

systemwide

8-Q-2- All vacancies with advertised effective dates during the first six (6) months after the first revenue trip has been flown shall be bid system wide unless the parties agree to an alternate method of staffing the new equipment domicile(s).

Pilots serving

freezes will be

eligible to bid

vacancies at new

equipment

domiciles

8-Q-3- Notwithstanding the fourteen/twenty-four (14/24)

month bidding restrictions of Paragraph 8-D-5 and 8-D-6, all pilots will be eligible to bid on all vacancies with advertised effective dates within six (6) months of the advertised effective date of the first vacancies bid at that new equipment domicile .

TDY or 8-L-6

assignment up to

60 days

8-Q-4- A pilot who has completed training and is awaiting

activation into a new equipment domicile will be available for either TDY or 8-L-6 assignments, at his option, for a period of up to 60 days or until revenue flying begins in the new equipment domicile whichever is less. The pilot may choose either option on a monthly basis.

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Section 9

Training

9-A- Classifications

The provisions of this Section shall apply to all training in which pilots are required to participate, by the Company, on a scheduled basis. This shall include but is not limited to initial, upgrading and transition training, proficiency training, proficiency checks, overwater training, navigation training, requalification training and all training associated with differences of an aircraft conducted at a local domicile, not included in transition training. It does not include special or miscellaneous training such as maintenance of currency on equipment, audio visual package reviews, airport qualification films, route qualifying not in connection with transition training or transfer to another domicile, Company meetings, seminars, etc. or training requested by the pilot on a voluntary basis.

9-B- Assignment

9-B-1- All training assignments will be made by the Company in accordance with the following:

Notification

Transi t i on

Training

9-B-1-a- All pilots shall be notified as far in advance as possible but in no case less than fourteen (14) days prior to being scheduled to receive transition or extended training of five (5) days or more. However, if a pilot is returning to work from an absence and he needs requalification or transition training, this fourteen (14) day minimum notification may be reduced to seven (7) days. These minimum notification requirements may be further reduced only with pilot concurrence. Official notice of training assignments will be conveyed through the pilot's Company mail box and by electronic notification. If, however, a pilot's schedule shows that he does not have any duty following the initiation of the notice, or that the pilot has not checked the electronic notification, the Company will make an effort to contact him by telephone within seven (7) days of the original notification. If this attempt is unsuccessful, a letter will be sent by U.S. Mail

to his home of record. If a pilot volunteers for training with less than fourteen (14) days notice of a training assignment of this type and does not have a scheduled.

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Section 9-B-1-b

calendar day off between the time of notification and the time he is required to depart his domicile, he will be provided with a calendar day off within seven (7) days from departing his domicile.

9-B-1-b-

Notification of PC/

CQP/PT training

9-B-1-b-(1) Proficiency Checks, Continuing

Qualification Programs and Proficiency Training (PC/

CQP/PT), or training for periods of less than five (5)

days will be assigned after the posting of the pilot's

schedule preference awards but no later than nine (9)

days after the posting of the pilot's schedule at the

local domicile. This nine (9) day requirement excludes

secondary and floater lines. Domicile continuity shall

be maintained when assigning PC/CQP/PT's whenever

practicable. A pilot will be electronically notified at

least fifteen (15) days prior to the date he is scheduled

for a PC/CQP/PT assignment except under the

circumstances covered in Paragraph 9-G-3 below.

Within 48 hours after the monthly bid awards are

posted for the affected month, a pilot eligible for a PC/

CQP/PT may designate a period of seven (7)

consecutive holy days that he will not be available for a

PC/CQP/PT. In addition, a pilot may not be asked to

deadhead to or from any training during these seven

(7) consecutive holy days. WHQCM may deny this holy

day request if granting the request would result in the

pilot losing his qualification.

Minimum 21 day

notice of early

month PC/CQP/

PT

9-B-1-b-(2) The Company will not assign a pilot to a

PC/CQP/PT in an early month with less than twenty-one

(21) days notice of the PC/CQP/PT without the pilot's concurrence.

Bidding

Procedure for PC/

CQP/PT

9-B-1-b-(3) The Parties are agreeable to develop a process for bidding PC/CQP/PT slots under the following conditions:

9-B-1-b-(3)-(a) Monthly requests for PC/CQP/PT slots will close at the end of the 48 hour holy day window.

9-B-1-b-(3)-(b) Bidding requests will be honored in seniority order.

9-B-1-b-(3)-(c) The Company will award PC/CQP/PT slots consistent with available manpower needs (i.e., awards can not result in manpower surpluses or deficits in any given domicile, fleet and seat).

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Section 9-B-1-c

Pilot subject to

Section 2--1

assignment if

training

assignment is

cancelled

9-B-1-c- When the Company cancels or terminates a training assignment earlier than planned, the affected lineholder pilot may be given a flying or standby assignment under the provisions of Section 20-F-1 on those days on which he had trips published in his awarded schedule. Provided the pilot is not responsible for the training cancellation, he will be paid for the value of the trips in his original line or what he actually flies, whichever is greater. However, the Company will drop duty days as necessary in order for the pilot to receive his minimum days off per Section 5-G-1-d.

9-C- Compensation and Flight Time Considerations

9-C-1- Training Assignments Of Five (5) Days or More

9-C-1-a- When a pilot assigned to a line of flying is assigned by the Company to training in accordance with

Paragraph 9-B-1-a above, he shall receive his monthly pay and his total allowable monthly flight time shall be reduced by the number of actual flight hours which the pilot missed as a result of this training.

9-C-1-b- When a pilot assigned as a reserve is assigned by the Company to training in accordance with Paragraph 9-B-1-a, he shall receive his monthly guarantee and his total allowable monthly flight time shall be reduced by four hours and ten minutes (4:10) for each duty day missed as shown in his assigned reserve line.

9-C-2- Training Assignments Of Less Than Five (5) Days

9-C-2-a- A pilot assigned to training in accordance with Paragraph 9-B-1-b above, shall be paid his monthly pay or guarantee as applicable as provided in Section 3 in accordance with the following:

9-C-2-a-(1) When a pilot assigned a line of flying attends training, his total allowable monthly flight time shall be reduced by the number of actual flight hours missed as a result of this training.

Reserve training

credit

9-C-2-a-(2) When a pilot functioning as a reserve attends training, he shall have his total allowable monthly flight time reduced by four hours and ten minutes (4:10) for each duty day missed as shown in his assigned reserve line.

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Section 9-C-2-b

Lineholder

minimum days off

9-C-2-b- When a pilot assigned a line of flying attends training as specified in Paragraph 9-B-1-b above and such assignment results in such pilot being scheduled for less than the required minimum calendar days free of duty at his home domicile for the month, said pilot shall be given another day or days off, as the case may be, in lieu of the scheduled day or days off in which he attended training in order to bring his scheduled days off to the required minimum calendar days free of duty at his home domicile for the month, as provided in Section 5-G-1-d-(1).

9-C-2-b-(1) Whenever said pilot must drop a trip or trips from his schedule to receive a day or days as provided in sub-paragraph b above, his total allowable monthly flight time shall be reduced by the number of actual flight hours in the trip. Should he be required to stand by on "extra" days as provided in Section 5-G-4, the reduction above will only be the actual flight hours in the trip on the days he did not stand by or fly under Section 20-F.

*Training credit
days for training
less than 5 days*

9-C-2-c- When a pilot assigned a line of flying attends training of less than five (5) days including PC/CQP/PT's on days that he was not scheduled to fly other than compensated for in Paragraph 9-C-2-b above, said pilot shall receive a training credit day in accordance with the following:

9-C-2-c-(1) For purposes of this sub-paragraph c, a training credit day shall consist of any of the following:

- (a)** Any portion of a calendar day deadheading to or from training;
- (b)** Any portion of a calendar day spent in any of the applicable required types of training under this sub-paragraph C-2;
- (c)** Any portion of a calendar day the pilot is available for the applicable required types of training listed in Paragraph 9-A above, but he is unable to complete such training because of inoperative equipment or because of the cancellation of any portion of the scheduled training period.

9-C-2-c-(2) A pilot shall not receive a training credit day for any day on which he was scheduled to fly nor shall a pilot receive more than one (1) training credit day for any calendar day in which a pilot deadheaded to or from training on the same day he was scheduled for training..**Section 9-C-2-d Page 129**

9-C-2-c-(3) Provided further, in the event that a pilot's training assignment results in his gaining a day or days

off by reason of having to drop a portion of a round trip on a day that he was not scheduled for training, such gained day or days off will be deducted from any training credit day(s) in the computation of the net training credit days occasioned by such assignment.

9-C-2-c-(4) Provided further, in the event that a pilot fails the training and requires additional days of training, such additional days shall not be subject to the provisions of this sub-paragraph.

9-C-2-d- Training days credit accumulated by a pilot in accordance with sub-paragraph c above during the period from December 1 to December 1 of each year will be added to the scheduled vacation due said pilot in accordance with Section 11, as shown in the Example:

Example:

Schedule vacation days due under

Section 11- 16 days

Training days' credit due- 4 days

Adjusted vacation- 20 days.

9-D- Transportation

9-D-1- A pilot assigned to training shall be furnished Company non-revenue positive space (NRPS) or OMC (Priority E) transportation at the option of the pilot, for all authorized travel to and from his point of residence, duty or assignment and the training location. OMC may be assigned only with pilot concurrence. Authorized travel shall be travel in connection with the beginning, relocation or termination of a training assignment, travel at Company request, and such other travel that may from time to time be authorized.

*Transportation to /
from training*

9-D-2- Non-revenue positive space (NRPS) or OMC (Priority E) at the option of the pilot will be issued by the Training Facility Administrative Office for travel to and from his point of residence, duty or assignment on a pilot's scheduled days off. It is the responsibility of the pilot to be available for scheduled training periods.

9-E- Expenses

9-E-1- The Company shall furnish suitable, single lodging

accommodations when required and standard allowances, as provided in Section 4-A-1, from time of departure of the trip on which he deadheads to the training assignment until the time of arrival of the trip on which he returns to his domicile. In the event the Company cannot furnish lodging, reasonable actual expenses supported by receipts plus standard allowances will be paid. Transportation shall be furnished between the lodgings and the training facility or expenses, therefore, if such transportation is not furnished by the Company. Such expenses shall be claimed on a regular Company expense account form and must be submitted within fourteen (14) days after incurring the expenses. The Company will allow actual and necessary personal laundry and cleaning expenses, when training away from the home domicile is for more than five (5) consecutive days.

9-E-2- A pilot assigned to training at his home domicile or a pilot who elects to live at his home while in training shall be paid at the rates set forth in Section 4-A-1 from the time he reports to the Training Center for training until he is released from the Training Center. This will not apply to a pilot from the time he is released for days off during the training period, until reporting for training following a day off period.

*Expenses for
training at home
domicile*

9-E-3- Pilots in Transition or Requalification Training at their home domicile may, at their option and in lieu of the lodging provisions herein, receive an allowance for transportation of fifteen Dollars (\$15.00) per day for each day the pilot is required to report for training. Such allowance shall be claimed on a regular expense form and must be submitted within fourteen (14) days after incurring the expenses.

9-F- Training Schedules

9-F-1- To the extent known and projected by DENTK Planning and Scheduling Section, the training schedule will be posted for the entire transition period, from the beginning through completion.

9-F-2- A pilot assigned to training shall not be on duty in excess of the following limitations:

Duty period

restriction for

training

9-F-2-a- A pilot shall not be on duty for more than eight (8) hours exclusive of a one (1) hour lunch break, in any one (1) calendar day during Initial, Upgrading, Transition Training, Proficiency Training and Checks, in the simulator

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Section 9-F-2-b

or aircraft or combination thereof. In addition, a pilot shall not be scheduled to exceed thirteen and one-half (13 1/2) hours on duty in a combination of training and deadheading to or from Denver and will not be required to exceed fourteen and one-half (14 1/2) hours; except in the case of a delay in training, he may be required to exceed fourteen and one-half (14 1/2) hours to deadhead home in order to be legal for his next scheduled trip.

Duty periods for

training

9-F-2-b- Formal classroom and crew training sessions (excluding crew training sessions designed as briefings immediately prior to simulator or cockpit procedure trainer periods) shall begin no earlier than 0700 and terminate no later than 2200.

Simulator training

hours

9-F-2-c- The training periods in the flight simulator or cockpit procedures trainer, exclusive of brief and debrief, will be conducted between the hours of 0600 and 2400 local time. These limits may be exceeded with pilot's concurrence to make up for lost time due to mechanical failures. Additionally, the above 2400 time may be extended to 0200 when the scheduled training requirements in a particular equipment type exceed the capabilities at DENTK. The Company may only schedule a pilot for training during the 2400 to 0200 time period without his concurrence if no other time slots are legally available. No checking will be done during this extended training time.

9-F-2-d- The training periods in the flight simulator or

cockpit procedures trainer, exclusive of briefing and debriefings, will be conducted between the hours of 0600 and 2400 local time, provided that with the pilot's concurrence these limits may be exceeded to make up for lost time due to mechanical failures. Additionally, the above 2400 time limits may be extended to 0200 when the scheduled training requirements in a particular equipment type exceed the capabilities at DENTK. No checking will be done during this extended training time.

9-F-2-e- Training periods for airplane flight training and simulator flight training, or any combination thereof, shall not be scheduled to exceed four (4) hours of actual aircraft and/or simulator time per day. A pilot scheduled in the simulator for a period in excess of two hours and thirty minutes (2:30) shall be permitted a short break for physiological needs

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Section 9-F-2-f

9-F-2-f- A pilot will not be scheduled for more than six (6) hours of instruction in classroom, crew training sessions, system procedures trainer or cockpit procedures trainer in any one day.

9-F-2-g- Five (5) training days in any seven (7) consecutive days shall be the maximum scheduled. With pilot concurrence, this training may be extended, due to unexpected circumstances, to six (6) consecutive days to provide continuity in a particular training assignment. A pilot will be scheduled for at least one two (2) consecutive days off period every two (2) weeks.

9-F-2-h- On rating or proficiency checks at DENTK, the initial take-off or the final landing, with all engines normal, may be accomplished in hours of darkness. When rating rides or proficiency checks are conducted away from DENTK, such flights may, by mutual agreement between the pilot and check airman, be conducted during night hours.

9-F-2-i- When a pilot has been assigned by the Company to observe as a member of the crew in conjunction with transition training, such period of time will be considered an extension of his transition training period.

No simulator

checking prior to

0700 home

domicile time

9-F-2-j- The Company will not schedule a pilot for simulator checking prior to 0700 pilot's home domicile time. However, during Daylight Savings Time, the Company may schedule Honolulu based pilots for simulator checking beginning at 0600 pilot's home domicile time.

9-F-3- Rest Provisions

9-F-3-a-

9-F-3-a-(1) The minimum rest period between any two training duty assignments shall be twelve (12) hours off duty.

9-F-3-a-(2) The minimum rest between any line assignment and any training assignment (including deadheading to or from training, if required) shall be eighteen (18) hours free of all duty at the home domicile.

Pilot scheduled

for 1 in 7 during

training of less

than 5 days

9-F-3-b- A pilot scheduled for training of less than five (5) days shall be scheduled for not less than one (1) calendar day off in each seven (7) days; except that, if such seven (7) days contains a combination of line flying.

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Section 9-F-3-c

and training, he may be scheduled for and perform seven (7) consecutive days of such combined duty, if the seventh (7th) day of duty is necessary to complete an assignment in progress.

Days off after

training

9-F-3-c- Upon completion of scheduled training of more than seven (7) days, a pilot will be given not less than three (3) calendar days free of all duty at his home domicile, provided he is not scheduled for such time off in

his line of flying or as a reserve. Such three (3) days off may be provided immediately upon completion of formal training at DENTK or upon completion of IOE, at the pilot's option. The pilot shall indicate his desire as to the placement of such three (3) days off within forty-eight (48) hours of receiving his training schedule. If the pilot makes no choice, the placement of the days off with respect to the IOE will be determined by the company.

Scheduling of

pilot for IOE

9-F-3-d- Notwithstanding the four (4) duty period restriction for scheduling of domestic trip sequences provided in Section 5-G-3-g, the Company may assign a pilot to a series of flights exceeding the four (4) duty period limit to accomplish his Initial Operating Experience (I.O.E.). This assignment shall be accomplished as a part of his training assignment under the provisions of Section 9, but I.O.E. shall not be subject to the provisions of 9-F-2 (duty limits while in training) or 9-F-3-a (rest requirements while in training at DENTK and deadheading to and from DENTK). Additionally, notwithstanding the limitation of seventy-five (75) actual flight hours per month for reserves in Section 5-B-2-b, the Company may assign additional flying for the purpose of completing I.O.E. up to eighty-one (81) actual hours in a month (eighty-three (83) actual hours in a flex month) in the domestic operation and up to eighty-five (85) actual hours in a month in the international operation. In this event, the pilot's pay shall include the amount due him for training, as provided by the application of Section 9-C-1, plus the value of his performance thereafter.

9-F-3-e- A pilot will not be assigned to training or to deadhead on December 25th or January 1st.

9-G- General

9-G-1-

Training

Committee

9-G-1-a- The Company shall establish such training policies as are necessary to insure compliance with this.

Agreement and to accomplish the necessary training requirements of the Company. A Training Committee composed of representatives of the Company and representatives of the pilots shall be established. The Training Committee shall meet quarterly unless the parties agree to meet less frequently, or at any other time the parties mutually agree. It is the intent of the parties to this Agreement that this Training Committee shall provide the pilots with the opportunity to consult with and make recommendations to the Company on training policies or changes, training programs or changes, or any other matters affecting pilot training. In the event that the Training Committee and the Company are unable to resolve issues of training, these issues will be referred to the Vice President of Training, the Senior Vice President of Flight Operations and the Master Chairman for resolution.

ALPA observer on

check ride

9-G-1-b- The parties agree that it is in the best interest of the Company, the Association and the pilot in training for the ALPA Training Committee to be notified any time an individual pilot is having training difficulties or is scheduled for other than a routine check by DENTK. If requested by the pilot, a UAL pilot representative of ALPA may be present in the cockpit as an observer on any check other than a routine check.

Additionally, the Company agrees to handle pilots who continue to experience training difficulties as per past practice.

9-G-2- The Company will make every reasonable effort to provide Pilot Instructor continuity throughout simulator and airplane training. In unusual circumstances, special consideration shall be given when a pilot requests a specific Pilot Instructor.

PC/PT fil-in time

credit and duty

restrictions

9-G-3- If a pilot is assigned to a flight simulator period as a fill-in crew member and such assignment is in addition to his regularly assigned PC/CQP/PT periods, the Company will not require that he participate in the oral portion of the examination. If his performance requires additional training, such training will be provided to a satisfactory level of proficiency and no checking events will be scheduled. If the fill-in crewmember is a reserve, he shall have his total allowable monthly flight time reduced by four hours and ten minutes (4:10) for each day assigned as a fill-in. A pilot so assigned shall not be scheduled to be on duty, including.

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Section 9-G-3-a

deadheading to and from the training location, in excess of thirteen and one-half (13 1/2) hours; and shall not be required to remain on duty in excess of fourteen and one-half (14 1/2) hours without his concurrence except in the case of a delay in a PC/CQP/PT, he may be required to exceed fourteen and one-half (14 1/2) hours to deadhead home in order to be legal for his next scheduled trip.

Selection of PC/

CQP/PT fill-in

9-G-3-a- Once the Company has determined that a pilot is needed as a "fill-in" in order to provide a complete crew for a PC/CQP/PT, the Company may select a reserve for the fill-in assignment, according to the provisions of Section 20-J-1-b-(5); or, at its option, the Company may elect to make the fill-in assignment available to a lineholder who is signed up for "open flying".

Procedure for

lineholder pickup

of PC/CQP/PT fill-in

assignments

9-G-3-b- If the Company makes the assignment available to lineholders, the following will be the domicile preference order, regardless of each lineholder's own pick-up priority under Section 20-H:

9-G-3-b-(1) Lineholders based at DEN.

9-G-3-b-(2) Lineholders based at the same domicile as either the Captain or the First Officer assigned the PC/

CQP/PT.

9-G-3-b-(3) Lineholders based at any other domicile on the system, at the Company's option.

9-G-3-c- Within each domicile, lineholders signed up for open flying will compete among themselves for fill-in assignments according to the usual 20-H priority rules.

5 hours per duty

period for fill-in

assignments

9-G-3-d- A lineholder who performs a fill-in assignment will receive five (5) hours for each duty day that he performs fill-in duties (not including periods consisting entirely of deadhead) which will be added to both his actual monthly projection and to the pay credit value of his assigned line. The pilot's actual monthly projection remains limited to the actual monthly limit established by the Agreement. All pay credit in excess of 85 hours will be administered in accordance with Section 3-I.

9-G-4- A fully qualified crew complement of Captain, First Officer and Second Officer, where required, whose name appears on the United Air Lines Pilots Seniority List and/or Second Officer Seniority Eligibility List shall be utilized in accordance with United Air Lines' Standard Operating Procedures during flight simulator proficiency checks. No pilot will be assigned as a Captain fill-in unless that pilot.

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Section 9-G-5

holds an ATP for that aircraft and has accumulated at least 100 hours of experience in that aircraft since IOE. On those equipment types where augmentation is required, the use of two (2) ATP rated First Officers shall fulfill the requirement of a fully qualified crew complement.

9-G-5- No pilot will be required to take a proficiency check in a simulator that is not functioning so as to simulate the flight and operating characteristics of the represented aircraft.

Adequate time for a pilot to adapt himself to the particular flying characteristics of the flight simulator shall be given before the proficiency check is given in the flight simulator.

9-G-6- If a pilot's performance on a proficiency check in the flight simulator is considered to be unsatisfactory, he shall

always have the opportunity to take a proficiency check, without prejudice in an aircraft in which he is currently qualified.

9-G-7- No pilot will be evaluated on a maneuver during a proficiency check that is not prescribed in the United Air Lines proficiency check as approved by the FAA.

9-G-8- Proficiency checks in the flight simulator shall be given as nearly as possible as an extension of flight simulator training and shall not be given prior to such training.

9-G-9- United Air Lines pilots will normally take precedence over any outside contract training for the most desirable training periods. For this purpose, the consideration for assignments will be in the following order:

1st 0800 to 1800

2nd 1801 to 2400

3rd 0001 to 0759

9-G-10- Training time shall not be considered as flight time for daily, weekly, monthly, quarterly or annual flight time limitations.

*No record kept for
voluntary training*

9-G-11- Voluntary use of synthetic training devices such as cockpit procedures trainers and simulators is not included in the provisions of this Section. No record of a pilot's performance will be maintained by the Company for voluntary training nor will the log books and records of simulator utilization indicate the pilot by name..

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Section 9-G-12

*Requalification
training available
to pilot at his
option*

9-G-12- A pilot awarded an assignment who has completed transition training as a Captain in an equipment type other than a type which he has been flying as a First Officer and is required by the Company to return to his previous status or equipment type before being activated in his new assignment may at his option receive the training he deems necessary, including a requalification course to requalify in the previous

equipment and/or the new equipment.

9-G-13- When training and/or checking is conducted in an aircraft in flight, such training and checking will be subject to the following additional restrictions:

9-G-13-a- Maneuvers requiring a visual horizon:

9-G-13-a-(1) Emergency descent.

9-G-13-a-(2) Simulated engine failure on take off.

9-G-13-a-(3) Approaches conducted at 50% or less power available.

9-G-13-a-(4) Maneuver to land (circling approach).

9-G-13-a-(5) Zero degree flap approach.

9-G-13-a-(6) Approach to stall.

9-G-13-a-(7) Intentional Dutch Roll.

*Route or
equipment
qualifying is an
extension of
training*

9-G-14- When a pilot is route or equipment qualifying in conjunction with transition training or as a result of bidding or bumping such qualifying shall be considered an extension of training and the provisions of Section 9-F-3-c shall apply.

9-G-15- Initial Operating Experience (IOE)

*IOE Check
Airman
compensation*

9-G-15-a- Initial Operating Experience (IOE) for Captains and First Officers may be conducted by designated line Captain Check Airmen functioning on their assigned trips. In any month that the Check Airman is utilized in this capacity, he shall receive his normal salary plus a Four Hundred Dollar (\$400.00) override to cover up to three (3) duty periods in which he so functions. For each subsequent duty period in such capacity, he shall receive an additional One Hundred Dollars (\$100.00) override. In no case will his pay as an LCA be less than nine percent (9%) of his hourly pay for the monthly hours performed as an LCA.

Override for

Second Officer

Check Airman

9-G-15-b- Initial Operating Experience (IOE) for Second Officers may be conducted by designated line Second Officer Check Airmen functioning on their assigned trips..

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Section 9-G-15-c

In any month that the Check Airman is utilized in this capacity, he shall receive his normal salary plus a Three Hundred Dollar (\$300.00) override to cover up to three (3) duty periods in which he so functions. For each subsequent duty period in such capacity, he shall receive an additional Seventy-five (\$75.00) override. In no case will his pay as an LCA be less than nine percent (9%) of his hourly pay for the monthly hours performed as an LCA.

Enroute check

provisions

9-G-15-c- Captains and Second Officers who have been designated as line check airmen under this provision may also perform en route checks as follows:

9-G-15-c-(1) The following conditions will apply to the pilot being checked.

- (a)** He shall be checked on his own trip unless with pilot concurrence other arrangements are made.
- (b)** In no event will he be scheduled for more duty periods than were in his original schedule, without his concurrence.
- (c)** His monthly pay shall not be affected by any changes made to accommodate an en route check.
- (d)** If a lineholder, he shall not be requested to perform as a reserve or to accept standby assignments as a result of changes made to accommodate an en route check.
- (e)** All Section 5 limitations shall apply to his assignment.

9-G-15-c-(2) Further, the following conditions will apply to check airmen:

- (a)** He shall receive hard hour credit for all hours flown in conjunction with an en route check.
- (b)** He shall not exceed the number of originally

scheduled duty periods without his concurrence.

(c) All Section 5 limitations shall apply.

9-G-16- Route qualifying required prior to assignment to duty as a Captain shall be as specified in the applicable portion of Flight Regulations-Operational, Series 25-2 and no other qualifying trips will be required..

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Section 9-G-17

9-G-17- When changes or additions are made to the applicable portion of Flight Regulations-Operational, Series 25-2, as specified in sub-paragraph 9-G-16 above to which the Association objects, a hearing will be granted by the Senior Vice President-Flight Operations within thirty (30) days at the request of the Association for the purpose of determining whether such changes or additions should be continued.

FANS Training

9-G-18- The Company will provide three (3) hours of pay to lineholder pilots who participate in the FANS training when that training is conducted as "stand alone" training at the pilot's home domicile. This pay will not be banked, but will instead be paid in addition to the compensation that otherwise would be paid in the subject month, even when the pilot's total pay exceeds the normal monthly pay maximum. Reserve pilots will be assigned FANS training only on reserve work days and will receive no additional compensation since reserve work days are already compensated.

Home Study

Program

9-G-19- Should the Company implement a Home Study program to replace the first part of transition training now conducted at DENTK, the program shall be administered as follows:

9-G-19-a- The Company may offer a pilot the Home Study program, however, his participation will be voluntary.

9-G-19-b- Pilots receiving assignments, through bidding or bumping, in equipment types included in the Home Study program must indicate their desire to participate in the program within ten (10) days of receiving such award.

Those pilots who participate will continue in line operations until commencing their training assignment at DENTK. Participants will receive 4:10 of pay for each reduction of one (1) day of training, at their current rate, over and above their line guarantees or line value, whichever is greater.

9-G-19-c- The pilot must demonstrate satisfactory completion of the Home Study course by a specified date to receive this additional pay.

9-G-19-d- The Home Study course materials will be sent to the pilot upon his notifying the Company of his desire to participate in the program. The same course materials will be available at each domicile..

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Section 9-G-19-e

9-G-19-e- Pilots not participating will receive the full ground school training as traditionally performed at DENTK.

9-G-19-f- The Home Study program will continue on a test basis for a period of six (6) months from the implementation date of the program. The results and quality will be monitored by the Company and the UAL/ MEC Training Committee to determine its effectiveness, need for modifications and/or acceptability. If determined effective the program may be continued by mutual agreement.

9-H-

Nothing herein shall restrict deviation from the rules by mutual agreement between the pilot and the Company where such deviation will aid or benefit the pilot in completing any training requirement.

9-I-

All pilots assigned to equipment domiciles with DSL scheduled overwater flying shall, at their option, be overwater and INS qualified within six (6) months. Initial and recurrent training shall be accomplished under the provisions of this Section.

9-J-

Second Officer

PAC time

In order to continue the mutual objective of providing a pilot qualified crew concept, each Second Officer transition training which requires a certification will include at least two (2) hours of pilot-at-control time in the aircraft or in an FAA approved simulator with visual projection.

9-K-

New Training

Should a new training requirement be instituted which will initially require more than four hours of training and which has a specific, required completion date, the parties will meet to discuss and agree upon (1) whether pilots who participate should be compensated and, if so (2) what form compensation should take. This commitment to negotiate on compensation under these conditions does not constitute a waiver of the Company's rights to require pilots to participate in such training under the present provisions of the Agreement prior to reaching agreement on the issue of compensation..

Section 10

Moving Expenses

10-A-

Company paid moves, related personal transportation and travel time, when provided by this Agreement, shall be subject to the conditions of this Section 10.

O-line

transportation to

relocate pilot's

residence due to

domicile transfer

10-A-1- Any pilot whose domicile has changed as a result of the application of this Agreement (with or without a related Company paid move) and who does actually relocate his primary residence as a result of that domicile transfer, shall be furnished on-line air transportation from his old residence to his new residence (or between the nearest on-line cities) for himself and his immediate family, to the extent permitted by law. Such transportation shall be available for the purpose of locating the pilot and his family at his new residence. This transportation shall also be available (1) to a pilot newly hired in order to locate at his first assigned domicile and (2) to a pilot upon recall from furlough to locate at the domicile to which he is being returned, regardless of whether he is or is not returned to the domicile from which he was furloughed.

Travel time for

domicile transfer

when not moving

household goods

10-A-2- Any pilot whose domicile has changed as a result of either a lateral or transition vacancy award and who chooses not to move his household goods will be entitled to the following:

10-A-2-a- Three (3) transfer days to be used after the posting of the final bid award, but no later than ninety (90) days after activation. However, if the pilot chooses to drive one (1) automobile, he will receive the greater of three (3) transfer days or the number of travel days equal to the distance between the pilot's old domicile and his new domicile divided by 400. Remainders over 100 will provide an extra travel day.

Enroute driving

expenses

10-A-2-b- Reimbursement of reasonable enroute driving expenses for mileage, meals (not to exceed \$30 per day), hotel and laundry. With the exception of meals, these expenses must be supported by receipts. Receipts for enroute expenses must coincide with the travel days the pilot has requested from the Company. Mileage will be.

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Section 10-A-2-c

reimbursed at the rate of twenty-nine cents (\$0.29) per mile or Company policy, whichever is greater.

Shipment of

automobile

10-A-2-c- For the pilot who does not choose to drive an automobile, the Company will ship one (1) automobile to the pilot's new domicile location from his primary residence or old domicile location. Shipment of an automobile will not be available if the mileage between the pilot's old domicile and his new domicile is less than 500 miles.

Freezes for

training of 12

days or more

10-A-2-d- Paragraph 10-A-2-a, 10-A-2-b and 10-A-2-c will not trigger a fourteen (14) month bidding freeze.

However, if a pilot requires training of more than twelve (12) days as a result of his vacancy award, the appropriate freeze will be imposed.

Notification of travel time

10-A-2-e- As long as the pilot complies with the time limit stated in Paragraph 10-A-2-a above, the pilot may take travel or transfer days ("travel time") at his option provided he informs the Company at least seven (7) days prior to when he intends to take the time. Notwithstanding the pilot option provided above, if the travel time desired results in a trip(s) drop on New Year's Day, Memorial Day, Easter, Fourth of July, Labor Day, Thanksgiving Day or Christmas or the day on either side, Company concurrence is required. Entitlement to travel time will be based solely upon a change in domiciles. The pilot's monthly salary will not be reduced for such period of absence from duty.

Use of travel time to cover I.D.'s

10-A-2-f- A pilot using travel time will not be required to use vacation days if the number of travel/transfer days is insufficient to totally cover all flying being dropped. If the Company could reasonably deadhead the pilot to work a portion of a trip I.D. not covered by travel/transfer days, he may request the use of vacation days and opt out of working this partial trip I.D.

Travel time for new hire pilots

10-A-2-g- New Hire pilots and any pilot returning from furlough shall be entitled to three (3) travel/transfer days if they are initially assigned to the Denver domicile or five (5) travel/transfer days if initially assigned to either Anchorage or Honolulu. If assigned to a domicile other than Denver, Anchorage or Honolulu, the travel time entitlement will continue to be determined based on the distance between DENTK and the domicile to which the pilot is assigned..

Travel time for

domicile transfer

when moving

household goods

10-A-3- A pilot who is eligible for a paid move and chooses to move household goods from his old primary residence will be entitled to the following:

10-A-3-a- Three (3) transfer days or, if the pilot chooses to drive an automobile, he will receive the greater of three (3) transfer days or the number of travel days equal to the distance between the pilot's old domicile and his new domicile divided by 400. Remainders over 100 will provide an extra travel day.

Enroute driving

expenses

10-A-3-b- Reimbursement of reasonable enroute driving expenses (mileage, meals, hotels and laundry) for one enroute trip. With the exception of meals (reimbursed up to \$30 per day), these expenses must be supported by receipts. Receipts for enroute expenses must coincide with the travel days the pilot has requested from the Company. Mileage will be reimbursed at the rate of twenty-nine cents (\$0.29) per mile or Company policy, whichever is greater, for up to two (2) automobiles.

Shipment of

second

automobile

10-A-3-c- The option of driving one (1) automobile from his old primary residence or old domicile location to a new residence or his new domicile location and shipping a second automobile from his old primary residence or his old domicile location to a new residence or new domicile location.

Shipment of two

automobiles

10-A-3-d- In lieu of enroute expenses and travel days, the pilot has the option of shipping two (2) automobiles from his old primary residence or old domicile location to his new residence or he may ship one (1) automobile to

his new residence and another to his new domicile location. If the pilot ships two (2) automobiles, he is still entitled to three (3) transfer days.

Notification of travel time

10-A-3-e- The pilot may take travel or transfer days ("travel time") provided for in 10-A-3-a above at his option so long as he informs the Company at least seven (7) days prior to when he intends to take the time.

Notwithstanding the pilot option provided above, if the travel time desired results in a trip(s) drop on New Year's Day, Memorial Day, Easter, Fourth of July, Labor Day, Thanksgiving Day or Christmas or the day on either side, Company concurrence is required. Entitlement to travel time will be based solely upon a change in domiciles. The pilot's monthly salary will not be reduced for such period of absence from duty..

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Use of travel time to cover I.D.'s

10-A-3-f- A pilot using travel time will not be required to use vacation days if the number of travel/transfer days is insufficient to totally cover all flying being dropped. If the Company could reasonably deadhead the pilot to work a portion of a trip I.D. not covered by travel/transfer days, he may, with his concurrence, request the use of vacation days and opt out of working this partial trip I.D.

Triggering events for paid move entitlement and freeze purposes

10-A-3-g- When a pilot exercises his paid move entitlement, he will incur the appropriate freeze. The phrase "exercises his paid move entitlement" includes the use of NRPS/NRSA commuting tickets, making arrangements with a mover, requesting reimbursement for mortgage maintenance costs, lease termination costs, temporary living expenses or other covered miscellaneous expenses associated with the move. The phrase does not

include the use of the applicable authorized travel for the purpose of house-hunting.

10-A-3-h- Pilots transferring from any mainland domicile or Honolulu domicile to Anchorage or from Anchorage to any mainland or Honolulu domicile will be entitled to five (5) travel days.

10-B-

Moving expenses when provided by this Agreement, shall be available only:

Procedure for authorization of moving expenses

10-B-1- After the pilot has received notice of his activation in the assignment which entitled him to the paid move; unless he has requested and received advance permission to move earlier; and

10-B-2- After the pilot has informed the Company of the location from which his household goods will be picked up by completing Company Form UFO 4324. This location must be the pilot's primary residence, and the pilot is required to coordinate his move arrangements through the United Purchasing Department. The Company will not provide reimbursement for expenses incurred with a mover with whom the pilot has made his own arrangements; and

Minimum requirement for paid move 50 miles

10-B-3- If the distance of the move (the distance between the pilot's old primary residence and his new primary residence) is at least fifty (50) miles..

10-C-

Company paid move policy

10-C-1-

10-C-1-a- Company paid moves, when provided by this Agreement, shall be subject to Company policy regarding non-management moves as outlined in the Pilot Transfer

and Moving Handbook dated April 12, 2000. In case of conflicts between the Pilot Transfer and Moving Handbook and the Pilot Agreement, the Pilot Agreement shall govern. No revisions to this booklet will be made without agreement with ALPA. (Future editions of the pilot move booklet will be dated for reference.)

10-C-1-b- Moves paid under this provision shall be based upon an entitlement computed on the distance between the domicile at which the pilot was based, when he received the assignment which provided him with a paid move entitlement and the domicile associated with that new assignment.

Paid move

normally

completed within

12 months unless

extenuating

circumstances

10-C-1-c- A pilot should complete his paid move within twelve (12) months of his activation. If the pilot is unable to complete his move within this twelve (12) month period, he will inform the Company of his need for an extension and provide a reason for this request.

Auto mileage

allowance

10-C-1-d- The Company shall calculate mileage reimbursement based on the most direct AAA mileage from point of origin at former domicile, to point of destination at the new domicile, or to point of destination at the new residence location, if less, plus garage storage expenses while in transit. A pilot is eligible for mileage reimbursement as provided in Section 10-A-2 and 10-A-3 only if he owned the automobile(s) on the date of activation at the new domicile and he actually drives the automobile(s) to the new domicile or residence location.

10-C-1-e- While waiting for their car(s) to arrive, the Company will reimburse the cost of a rental car for pilots who ship their car(s) to or from either Anchorage or Honolulu.

10-C-1-f- A paid move from Alaska to any point in the 48 contiguous states will be available to any pilot who (1) retires (including early and medical retirement) while based in Anchorage and (2) who has an established residence in Alaska. Notwithstanding the provisions of.

Page 146 Section 10-C-2

Section 10-C-3 of the Agreement, this move entitlement shall apply only to a move from Alaska to the mainland.

10-C-2- Should a pilot receive a second paid move entitlement prior to his using an earlier entitlement, he shall be entitled only to one (1) Company paid move; however, the paid mileage available for the transportation of automobile(s) and household goods will be added during the period wherein the two entitlements overlap.

Offset paid move

10-C-3- In the application of this paid move provision, the locations of the old and new residences shall not affect the entitlement, except that the pilot shall bear the added expense incurred should the actual distance moved exceed the mileage to which he is entitled. In determining the amount to be paid by the pilot, the line haul allowance for moving household goods will be computed by multiplying the "line haul weight rate" for the move initially acquired by the weight of the move actually accomplished.

Pilot forfeits

unused paid move

if he is awarded a

subsequent

vacancy in his

original domicile

10-C-4- Notwithstanding the provisions of 10-C-2 and 10-C-3 above, should a pilot receive another assignment which is located at the domicile from which his first entitlement originated, prior to using the entitlement associated with that first reassignment, he shall receive no new paid move entitlement and shall also forfeit the first entitlement.

Example: A pilot who has an unused entitlement between ORD and DEN as a result of a bid to DEN which was activated within the paid move entitlement period would lose

that entitlement and would receive no new entitlement if he bid back to ORD and was activated before the expiration of the paid move entitlement period associated with the original ORD-DEN entitlement.

10-C-5- In the event a pilot incurs and is reimbursed for expenses associated with house hunting and he subsequently does not take his paid move entitlement, he shall not be required to repay the Company for any expense money received.

10-D-

Household effects

may be shipped

NRSA freight

Pilots entitled to transfer expenses under Paragraph 10-A-2 and 10-A-3 of this Section shall be allowed to ship household effects via NRSA freight. Shipping items via NRSA freight will not result in a freeze as stated in 10-A-3-g above..

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Section 10-E

10-E-

New hire pilots may ship up to 2000 pounds via NRSA freight.

10-F-

NRPS/NRSA

transportation

A pilot shall be allowed NRPS transportation between his former domicile or on-line residence and his new domicile until such time that he moves his home to the new location, not to exceed six (6) months after the effective date of his new assignment. In addition, if such pilot has not moved his home to the new location within six (6) months, he shall be allowed NRSA transportation until he moves, not to exceed an additional six (6) months. If a pilot has used this NRPS/ NRSA travel entitlement, and he subsequently receives another assignment which is located at the domicile from which his first move entitlement originated, the Company will continue to provide NRPS/NRSA transportation until the pilot is activated into his subsequent assignment.

10-G- Miscellaneous Allowance

Miscellaneous

moving expenses

In order to reimburse employees, who are eligible for a Company paid move, for miscellaneous expenses not otherwise covered by the provisions of this Section, an allowance of up to Three Thousand Dollars (\$3,000.00) will be available, subject to submission of evidence of actual expenditure.

10-G-1- The types of expenses the Company would include as being reimbursable are as follows:

10-G-1-a- Installation of telephone equipment comparable to old residence.

10-G-1-b- Unexpired portion of auto registration fees.

10-G-1-c- Driver's license fees (for all family members).

10-G-1-d- Single payment of non-recurring sales, use, excise or title tax on automobile(s) brought into a State imposing such taxes.

10-G-1-e- Baby sitting, when expenses are necessitated by the move.

10-G-1-f- Alteration and/or installation of drapes and carpeting to fit the new residence if the drapes or carpeting were the ones used in the old residence and they were not included in the Fair Market Value (FMV) of the house..

Page 148 **Section 10-G-1-g**

10-G-1-g- Retuning of a piano.

10-G-1-h- Commercial shipment of an automobile if United Air Freight is not available and shipment has been approved by employee's Division (arrange shipment through EXOJF).

10-G-1-i- Installation of TV antenna if employee moved it from old residence.

This list is for example purposes only and it is not intended to exclude other reasonable expenses which an employee might incur solely as a result of the move.

10-H- Federal Income Tax Liability

The Company will provide a federal income tax liability reimbursement as a result of the Company paid transfer and moving expense.

At the end of each year, the employee will be provided a facsimile of Federal Form #4782 listing all transfer and moving expenses paid to or on the employee's behalf. In addition, EXOPZ will provide an IBM listing of the breakdown between deductible and non-deductible expenses, showing the calculation of the tax override on the non-deductible portion..

Section 11

Vacations

11-A-

Newly employed pilots will accrue one and one-sixth (1 1/6) days of vacation for each full calendar month of continuous employment with the Company during the remainder of the vacation year after date of their initial employment, provided that the first vacation for pilots initially employed on or after May 1 of any year will not be due or payable except between May 1 and April 30 of the next succeeding vacation year.

11-B-

Yearly vacation

accrual

11-B-1-

11-B-1-a- After the provisions of Paragraph 11-A of this Section have been complied with, pilots shall receive sixteen (16) days vacation each year provided employment has been continuous. Commencing in the vacation year following the completion of continuous service shown below, pilots will receive vacation in the following schedule:

<u>Years of Service</u>	<u>Vacation Days Each Year</u>
Five (5)	Twenty-Three (23)
Twelve (12)	Thirty (30)
Twenty (20)	Thirty-Seven (37)
Twenty-Five (25)	Forty-Four (44).

11-B-1-b- Pilots on a leave of absence or leaves of absence in excess of thirty (30) calendar days except in the case of sickness or injury on the job shall have their vacation reduced by one-twelfth (1/12) for each full month that they are on leave of absence in excess of thirty (30) days.

11-B-2-

2 splits for 16

days vacation

11-B-2-a- A pilot entitled to sixteen (16) calendar days or more vacation in a vacation year, (including vacation credit days applied under the provisions of Section 9-C-2-

d may elect, under Section 11-D or Section 11-E-1, to split

his vacation into not more than two (2) periods during a vacation year, provided that one period is not less than ten (10) days.

3 splits for 30

days vacation

11-B-2-b- A pilot entitled to thirty (30) calendar days or more vacation in a vacation year, (including vacation credit days applied under the provisions of Section 9-C-2-d may elect, under Section 11-D or Section 11-E-1, to split his vacation into not more than three (3) periods during a vacation year, provided that no period is less than ten (10) days.

For the purpose of awarding vacations, all pilots, in each status and equipment type at each domicile, shall be afforded the opportunity to be awarded their primary and secondary preferences of vacation periods before tertiary vacations are awarded to those pilots who preference for tertiary vacations.

Moving vacation

to fly trip

11-B-3- Scheduled days off immediately preceding or following the scheduled vacation may be taken as part of the vacation if a pilot so desires, however, where a pilot is entitled to an adjusted vacation due to training days' credit, this sub-paragraph shall apply after the training days' credit earned are added to the scheduled vacation as specified in Paragraph 11-B-1 and 11-B-2 of this Section. It is further

agreed that where a pilot's regular or adjusted vacation starts or ends between a scheduled outbound and return trip said pilot may, at his option, move the period of his vacation either forward or backward in order to fly a said scheduled round trip, provided that in no case shall a MAC pilot move his vacation period to extend into the following month.

11-C-

Vacation pay

11-C-1- A pilot assigned to a line of flying shall receive during his vacation period, his salary, as provided by Section 3. In addition, he shall be considered on vacation for a scheduled outbound preceding or a scheduled return following his vacation period.

11-C-2- A reserve pilot shall receive during his vacation period his salary as provided by Section 3.

11-D- Vacation Year Preferencing and Assignment of

Vacations

Annual vacation

allocation

percentages

11-D-1- Based on pilot assignments shown on the January 1 Domicile Roster and in sufficient time to permit the preferencing and awarding of vacations prior to February 1.

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Section 11-D-2

for the prospective vacation year, the Company will post the planned vacation allocation by status, equipment type and domicile for each month of the vacation year. Such allocation shall provide not less than seven per cent (7%) per month of the total vacation liability for the vacation year in each status, equipment type and domicile for nine (9) months of the vacation year and not less than six percent (6%) per month of the total vacation liability for the vacation year in each status, equipment type and domicile for the remaining three (3) months of the vacation year.

Split vacation

designation

11-D-2- All pilots will be eligible to preference the above allocated vacation periods based on their status, equipment type and domicile assignment as shown on the January 1 Domicile Roster. Notwithstanding this provision, pilots who are surplussed as a result of an equipment domicile closing who are awarded a bump but are not on the domicile roster at their new assignment as of January 1, will be permitted to bid their annual vacation during the annual vacation bidding period at their bump assignment.

Pilots who elect to split their vacation will designate their preference as being for a primary, secondary or tertiary assignment. Not less than the minimum percent per month of the total vacation liability for the vacation year in each status and equipment type at each domicile shall, as of February 1, be awarded in order of seniority based on the pilot's preference.

11-D-3- Pilots awarded vacation periods in accordance with sub-paragraph 11-D-1 and 11-D-2 above shall be notified of

their vacation assignment not later than February 1 preceding the vacation year in which the vacation is assigned.

11-D-4- A pilot assigned a vacation period under the procedures of this Paragraph D shall take such vacation as assigned unless changed in accordance with the following:

11-D-4-a- A pilot preferences and is awarded a different vacation period in accordance with the vacation preferencing procedures of Paragraph 11-E-1 below, which is prior to the vacation period he was awarded under the procedures of this Paragraph D.

11-D-4-b- Prior to taking his assigned vacation period, he is activated in a different status, equipment type or domicile than that to which he was assigned on January 1. Under these circumstances, the Company may cancel the.

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Section 11-E

vacation assigned to him under this Paragraph D and reassign him to a different vacation period in accordance with Paragraph 11-E below.

11-E- Monthly Preferencing and Assignment of Vacations

11-E-1- Voluntary Assignments

Monthly vacation

11-E-1-a- Vacation periods allocated in each month shall become firm sixty (60) days prior to the first (1st) of each month.

11-E-1-b- Eligibility of pilots to preference a vacation period in a given status and equipment type for the month, shall be based on their status and equipment type assignment as shown in the Domicile Roster published for the month preceding.

Seniority controls

vacation

assignments

11-E-1-c- Preference of vacation periods for the month in which eligible pilots shall take their vacation shall be granted in order of seniority in each status and equipment type at each domicile. Pilots who elect to split their vacation will designate their preference as being for a primary, secondary or tertiary assignment.

Pilots desiring to take their entire vacation as one continuous assignment shall be awarded such vacation even though the last part of one month and the first part of the following month are involved, provided unassigned vacations are allocated in both months, and the pilot is eligible to be assigned a vacation in both months and the pilot's seniority entitles him to be assigned a vacation in the month his vacation starts.

11-E-1-d- Each pilot assigned a vacation in accordance with his preference shall be notified of the date of his vacation assignment not less than sixty (60) days before the first (1st) day of the month in which his vacation period falls. The pilot shall not be required to take his vacation unless such notice is given. Once a pilot has been assigned and notified of a vacation period in accordance with this Paragraph, such vacation assignment shall not be changed without said pilot's concurrence except when such pilot changes status, equipment type and/or domicile, under Section 8, prior to or coincidental with his assigned vacation period.

11-E-1-e- Any vacation periods created and available within sixty (60) days of the vacation period shall be offered to eligible pilots in the status and equipment type.

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Section 11-E-2

in order of their seniority and may be assigned with the pilots' concurrence with less than sixty (60) days notice required in sub-paragraph d above.

11-E-2- Involuntary Assignments

Involuntary

vacation

assignments

10 days minimum

11-E-2-a- In the event there are insufficient preferences submitted for posted vacation periods in a status and equipment type at a domicile, the Company may assign pilots to such vacation periods in reverse order of seniority of the eligible pilots in each status and equipment type. Involuntarily assigned vacation periods shall be for ten (10) calendar days or the amount specified

by the pilot unless (1) the balance of a pilot's vacation is less than ten (10) days, or (2) this period is the final split available to him under the provisions of Section 11-B-2; in which cases the balance of his vacation will be assigned. In no event shall a pilot receive more vacation periods than available to him under the provisions of Section 11-B-2. Vacation periods assigned to pilots involuntarily shall be considered to carry the lowest vacation priority which the affected pilot has remaining unused in the current vacation year.

Eligibility for

involuntary

vacations

Pilot in last year

will not be given

involuntary

vacation

11-E-2-b-

11-E-2-b-(1) Eligibility of pilots to be involuntarily assigned a vacation period in a given status and equipment type at a domicile in a given month shall be based on their status and equipment type assigned at the domicile as shown in the Domicile Roster published for the month preceding the month in which the involuntary assignment is to be made. A pilot who has a vacation (voluntary or involuntary) will be ineligible for involuntary assignment to a vacation in the same calendar month. A pilot who has a vacation (voluntary or involuntary) will be ineligible for involuntary assignment to a vacation in an adjoining calendar month unless there are no other pilots eligible for assignment. These restrictions shall not be applicable in the last two (2) months of the vacation year. A pilot will be ineligible for assignment under Section 11-E-2-a in a given vacation year if his retirement date falls within that vacation year..

prevents

involuntary

vacation

11-E-2-b-(2) A pilot who plans to retire on a date that is not within the vacation year in which he will reach normal retirement age (age 60) may make himself ineligible for involuntary vacation assignments during the vacation year in which he plans to retire by giving the Company written notice of his planned retirement date. Such notice must be provided to the Company on or before December 1 of the year which is prior to the beginning of the vacation year in which he plans to retire. (e.g. if the pilot plans to retire in the vacation year that runs from May 1, 2001 through April 30, 2002; then his notice must be submitted to the Company not later than December 1, 2000.) In the event the pilot rescinds his intent to retire, he will do so by notifying the Company in writing and his unassigned vacation will be assigned at the discretion of the Company

Notification of

involuntary

vacation

11-E-2-c- Each pilot involuntarily assigned a vacation shall be notified of the date of his vacation assignment not less than sixty (60) days before the first of the month in which the vacation falls, except that any vacation periods created and available within sixty (60) days of a vacation period which are not voluntarily accepted by pilots under the provisions of sub-paragraph 11-E-1-e above, may be assigned to eligible pilots in inverse order of seniority in the status and equipment type, provided they are given not less than forty-five (45) days notice prior to the start of their vacation periods and provided further that no such notice shall be provided after schedule preferencing has closed for the month in which the vacation falls. Once a pilot has been assigned and notified of a vacation period in accordance with this Paragraph, such vacation assignment shall not be changed without said pilot's concurrence, provided that when a pilot who has been

awarded a vacation assignment changes status, equipment type and/or domicile, under Section 8, prior to or coincidental with his assigned vacation period, the Company may require the pilot to forfeit that vacation assignment.

11-E-3-

Vacation conflicts

with transition

training

11-E-3-a- Notwithstanding the provisions of Paragraph 11-D and 11-E of this Section, a pilot awarded a voluntary or involuntary vacation that conflicts with required transition training associated with an awarded assignment, may have the vacation cancelled and rescheduled in order to attend such training..

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Section 11-E-3-b

Pilot may agree to

defer vacation

into next year if

his activation is in

last 3 months of

vacation year

11-E-3-b- In the event that a pilot is planned to be activated into a new assignment during the last three (3) months of the vacation year, with pilot concurrence, the Company may defer any awarded vacation scheduled to occur after his activation, until the following vacation year.

11-E-3-c-

Pilot ineligible for

vacation for two

months following

training

11-E-3-c-(1) A pilot who is scheduled to be trained as a result of an awarded assignment will not be awarded nor assigned to a monthly vacation that would be scheduled to begin during either of the next two schedule months following the month in which the pilot is scheduled to complete his training at DENTK.

11-E-3-c-(2) Should the application of the provisions of

the above paragraph result in the Company being unable to assign all of a pilot's current year's vacation within that current vacation year, any unassigned vacation will be deferred to the following vacation year and thereafter will be administered under the provisions of Section 11-F.

11-F- Vacation Deferral

Pilot may defer vacation from last two quarters into next vacation year at Company request

11-F-1- In addition to the preference and assignment provisions in 11-D and 11-E, above, during the monthly preferencing for vacations in the last quarter of the vacation year, a pilot may indicate a preference to defer his remaining assigned and/or unassigned vacation into the following vacation year. Deferred vacation must qualify as a full vacation "split" in the current vacation year. The Company will determine the domiciles, equipment types and statuses and the amount (if any) in which deferrals are required. Successful volunteers will be notified of their deferral at the time vacations are published for each month of the quarter. In the event deferrals become available after the vacations are awarded, volunteers may be offered those deferrals when they become available.

11-F-2- Vacations deferred into the following vacation year under any of the provisions of this Section 11 shall become part of the pilot's total vacation due in the following vacation year and will be preferenced and assigned as regular monthly vacations. Further, if ten (10) or more days of vacation have been deferred from any single vacation year, the pilot shall.

be eligible to be awarded one (1) or more additional vacation periods ("splits") in the new vacation year, in addition to the periods already available to him under the provisions of Section 11-B-2 in the year into which vacation has been deferred, as follows:

Additional split for

deferred vacation

for next year

In order to be eligible to be awarded additional vacation periods during the year into which vacation has been deferred, the deferred vacation alone must be able to qualify as one (1) or more legal vacation periods, under either or 11-B-2-b, whichever provision is applicable to the pilot in question. In order for deferred vacation to qualify for additional splits, the pilot must have unused vacation that entitles him to a split opportunity for which he was entitled in the year from which vacation is being deferred. Additionally, the deferred vacation must total enough days to comply with the minimum length requirement for each vacation period. Due to the advance notice requirements for awarded vacations, it is recognized that deferred vacation time may not be available to be preferenced in the first months of the new vacation year.

11-G-

Company may

offer deferral of

vacation from 1st

and 2nd quarter to

the remaining

months of

vacation year

Notwithstanding the provisions of this Section 11, the Company may offer and individual pilots may accept, on a voluntary basis, the deferral of assigned vacations in the first (1st) and second (2nd) vacation quarters to the remaining months of the vacation year. The acceptance of the Company offer to the pilots will be recognized in seniority order from among the pilots affected. Pilots accepting deferral of their assigned vacation shall be assigned their remaining vacation entitlement in accordance with their seniority and the provisions of Section 11-E during the remaining months of the vacation year.

11-H-

Any pilot who leaves the service of the Company shall be paid for all accrued but unused vacation credit for the

preceding vacation year in addition to any other compensation due him at the date of termination of employment. In addition, any pilot having a full year or more of service with the Company at the time of leaving the Company's service will be paid for all accrued vacation credit in the current vacation year up to the end of the month preceding the separation, if..

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11-H-1- He gives the Company at least ten (10) calendar days notice of intent to resign, and

11-H-2- He is not discharged for just cause.

11-I-

Pilots who are furloughed in a reduction in force will be granted vacation pay for all vacation time accrued to the end of the month preceding their furlough.

11-J- Vacation Trip Drop

The Company may also liquidate vacation as follows:

Vacation trip drop

Procedures

11-J-1- At the discretion of the Company, based upon its evaluation of available manpower, a pilot may be allowed to drop a trip(s) with pay and reduce his available vacation from his next year's accrual. Next year's accrual is that vacation earned in the current year to be taken in the following year; except that trips dropped between December 1 and May 1 shall be reduced from vacation earned in the following vacation year.

11-J-2- Such trip drop will be requested in the same manner as ANP is currently administered (see Paragraph 11-J-4 of this Agreement). The decision to use vacation days for the trip drop must be made by the pilot at the time the request is granted.

11-J-3- Vacation days used will correspond to trip days dropped, not to duty periods dropped.

11-J-4- Requests will be considered, on a first-come-first-served basis; however, it is recognized that, because of better ability to forecast on a short-range basis, as well as changing requirements, later requests may be granted after earlier requests were denied.

11-J-5- A vacation drop(s) may be allowed which exceed the

pilot's vacation accrual as of the time of the drop; however, should the pilot later leave the Company before earning enough vacation to cover this drop(s), the value of the drop(s) will be deducted from his last paycheck and/or from other monies owed the pilot by the Company..

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Section 12-A

Section 12

Leave of Absence

12-A-

Maximum LOA 3

Years

When the requirements of the service will permit, a pilot may be granted a leave of absence up to a maximum of three (3) years for any reason deemed adequate by the Company.

When such leave(s) are granted, the pilot shall retain and continue to accrue seniority during such leave(s), provided, however, that he shall not accrue any greater seniority nor shall his relative seniority position be different than it would have been had he not been granted such leave; and, provided, further, that the pilot maintains his airline pilot's certificate or certificates. If, during such leave(s), a pilot shall permit his certificate or certificates to lapse, his seniority shall accrue only to the date of lapse. A pilot returning from an authorized leave or extension thereof shall be permitted to resume his assignment at the domicile to which he was based immediately prior to the beginning of such leave or, in the event his assignment has been moved, to follow the assignment or, if a pilot while on leave has successfully exercised bidding rights, he shall assume the new duties resulting from such award and periods of absence shall not apply to the time limits prescribed in Section 8-E.

12-B-

When leaves are granted on account of sickness or injury, a pilot shall retain and continue to accrue seniority and longevity, irrespective of whether or not he is able to maintain his airline pilot's certificate or certificates, until he is able to

return to flight duty or is found to be unfit for such duty for a continuous period of seven (7) years (ten (10) years, if extended as provided in Paragraph 6-E-2 of Section 6). A pilot shall retain full bidding rights while on such leave.

12-C-

A pilot returning from leave occasioned by sickness or injury shall be permitted to resume his assignment at the domicile at which he was based immediately prior to the beginning of such leave or, in the event his assignment has been moved, to follow the assignment or, if such pilot while on leave has.

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Section 12-D

successfully exercised bidding rights, he shall assume the new duties resulting from such award.

12-D-

Leaves for active

military duty

A pilot ordered to enter active military duty during a period of national emergency or pursuant to law or a pilot classified as 1-A under the Selective Service Act who is unable to obtain a deferment and chooses to enlist for military duty in the Armed Forces, shall retain and continue to accrue seniority, provided, however, that pilots so ordered to enter military service shall continue to accrue seniority only during the period in which they are on Armed Forces duty plus ninety (90) days and in no case will any such pilot accrue seniority for a period exceeding five (5) years plus ninety (90) days, unless otherwise provided by law; provided, further that any such pilot shall not accrue any greater seniority nor shall his relative seniority position be different than it would have been had he not entered such military duty.

12-E-

Any dispute arising hereunder concerning the physical fitness of a pilot shall be settled in accordance with Section 14.

12-F-

4 year leave for

ALPA position

A pilot shall be granted a leave of absence for a period not to exceed four (4) years to accept a position with the Association or to perform any duties relating to council

activities and will continue to accrue seniority while on leave of absence, provided that during such period the pilot maintains his airline pilot's certificate or certificates and provided, further, that the Company shall not be obligated to grant such leave to more than two (2) pilots concurrently.

12-G-

A pilot shall be granted a leave of absence to accept a salaried position as an officer with the Association and will continue to accrue seniority while on such leave of absence, provided that during such period, the pilot maintains his airline pilot's certificate or certificates and, provided further, that the Company shall not be obligated to grant such leave to more than two (2) pilots concurrently..

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Section 12-H

12-H-

*Movement of
vacation under
FMLA policy for
birth or adoption*

12-H-1- When a pilot takes parental leave pursuant to the terms of the Pilot Family Medical Leave Policy for the Birth or Adoption of a Child, the pilot will have the ability to choose current year's vacation or next year's vacation to cover the absence. Should the pilot chose to move a current year vacation, he will be allowed to move this vacation from a month when he ca fly to a period associated with the upcoming required absence, and the vacation must then be liquidated during that period. He must notify his Flight Office in writing at least 45 days prior to the month in which the vacation is scheduled or the month in which he desires to take the vacation, whichever is earlier. If the planned absence unexpectedly becomes unnecessary or otherwise terminates prior to the liquidation of the deferred vacation, the remaining deferred vacation will be liquidated per the Agreement. Vacation as described herein can be deferred into a subsequent vacation year provided the planned absence is projected into that period.

*Returning home
to begin parental*

leave

12-H-2- If a pilot is working a trip and it becomes necessary for him to return home to begin the planned parental leave, he will be provided NRPS travel to his home.

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Section 13-A

Section 13

Sick Leave

13-A-

No-occupational

sick leave accrual

1,250 hours

13-A-1- Pilots will be credited, for non-occupational sick leave purposes, with six (6) hours of sick leave credit for each month of employment which entitles him to the accrual of longevity as a pilot up to a maximum of one thousand two hundred fifty (1,250) hours.

13-A-2-

Negative sick

leave bank for 1st

year pilot

13-A-2-a- During a pilot's first year of service he may be paid no more than sixty (60) hours from a negative sick leave bank. These hours will be debited against sick hours accrued as stated in paragraph A.1 above.

Sick leave

restoration for 1st

year pilot

13-A-2-b- During a pilot's first year of service, if he makes up the days missed, if on reserve, or picks up and performs open flying equivalent to the actual flight hours lost, if a lineholder, his sick leave account will be restored by the number of credit hours flown.

13-A-3- Sick leave with pay in case of actual sickness will

be granted up to the number of hours of sick leave credited to the pilot at the time, as follows:

*Sick leave
account reduced
by actual hours
for lineholders*

13-A-3-a- The accumulated sick leave credit of a pilot assigned to a line of flying will be charged with the number of actual flight hours which he missed due to sick leave.

*Sick leave
reduction for
reserves*

13-A-3-b- The accumulated sick leave credit of a pilot on reserve will be charged with four hours and ten minutes (4:10) for each duty day missed due to sick leave; not to exceed seventy-five (75) hours in any single month. A reserve pilot will not be charged for the day he calls off sick leave provided he calls off before twelve (12 noon) local domicile time. If the reserve is required to obtain medical clearance and is unable to call off sick prior to 12 noon, he will not be charged for that day..

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Section 13-A-4

*Reduced sick
leave for full
month*

13-A-4- A pilot who is granted sick leave with pay for the entire month, may request payment of 2/3rds salary in lieu of the amount specified in sub-paragraph 3-a and b above. Such pilot's accumulated sick leave credit would be reduced by fifty (50) hours for that month. To exercise this option, a pilot must notify the Company in writing within one (1) day after the end of the month in which he was granted the full month sick leave with pay.

*Reaccrual of sick
Leave*

13-A-5- A pilot who has two hundred and fifty (250) or more hours in his sick leave account as of the date of illness, will reaccrue, at the rate of seven (7) hours per month until such time as his sick leave account is restored to the level prior to

the illness.

13-A-6- Sick leave with pay will be granted only in cases of actual sickness. The Company may require a doctor's certificate before paying such sick leave. Dental and doctor appointments will not be considered as a basis for paid sick leave unless it can be shown that the dentist or doctor in question does not maintain office hours outside the pilot's scheduled work time or on his days off. Sick leave with pay will not be granted while a pilot is on a leave of absence.

13-B- Occupational Illness or Injury Leave

Occupational 500

Hours

No-

Occupational may

be used if needed

13-B-1- Pilots with one or more years of active service shall be credited with sixty (60) hours of occupational illness or injury leave credit. Thereafter, pilots shall accrue six (6) hours of occupational illness or injury for each month of active service to a maximum of five hundred (500) hours. This accrual will be in addition to non-occupational sick leave and may be used for absence resulting from occupational illness or injury only. After exhausting this occupational illness or injury leave, the pilot may use his non-occupational sick leave credits. He may not, however, use occupational illness or injury leave for non-occupational illness or injury under any circumstances. When a pilot on occupational illness or injury exhausts his occupational leave and uses non-occupational leave, his ensuing accrual of occupational injury leave shall be credited to his non-occupational sick leave until such time as he has replaced all non-occupational sick leave which was used for his occupational illness or injury..

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Section 13-B-2

Reaccrual of sick

Leave

13-B-2- A pilot who has two hundred and fifty (250) or more hours in his occupational sick leave account as of the date of illness, will reaccrue, at the rate of seven (7) hours per month

until such time as his sick leave account is restored to the level prior to the illness.

13-B-3- When it is necessary for a pilot to be absent from work because of occupational injury or illness, he must request payment for occupational illness or injury leave in writing not later than the pay period following his return to service on a form provided by the Company. A doctor's certificate may be required before granting pay for this purpose. In the event he receives Workmen's Compensation because of such absence, he shall turn over such compensation to the Company and shall have his sick leave or occupational illness or injury credit used in connection with such injury or illness restored to the extent that the compensation offsets the pay granted. Credits will be restored only in units of one (1) hour.

13-C-

*Procedure for
receiving
occupational
injury/illness
payments*

All credit for non-occupational sick leave and for occupational illness or injury leave will be cancelled if employment ceases for any purpose, and no payment for any such accumulated credit will be made at any time. Non-occupational sick leave and occupational illness or injury leave will not accrue while a pilot is on leave of absence.

13-D-

Each pilot's current accrual of occupational and non-occupational sick leave will be computed and included with one paycheck each month.

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Section 14-A

Section 14

Physical Examinations

14-A-

Reimbursement of

FAA physical

expenses under

the traditional

medical plan

14-A-1- A pilot shall be notified in writing as to his failure to pass such physical examination required by the Company.

The pilot shall, at his request, be furnished with copies of all medical tests, x-rays and any other documentation or information which was utilized to determine the pilot's inability to pass the Company physical examination. The above shall be provided at no cost to the pilot. Additionally, two (2) FAA physicals per year for Captains and International First Officers and one (1) FAA physical per year for all other pilots will be covered expenses under the Medical Plan. These FAA physical expenses will be reimbursed at 80% up to a maximum medical plan reimbursement of \$100 per physical after the pilot has met the medical plan deductible.

Availability of

medical records

14-A-2- All information contained in or related to a pilot's medical file shall be kept confidential and not released to anyone except by the pilot's specific written consent. When required by a court order or other legal requirement to release information, the pilot will be notified of such action. Should action be taken under 14-B below, all medical records pertinent to the case will be made available to the doctors involved.

14-B-

Any pilot hereunder who fails to pass a Company physical may, at his option, have a review of his case in the following manner:

Second opinion

and neutral

evaluation of

medical problems

14-B-1- He may employ a qualified medical examiner of his

own choosing, at his own expense, for the purpose of conducting a physical examination for the same purpose as the physical examination made by the medical examiner employed by the Company, provided that he communicate, in writing, to his Flight Manager the name of the medical examiner he has chosen..

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Section 14-B-2

14-B-2- A copy of the findings of the medical examiner chosen by the pilot, recorded on a pertinent form furnished by the Company with such supplementary attachments as the medical examiner may deem pertinent to a true evaluation of the examinee's physical fitness and qualification for flying duty, shall be furnished to the Company. In the event that such findings verify the findings of the medical examiner employed by the Company, no further medical review of the case shall be afforded.

14-B-3- In the event that the findings of the medical examiner chosen by the pilot shall disagree with the findings of the medical examiner employed by the Company, the Company will, at the written request of the pilot, ask for the two medical examiners to agree upon and appoint a third qualified and disinterested medical examiner, preferably a specialist in Aviation Medicine, for the purpose of making a further physical examination of the employee.

14-B-4- Such three (3) doctors, one representing the Company, one representing the pilot affected and one the disinterested doctor approved by the Company doctor and the pilot's doctor, shall constitute a board of three (3), the majority opinion of which shall decide whether the pilot is physically qualified for flying duty.

14-B-5- The expenses of the employment of the third medical examiner shall be borne one-half (1/2) by the pilot and one-half (1/2) by the Company. Copies of the board's report shall be furnished to the Company and to the pilot.

Return of sick

leave improperly

charged

14-B-6- In the event a third medical examiner is utilized who finds the pilot physically qualified for flying duty, he shall be

returned to flying status in the position he left or have the option of bumping to any position his seniority would have allowed him to be awarded on any bid that was posted and awarded subsequent to his failure to pass a Company physical examination and shall be paid for time lost in an amount which he would ordinarily have earned had he been continued in service. Any sick leave reduced from the pilot's account due to his failure to pass a Company physical shall be returned to his account if he is returned to flying duty.

Procedure for

pilot initiated

medical

evaluation

14-B-7- This same procedure may be used should there be disagreement between a pilot and the Company wherein the pilot believes himself permanently unfit for flight duty and the Medical Department of the Company does not agree.

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Section 14-B-8

14-B-8- A pilot who has exhausted his non-occupational sick leave bank and who initiates medical arbitration will be paid until the arbitration is concluded. The pilot will receive a monthly salary equal to the monthly lineholder guarantee for the position (status and equipment type) he holds, provided this compensation will be refunded if the Company prevails in the medical arbitration.

14-C-

In the event a pilot fails to pass a Company physical examination but is able to pass an FAA 1st class physical examination, the procedures set forth in Paragraph 14-B may be initiated by said pilot.

14-D-

In the event a pilot cannot pass an FAA 1st class physical examination, but can pass an FAA 2nd class physical examination and reasonable medical judgment indicated that he may obtain an FAA 1st class medical certificate in the future, the Company shall utilize the pilot in the highest position to which he elects to bid or bump and for which he is medically qualified to fly. The procedures of Paragraph 14-B may be initiated by a pilot in the event of any dispute under

this Paragraph D.

14-E-

*Pilot physicals at
any UAL medical
facility*

A pilot may take his Company physical at other than his home domicile, provided he gives his domicile Medical Department sufficient notice to have his medical records transferred to the domicile conducting the Company physical. Any pilot required to travel out of domicile to take a Company physical, due to lack of Company medical facilities (or designated alternate) at his location, will be provided expenses in accordance with Section 4-A-1 and hotel accommodations, if necessary. Should the United Corporate Medical Department permanently cease operations, each United pilot shall be entitled to up to \$50.00 annually for a FAA required EKG.

14-F-

PSA test When taken in conjunction with a Company physical, the Company will offer any pilot age 50 or over an optional PSA test at no charge to the pilot. Should the pilot choose not to request a PSA test as part of his annual company physical, an annual PSA test for men age 50 and over will be a.

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Section 14-G

covered expense under the medical plan. This expense will be reimbursed at 80% regardless of whether the pilot has met the deductible.

14-G-

PAP t est An annual cervical cytology screening will be a covered expense under the medical plan. This expense will be reimbursed at 80%, up to a maximum medical plan reimbursement of \$150, regardless of whether the pilot has met the deductible.

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Section 15-A

Section 15

15-A-

Pilots should

apply for

additional sick

leave to qualify

for workman's

comp

If a pilot has complied with the provisions of Section 13-B and it has been determined by the Company, or by the governing legal requirements, that the pilot is entitled to Worker's Compensation Benefits, the Company shall provide such benefits as follows: Without prejudice to any alternative rights to file a claim which may accrue in another jurisdiction, the Company and Association have agreed that the Company will consider all pilots to be eligible to file for Workmen's Compensation Benefits in the State of Illinois, due to the Company's headquarters, which is the pilots' base of employment, being located in Illinois. This provision shall apply to all pilots, whether scheduled in domestic or international operations.

15-B-

The monetary benefits so paid shall be in addition to any monetary benefits paid pursuant to the provisions of Paragraph 16-A of Section 16 and will be paid to the beneficiaries prescribed by the applicable law as herein provided.

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Section 15-B

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Section 16-A

Section 16

Missing Benefits

16-A-

Pay while missing

Seniority while

Missing

When any pilot in the service of the Company becomes missing or kidnapped while engaged in operations for the Company, he shall be allowed compensation as set forth in Section 3-B for a period of one (1) year after the date of either of the above or until the date that death is established, whichever first occurs. If, upon expiration of such one (1) year period, any such pilot is still missing or if prior to that time death is established, the Company shall pay or cause to be paid the death benefits provided for in Paragraph 15-A-1 and 2 of Section 15, whichever is applicable. Pilots shall maintain and continue to accrue seniority and longevity for pay purposes during the period they are missing.

16-B-

The monthly compensation allowable under Paragraph 16-A of this Section to a pilot who is missing or kidnapped shall be credited to such pilot on the books of the Company and shall be disbursed by the Company in accordance with written directions from him. The Company shall require each pilot hereafter employed by the Company to execute and deliver to the Company prior to such employment a written direction in the form set forth herein. The Company shall, within thirty (30) days after the signing of this Agreement, notify all pilots of the provisions of this Section of the contract and furnish all pilots a copy of the form hereinafter set forth to be completed by the pilot and filed with the Company. Any payments due to any pilot under this Section which are not covered by a written direction as herein provided shall be held by the Company for such pilot and, in the event of his death, shall be paid to the legal representatives of his estate. The direction referred to shall be in substantially the following form:

"To United Air Lines, Inc.

Date: _____ "You are herein directed to pay all monthly compensation allowable to me under Paragraph A of Section 16 of that certain Agreement between 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, dated as follows:

\$ _____ per month

to _____

(address)

as long as living, and thereafter to

(name)

(address)

as long as living."

"The balance, if any, and any amounts accruing after the death of all persons named in the above designations shall be held for me, or in the event of my death before receipt thereof, shall be paid to the legal representatives of my estate."

"The foregoing direction may be modified from time to time by letter signed by the undersigned and any such modification shall become effective upon receipt of such letter by you."

"Payments made by the Company pursuant to this direction shall fully release the Company from the obligation of making any further payment with respect thereto."

(pilot's signature)

16-C-

A pilot who is imprisoned in a foreign country for an action that is related to his duties for the Company shall be eligible for the compensation set forth in Section 16-A above. In the event a pilot is kidnapped or wrongfully imprisoned while engaged in the service of the Company, the Company, in conjunction with the Association, will diligently work to enlist the active assistance of governments and governmental agencies in an effort to gain the release of the pilot(s).

If a pilot is not returned home within one year, both the Company and Association agree to meet and review the

individual circumstances of the case and review applicable

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Section 17

Grievances

17-A- Non-Disciplinary Grievances

180 day limit for

filling no-

discipline

grievance

Any pilot or group of pilots, including probationary pilots, covered by this Agreement who have a grievance concerning any action of the Company affecting them, except matters involving discipline or discharge, shall have such grievance considered in accordance with the following procedures provided such grievance is filed within one hundred and eighty (180) days after the pilot(s) reasonably would have had knowledge of the facts upon which the grievance is based. This does not preclude claims for adjustment arising out of bookkeeping errors beyond one hundred and eighty (180) days.

17-A-1- A written request for a hearing setting forth a detailed statement of the known facts out of which the grievance arose and a request for relief shall be filed with his or their Manager/Director of Flight Operations.

17-A-2- A hearing shall be held within not less than ten (10) days nor more than twenty (20) calendar days after receipt of such written request by the Manager/Director of Flight Operations or his designee and within fifteen (15) calendar days after the close of the hearing of the Manager/Director of Flight Operations or his designee shall announce his decision in writing. All notices of hearings and decisions reached

therein shall be in writing to the signator of the grievance, with copies to the grievant(s), to the Legal Department of the Association (staff attorney), the Local Executive Council Chairman, Local Grievance Chairman, MEC Grievance Chairman and the MEC Chairman.

17-A-3- If an appeal is desired such appeal shall be made in writing to the Senior Vice President-Flight Operations, with a copy to the Manager/Director of Flight Operations provided such appeal is filed within thirty (30) calendar days after the date the decision was received by the grievant(s).

17-A-4- Such appeal hearing shall be held within fifteen (15) calendar days after the receipt of the written appeal by the Senior Vice President-Flight Operations. Within fifteen (15) calendar days after the close of such appeal hearing, the Senior Vice President-Flight Operations or his designee shall.

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Section 17-A-5

announce his decision in writing to the grievant(s) and furnish a copy to the Legal Department of the Association (staff attorney), the Local Executive Council Chairman, Local Grievance Chairman, MEC Grievance Chairman and the MEC Chairman.

17-A-5- Further appeal, if made, shall be to the "United Air Lines Pilots' System Board of Adjustment" as provided for in Section 18 of this Agreement, provided such appeal is made within sixty (60) calendar days from the date of receipt by the Legal Department of the Association (staff attorney) of the decision of the Senior Vice President-Flight Operations or his designee, except as provided in 17-A-6 below.

*Extension of 60
day time limit for
submission of
no-disciplinary
grievance to
System Board to
allow U-MEC
review panel to
review grievance*

17-A-6- The sixty (60) day time period for the submission of non-disciplinary grievances to the Pilots' System Board of

Adjustment, pursuant to Section 17-A-5 and 18 of the collective bargaining agreement, will be extended for any grievance under review by the UAL-MEC Grievance Review Panel until thirty (30) days after a determination by such panel on submission of such grievance to the System Board or until sixty (60) days after entry of a final judgment (including appeals) in any legal proceedings resulting from a determination not to submit any such grievance to the System Board, whichever occurs later.

The Association will advise the Company of a grievance pending before the UAL-MEC Grievance Review Panel within the sixty (60) day time period established under Section 17-A-5 of the agreement and will advise the Company of any legal proceedings within sixty (60) days after commencement. Should the disposition of the case result in a judgment which includes recognition of an accrued liability by the Company, such liability shall not continue to accrue during the period from the date the notice of review was filed until the date the appeal was filed. Furthermore, the members of the System Board of Adjustment (including the neutral in five member Board proceedings) shall not be advised that any such grievance was considered by the UAL-MEC Grievance Review Panel or of any determination by such panel or of subsequent legal proceedings and shall not consider any such matters in hearing and deciding any such grievance.

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Section 17-A-7

17-A-7- Grievances Filed By The MEC Chairman

Right to request

hearing

MEC Chairman

may file for future

relief

The MEC Chairman or his designee may by written request ask for a review by the Senior Vice President-Flight Operations of any alleged misapplication or misinterpretation of this Agreement which is not at the time the subject of a grievance. The relief sought shall be limited to a change in future application or interpretation of the Agreement. The

Senior Vice President-Flight Operations/designee shall have twenty (20) days after receipt of the request for review in which to investigate and issue a decision; unless a hearing is requested by either party, in which case the decision shall be due fifteen (15) days after the hearing. If the decision is not satisfactory, further appeal may be made in writing by the President of the Association to the "United Air Lines Pilots' System Board of Adjustment" as provided for in Section 18 of the Agreement, provided such appeal is made within thirty (30) calendar days from the receipt by the Legal Department of the Association (staff attorney) of the decision of the Senior Vice President-Flight Operations. It is understood such right under this sub-paragraph shall not apply to hypothetical cases or situations.

17-B- Discipline and Discharge

17-B-1-

Copy of letter of charge sent to the Association

17-B-1-a- Before a pilot is disciplined or discharged, such pilot shall be notified in writing by the Company of the precise charge or charges against him. The Letter of Charge shall include the following statement: "A copy of this letter has been sent to the Association. If you desire Association representation, you must contact your local Association representative."

Such pilot shall be given at least ten (10) days to secure the presence of witnesses and gather evidence and shall have the right to be represented by counsel, an employee of the Company or his duly accredited Association representative(s). A hearing shall be held by the Manager/ Director of Flight Operations or his designee within fifteen (15) calendar days after the issuance of the charge; unless the pilot, through no fault of his own, did not receive the charge in time to have had the ten (10) days required above; in which case the hearing will be rescheduled, if requested, to provide the required ten (10) days.

17-B-1-b- Within fifteen (15) calendar days after the close of the hearing, a decision shall be announced in writing and a copy shall be furnished to the Legal Department of the Association (staff attorney), the Local Executive Council Chairman, Local Grievance Chairman, MEC Grievance Chairman and the MEC Chairman, unless the grievant specifically requests that such copies not be sent.

17-B-1-c- During the course of the investigation conducted in accordance with Paragraph 17-B-1 above, the Company may hold the pilot out of service. While held out of service, the pilot shall continue to receive pay until the effective date of the written decision determining the action to be taken.

Any extension of time limits granted at the request of the pilot shall be on a without pay basis for the period of the extension. The pilot shall continue to receive full pay and benefits during any extension granted at the request of the Company.

*Automatic appeal
of termination to
S.V.P. Flight
Operations*

17-B-2- If the pilot is dissatisfied with any discipline (excluding termination of employment) and desires to appeal, he shall within thirty (30) calendar days after receiving such decision make a written appeal to the Senior Vice President-Flight Operations. If the discipline imposed includes termination of employment, that discipline will be considered to be appealed to the Senior Vice President-Flight Operations, as above, without specific appeal action being required; unless the affected pilot specifically requests that such appeal not be made.

17-B-3- The Senior Vice President-Flight Operations or his designee shall hear such appeal within fifteen (15) calendar days after receipt of the pilot's written request therefor.

*Decision to
terminate shall be
copied to System*

Board and case

will be docketed

for appeal

17-B-4- Within fifteen (15) calendar days after hearing such appeal, the Senior Vice President-Flight Operations or his designee shall announce his decision in writing to the pilot and, unless otherwise requested, furnish a copy to the Legal Department of the Association (staff attorney), the Local Executive Council Chairman, Local Grievance Chairman, MEC Grievance Chairman and the MEC Chairman. If such decision involves termination of employment, that decision shall be copied to the Pilot System Board of Adjustment and shall be considered by the Board as a request to docket the case, on appeal; unless the affected pilot specifically requests that such appeal not be filed.

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Section 17-B-5

17-B-5- Further appeal by the grievant(s), if made, shall be to the "United Air Lines Pilots' System Board of Adjustment" as provided for in Section 18 of this Agreement, provided such appeal is made within sixty (60) days from the date of receipt by the grievant(s) of the decision of the Senior Vice President-Flight Operations or his designee. If the case involved termination of employment, appeal will be automatic, as described in B-4 above.

17-B-6- Nothing in this Section shall be construed as extending the rights of this Paragraph B to a pilot during his probationary period.

17-C- General

17-C-1- The time limits set forth in Paragraph 17-A and 17-B of this Section may be extended by mutual agreement of the Company and the grievant or the Association.

17-C-2- If any decision of the Company under the provisions of this Section is not appealed by the grievant(s) within the time limits prescribed herein for such appeal or any extension mutually agreed upon, the decision of the Company shall be final and binding. If any hearing or decision required of the Company under the provisions of this Section is not provided within the time limits herein, or any extension mutually agreed upon, the grievant(s) shall consider the request

denied and may appeal it to the next step of the grievance procedure.

Any grievance appealed to the Senior Vice President-Flight Operations may not be remanded to the preceding step without the concurrence of the grievant.

17-C-3- Nothing in this Section shall be construed to prevent the Company from holding a pilot out of service pending an investigation and hearing and appeal therefrom.

17-C-4-

17-C-4-a- If, as a result of any hearing or appeals therefrom, a pilot is exonerated, he shall be made whole for any and all pay and benefits and shall, if he has been held out of service, be reinstated without loss of seniority.

17-C-4-b- If, as a result of any hearing or appeals therefrom, a pilot is exonerated, all personnel records shall be cleared of the charges.

17-C-5- When it is mutually agreed that a stenographic report is to be taken of a hearing in whole or in part, the cost will be borne equally by both parties to the dispute. When it is not mutually agreed that a stenographic report of the proceedings be taken and such stenographic record of the hearing is made by either of the parties to the dispute, a copy shall be furnished to the other party to the dispute upon request, provided that the cost of such written record so requested shall be borne equally by both parties to the dispute.

Time limit

determined by

date of postmark

17-C-6- The filing of all grievances, decisions and appeals thereof and notification in writing shall be accomplished by personal delivery or by depositing such notice in the U. S. Mail, postage prepaid, Certified Mail, addressed to the last known address of the party to whom the notice is being given and shall be deemed as being "filed" on the date of personal delivery or the date of postmark.

17-C-7- Grievants, witnesses and representatives who are employees of the Company shall receive free transportation

over the lines of the Company from the point of residence, duty or assignment to the point of hearing and return to the extent permitted by law.

Also, grievants, witnesses and their representatives who are employees may be granted a leave of absence, subject to the needs of the service, and the necessary transportation (NRPS) on the Company line for the purpose of investigating and gathering evidence associated with the grievance to the extent permitted by law.

17-C-8- When a pilot is chosen to act as representative of or a witness for another pilot, such pilot shall be given leave of absence for a time sufficient to permit him to appear as such representative or witness.

17-C-9- If more than one (1) management representative is present (including the Flight Manager) at an investigation hearing or conference with a pilot concerning a matter which may result in disciplinary action, such pilot will be advised by the Company of his right to have a representative of his choice present, provided such representative will be available within a reasonable period of time not to exceed twenty-four (24) hours. Further, when a pilot is requested to appear at such investigation hearing or conference, he shall be advised of the nature of the subject to be discussed..

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Section 17-C-10

Clearing record (2 years) (3 years)

17-C-10- The Company shall consider any disciplinary action taken against a pilot as cleared from the pilot's record after a two (2) year period of active service (three (3) years in the case of discipline resulting from flying proficiency) from the date of issuance if no further discipline has been imposed during that period. The pilot's record may be cleared earlier, when, in the judgment of the Company, his performance warrants such action.

Copy of material placed in file

17-C-11- A pilot will be furnished a copy of any information which is placed in his personnel file that may be used in the evaluation of his performance and/or employment

relationship.

Access to material

17-C-12- A pilot or his authorized representative shall have access to all relevant grievance related material at such time as there is an active grievance on file that could result in discipline or discharge.

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Section 17-C-12

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Section 18-A

Section 18

System Board Of Adjustment

18-A-

In compliance with Section 204, Title II, of the Railway Labor Act, as amended, there is hereby established a System Board of Adjustment, and shall be known as the "United Air Lines Pilots System Board of Adjustment" hereinafter referred to as the "Board."

The Board's purpose shall be to adjust and decide disputes which may arise under the terms of the Pilots Agreement when such disputes have been properly submitted to the Board.

18-B- Composition of the Board

Composition of

Board

3 alternates

18-B-1- The Board shall consist of four (4) members, two (2) of whom shall be selected and appointed by the Association and two (2) of whom shall be selected and appointed by the Company, and such appointees shall be known as "Board Members." In addition, the Association and the Company shall each designate three (3) alternates, and in the event of the unavailability of a Board Member, the respective party

shall designate the alternate to act as a Board Member in place of the absent Board Member.

18-B-2- The two (2) Board Members appointed by the Company, and the two (2) Board Members appointed by the Association and their alternates shall serve for one year from the date of their appointment, and, thereafter, until their successors have been duly appointed. Vacancies shall be filled in the same manner as is provided herein for the selection and appointment of the original Board Members and the original alternates.

18-B-3- The Board Members shall select a Chairman and a Vice Chairman, both of whom shall be members of the Board. The term of office of Chairman and Vice Chairman shall be one (1) year. Thereafter, from year to year, the Board shall designate one of its members to act as Chairman and one to act as Vice Chairman for one (1) year terms.

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Section 18-B-4

18-B-4- The office of Chairman shall be filled and held alternately by the Board Member appointed by the Association and by a Board Member appointed by the Company. When a Board Member appointed by the Association is Chairman, a Board Member appointed by the Company shall be Vice Chairman, and vice versa. Subject to the provisions of Paragraph 18-F, the aforesaid Chairman, or, in his absence the Vice Chairman, shall preside at meetings of the Board and at hearings. Both shall have a vote in connection with all actions taken by the Board.

2 monthly meetings

18-B-5- The Board shall meet twice monthly in the city where the general offices of the Company are maintained, (unless a different place of meeting is agreed upon by the Company and the Association) provided that at such times there are cases filed with the Board for their consideration.

18-C- Jurisdiction of the Board

18-C-1- The Board shall have jurisdiction over disputes between any employee covered by the Pilots Agreement and the Company growing out of grievances or out of interpretation or application of any of the terms of the Pilots

Agreement. The jurisdiction of the Board shall not extend to proposed changes in hours of employment, rates of compensation or working conditions covered by existing agreements between the parties hereto, or as subsequently executed.

18-C-2- The Board shall consider any dispute properly submitted to it by the President of the Association or by the Senior Vice President-Flight Operations, when such dispute has not been previously settled in accordance with the terms provided for in Section 17.

18-D- Proceedings Before The Board

18-D-1- All disputes properly submitted to the Board for consideration shall be addressed to the Members of the Board, including all papers and exhibits in connection therewith. Each case submitted shall show:

18-D-1-a- Question or questions at issue.

18-D-1-b- Statement of facts.

18-D-1-c- Position of employee or employees.

When desired, joint submissions may be made, but either party may submit the dispute and its position to the Board.

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Section 18-D-2

No matter shall be considered by the Board which has not first been handled in accordance with the provisions of Section 17 including the rendering of a decision thereon by the Senior Vice President-Flight Operations.

18-D-2- Upon receipt of notice of the submission of a dispute, the Chairman shall set a date for hearing, which shall be at the time of the next regular meeting of the Board, as provided in Paragraph 18-B-5 of this Section, or, if at least two (2) Board Members consider the matter of sufficient urgency and importance, then at such earlier date and at such place as the Chairman and Vice Chairman shall agree upon, but not more than fifteen (15) days after such request for meeting is made by at least two (2) of said Board Members, and the Chairman shall give the necessary notices in writing of such meeting to the Board Members and to the parties to the dispute.

18-D-3- Employees covered by this Agreement may be represented at Board hearings by such person or persons as

they may choose and designate, and the Company may be represented by such person or persons as it may choose and designate. Evidence may be presented either orally, or in writing, or both.

18-D-4- On request of any individual Board Member, the Board may, by majority vote, or shall, at the request of the two (2) Board Members appointed either by the Company or the Association, summon any witnesses who are employed by the Company, and who may be deemed necessary by the parties to the dispute, or by either party, or by the Board itself, or by the two (2) Board Members appointed either by the Company or the Association.

18-D-5- The number of witnesses summoned at any one time shall not be greater than the number which can be spared from the operation without extreme interference with the services of the Company.

18-D-6- Unless and until the provisions of Paragraph 18-F of this Section become applicable, the Board, composed of two (2) Board Members appointed by the Company and two (2) Board Members appointed by the Association, or their respective alternates, shall be competent to hear the disputes properly submitted to it and to decide said disputes.

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Section 18-E

properly submitted to it and to decide said disputes by majority vote. Decisions of the Board so composed shall be final and binding upon the parties hereto and shall be rendered no later than forty-five (45) days after the close of the hearing.

18-E- The Panel of Referees

15 referees

18-E-1- The Company and the Association shall, by mutual agreement, establish a panel of potential neutral referees who will serve individually as the neutral and presiding member of the Board when a referee is either required or requested under the provisions of Paragraph 18-F of this Section. The scheduling of these referees shall be by the mutual agreement of the parties.

18-E-2- At as early a date as practicable after the selection of the panel of referees referred to above, and upon the

request of either party, the first named referee shall meet with representatives of the Company and representatives of the Association for the purpose of reviewing and streamlining the System Board procedures which are not contained within this Agreement but have been developed by the Board. The basis for such review and modification shall be simplicity, expedition and fairness. The referee shall be em-powered to make the final decision in such review and modification. In any event, when a referee sits as a member of the Board pursuant to Paragraph 18-F of this Section, he shall have the right to modify such procedures for the purpose of that hearing.

18-E-3- Either the Company or the Association by four (4) month's written notice to the other may, without cause, remove any of the named referees. In such event, the referee so removed shall complete matters, if any, pending before him pursuant to Paragraph 18-F of this Section, and the remaining referee or referees shall serve in the relative order as originally designated. When a referee is removed, pursuant to this Paragraph, the parties shall meet to select a replacement as soon thereafter as practicable.

18-F- Procedure in Event of Deadlock

18-F-1- Within ten (10) days after the submission of a dispute to the Board pursuant to Paragraph 18-D-1 of this Section, either the Association or the Company may by written notice to the other, state its desire that the dispute be.

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Section 18-F-2

heard by a five (5) member Board consisting of the two (2) Board Members appointed by the Association and two (2) Board Members appointed by the Company, or their respective alternates, and a member of the panel of potential referees established pursuant to Paragraph E of this Section. In such case, the referee shall be selected in accordance with Paragraph 18-E of this Section.

18-F-2- Where the hearing in a dispute properly submitted to the Board has commenced before the Board, and where the Board is then composed solely of the two (2) Board Members appointed by the Company and the two (2) Board Members appointed by the Association, or their respective alternates,

and where the Board is unable by majority vote to decide an issue before it relative to the dispute being heard, the Board shall declare itself deadlocked and it shall select a referee from the panel established pursuant to the subject in the order specified in Paragraph E of this Section. In the event the Board has failed to decide such issue or declare itself deadlocked within forty-five (45) days after the issue has been heard by the Board, then the Board shall be deemed to be deadlocked for the purpose of this Paragraph and shall select a referee as herein provided. The referee so selected shall thereupon join the Board as a member and as the Chairman thereof in the subsequent consideration and disposition of the matter over which the Company and Association Board Members deadlocked and in the subsequent hearing, consideration and disposition of the dispute then being heard.

18-F-3- When composed of five (5) members as a result of the procedures set forth in Paragraph 18-F-1 or 18-F-2, the Board shall be competent to hear the dispute properly submitted to it and to decide said dispute by majority vote. Decisions of the Board so composed shall be final and binding on the parties and shall be rendered no later than forty-five (45) days after the close of the hearing.

18-F-4- Where the hearing in a dispute properly submitted to the Board has concluded, and where the Board is then composed solely of the two (2) Board Members appointed by the Company and two (2) Board Members appointed by the Association, or their respective alternates, and where the Board is unable by majority vote to decide the dispute, the Board shall declare itself deadlocked and it shall select a referee from the panel established pursuant to Paragraph 18-E of this Section. In the event the Board has failed to render a decision or declare itself deadlocked within the forty-five.

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Section 18-F-5

(45) day period provided in Paragraph 18-D of this Section, then the Board shall be deemed to be deadlocked for the purpose of this Paragraph and shall select a referee as herein provided. The referee so selected shall thereupon join the Board as a Board Member and as the Chairman thereof in

the sub-sequent consideration and disposition of the dispute.

18-F-5- Within forty-five (45) days after the selection of the referee as provided in the preceding Paragraph, the five (5) member Board shall consider and review the prior record in the dispute, and it may call such witnesses and receive such evidence as it may deem necessary. Either party may make written request to the Board for the privilege of presenting witnesses or documentary evidence, and the Board may in its discretion permit such presentation.

18-F-6- When composed of five (5) members as a result of the procedure set forth in Paragraph 18-F-4 above, the Board shall be competent to decide said dispute by majority vote. Decisions of the Board so composed shall be final and binding on the parties and shall be rendered no later than forty-five (45) days after the Board has considered and reviewed the prior record in the dispute and/or has received such additional evidence as deemed necessary, whichever is later.

18-G-

In the event the Board is unable to comply with the time limits specified in Paragraph 18-D and 18-F above, the Chairman of the Board shall prior to the expiration of forty-five (45) days notify both parties in writing of the reasons the Board is unable to comply with the time limits, and give a date as to when a decision will be rendered.

18-H- General

18-H-1- The expenses and reasonable compensation of the referees selected as provided herein shall be borne equally by the Company and the Association.

18-H-2- The time limits specified in this Section may be extended by mutual agreement of the Company and Association..

18-H-3- Nothing herein shall be construed to limit, restrict or abridge the rights or privileges accorded either to the employees or to the employer, or to their duly accredited representatives, under the provisions of the Railway Labor Act, as amended.

18-H-4- The Board shall for a minimum period of five (5)

years maintain a complete record of all matters submitted to it for its consideration and of all their findings and decisions.

18-H-5- The Company and the Association will assume the compensation, travel expense and other expenses of the Board Members selected by them.

18-H-6- Each of the parties hereto will assume the compensation, travel expense and other expenses of the witnesses called or summoned by it. Grievants, witnesses and representatives who are employees of the Company shall receive free transportation (NRPS) over the lines of the Company from the point of residence, duty or assignment to the point at which they must appear as witnesses and return, to the extent permitted by law.

18-H-7- The Chairman and the Vice Chairman designated pursuant to Paragraph 18-B-4, acting jointly, shall have the authority to incur such other expenses as in their judgment may be deemed necessary for the proper conduct of the business of the Board and such expenses shall be borne one-half by each of the parties hereto. Board Members who are employees of the Company shall be granted necessary leaves of absence for the performance of their duties as Board Members. So far as space is available, Board Members shall be furnished free transportation over the lines of the Company, for purpose of attending meetings of the Board, to the extent permitted by law.

18-H-8- It is understood and agreed that each and every Board Member shall be free to discharge his duty in an independent manner, without fear that his individual relation with the Company or with the employees may be affected in any manner by any action taken by him in good faith in his capacity as a Board Member.

18-H-9- The Board shall have the authority for the administration and interpretation of this Section of the Agreement. In the event the Board cannot agree on the administration or interpretation of this Section, they shall refer the matter to the first named referee or his designee..

18-H-10- In the event a member of the panel of referees is more than thirty (30) days overdue beyond the time limits

specified in Paragraph 18-D and 18-F above in the rendering of a decision, he shall not be considered eligible for assignment of additional cases until such decision is rendered (except by mutual agreement between the Company and the Association).

Section 19

Crew Complement

19-A-

The Company agrees that no United Air Lines B-747, DC-10 and B-727 aircraft shall be operated in scheduled commercial operations, including courtesy, publicity, charter or ferry flights, unless the minimum crew on such aircraft consists of three (3) pilots from the Pilots' System Seniority List. The Second Officer shall possess a currently effective commercial license and instrument rating and shall have completed the course of training consistent with the Flight Operations Administration policy in effect August 22, 1970.

19-B-

*Two (2) pilot crew
on specific aircraft*

The Company agrees that no United Airlines B-747-400, B-777, B-767/757, A-320/319, B737-300/400/500, or B-737 shall be operated in scheduled commercial operation, including courtesy, publicity, charter, or ferry flights, unless the minimum crew on such aircraft consists of two (2) pilots from the Pilot's System Seniority List.

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Section 20

Allocation, Assignment and Scheduling of Flying

20-A-

20-A-1- Flight Crew Resources shall be responsible for allocation of hours, assignment to allocation, construction of trip pairings, duty period assignment, assignment to domicile(s) of all trips (including charters) and lines of flying and all known open flying in accordance with the provisions of this Agreement.

20-A-1-a- No revision of such pairings, duty period assignment or assignment to domicile(s) of trip(s) may be made unless approved by Flight Crew Resources and discussed with the System Schedule Committee.

20-A-1-b- No revision of the manpower requirement levels established in the lines of flying may be made unless approved by Flight Crew Resources and discussed with the System Schedule Committee.

20-A-2- System Scheduling Committee

System Schedule

Committee

Composition

SSC duties

Equipment to

seniority and

allocation of flying

A System Schedule Committee (SSC) shall be composed of four (4) pilot representatives, inclusive of one (1) Shuttle representative, one of which will be designated as Chairman.

These pilots may also be Local Schedule Representatives.

Each month the System Schedule Committee members shall meet with the designated Company representatives in order to provide the pilots the opportunity to review and make recommendations to the Company regarding the DSL's, the allocation and assignment of flying and the construction of lines of flying. In addition, a minimum of one (1) scheduling representative from each domicile will be given the

opportunity to review the construction of lines of flying and to select the Operating Experience ("OE") lines for that domicile in accordance with the provisions of Section 20-E of the Agreement. Each month, the Company shall propose meeting dates which coincide with the period in the construction of schedules at which time the pilot recommendations can be best considered. Meetings may be on different dates for some or all fleets. Additional meetings may be held by mutual agreement. It is the intent of the parties of this Agreement that this System Scheduling Committee shall provide pilots.

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Section 20-A-2-a

with the opportunity to consult with and make recommendations to the Company on the allocation of flying, assignment and reduction of flying to pilot domiciles in accordance with the "equipment to seniority" concept as outlined below. "Equipment to seniority" shall mean that within the limits of flying hours available to a domicile by equipment type, the more senior pilots shall be given the opportunity to fly equipment in the following order: B-747-400, B-747, B-777, DC-10, B-767/757, A-320/319, B-727, B-737-300/400/500 and B-737, so long as efficient utilization of pilots and stability of pilot employment at the domiciles are achieved and economy of operations and working conditions are not unreasonably affected.

20-A-2-a- Pilot Domiciles. The geographical location of a pilot domicile(s) and designation of equipment type to be flown from each domicile(s) shall be determined by the Company after discussions with the System Schedule Committee.

20-A-2-b- Allocation of Flying. The "equipment to seniority" concept shall be used considering the seniority of those pilots not holding an assignment in the equipment group as specified in Paragraph 20-A-2 above for which flying is being allocated, or an assignment in a higher paying equipment. The seniority of Captains who could have held an assignment at their domicile in the equipment group as specified in Paragraph 20-A-2 above shall not be considered in the allocation.

20-A-2-c- Reduction of Flying. The "equipment to seniority" concept shall be used considering those

Captains in the equipment type in which the flying is being reduced independently of other equipment types.

20-A-2-d- Assignment or Reassignment of Lines of Flying to Domicile. The "equipment to seniority" concept shall be used considering the available Captains necessary to cover the lines of flying, vacations and a minimum of seventeen per cent (17%) reserve coverage in support of those lines of flying in each equipment type independently of other equipment types.

20-A-2-e- In the event unforeseen circumstances arise which would necessitate discussions with the SSC in compliance with the provisions of this Section, the Company will communicate with the SSC via conference call prior to taking any actions..

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Section 20-A-2-f

*Sharing of
Information*

20-A-2-f- All information pertinent to the allocation, assignment, and scheduling of flying shall be provided to the System Schedule Committee on a timely basis. It is understood by the parties that some information may be identified by the Company as "privileged". The SSC and the MEC Officers agree to keep this information confidential until informed otherwise by the Company.

*SSC and
computer lines of
flying*

20-A-2-g- The Company and the System Schedule Committee shall continue efforts to develop and improve computer programs to provide for more efficient scheduling of pilots. It is agreed and understood that mutual agreement between the Company and the System Schedule Committee must be reached prior to the implementation of any such program.

SSC trip drops

20-A-2-h- When System Schedule Committee Meetings are held, pilot trip drops required will be on a displacement basis.

20-A-2-i- In the event unresolved scheduling problems

arise, the System Schedule Committee may appeal the matter to the Senior Vice President-Flight Operations.

20-B- Publication of Schedules

20-B-1- Pilots schedules shall be posted for preferencing as follows:

*Posting of
monthly
schedules*

20-B-1-a- Unless agreed to otherwise by the Company and the System Schedule Committee lines of flying will be posted for preferencing for a minimum of seven (7) days.

20-B-1-b- Typical reserve lines, showing patterns of days off which comply with Section 5, will be posted for the same period. No reserve lines will be awarded which have not been posted, except for floater reserves, as provided below.

20-B-1-c- Preferencing will close not later than the 18th of the month prior to the subject month, unless a later date is established by mutual agreement with the System Schedule Committee. Lineholder awards will be published by the 20th or the end of the 2nd day after closing, whichever is later, and secondary lines and reserve lines will be published by the 24th, or the end of the 6th day after closing, whichever is later.

20-B-1-d- All monthly pilot schedules shall be posted for preferencing and awarded by this process, except that.

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Section 20-B-1-e

modification to the process may be made in exceptional cases by mutual agreement with the System Schedule Committee.

*Pilot failing to
preference will be
considered for
mov-ups*

20-B-1-e- Unless otherwise agreed to locally, a pilot who fails to express a preference for assignment under the "schedule selection procedure" shall be assigned to the numerically lowest number schedule line (i.e., one is less than six) or reserve day off line, as applicable, which

remains unassigned in his status and equipment type after all pilots senior to him have been assigned.

20-B-1-f- After completion of the pilot's schedule selection procedure, pilots shall be assigned to a schedule within their status and equipment type in accordance with their seniority subject to Paragraph 6-A of Section 6 of this Agreement. Any pilot may preference a secondary line or reserve assignment for the month.

SSC will be consulted for recommendation in handling changes to planned flying too late for inclusion in pilot's schedules

20-B-1-g- In the event changes to the airline's planned flying occur too late to be included in the pilots' schedules and such changes result in the need to modify a pilot's assigned line(s); the Company shall offer the System Schedule Committee the opportunity to consult with and make recommendations regarding the appropriate manner to accomplish the necessary modifications.

20-C-

20-C-1- Lines of Flying

Line construction Parameters

Scheduled lines of flying will consist of a trip pairing repeated in sequence unless efficient pilot utilization requires mixing of pairings within a line according to the following guidelines.

The line descriptions listed in sub-paragraphs a through d below, are intended to be in order of desirability. It is recognized that it is desirable to build the maximum number of lines in each consecutive step.

20-C-1-a- Pure lines (same ID).

20-C-1-b- Pure with 1 or 2 fillers of like departure and layovers.

20-C-1-c- Pure with 1 or 2 fillers of unlike departure and

layovers.

20-C-1-d- Homogenization.

20-C-1-d-(1) Like departure and layovers.

20-C-1-d-(2) Like departure with different layovers.

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Section 20-C-1-e

20-C-1-d-(3) Like departure with similar routing and direction.

20-C-1-d-(4) Like departure with any routing or direction.

20-C-1-d-(5) Departure within 6 hours.

20-C-1-d-(6) Departure within 8 hours.

20-C-1-d-(7) Departure within 10 hours.

20-C-1-d-(8) Departure over 10 hours.

Homogenization

20-C-1-e- It is recognized that a planned schedule change during a schedule month will result in increased mixing of pairings in order to maintain a relatively even distribution of flying in each line for the entire month.

20-C-1-f- Lines of flying submitted for preferencing shall provide reasonable expectancy of schedule reliability and shall comply with FARs and the provisions of this Agreement and shall be scheduled for not more than eighty-one (81) pay credit hours (up to eighty-three (83) pay credit hours in a flex month). Lines of flying will not reflect hours after 2400 on the last day of the month, for a trip operating over month end nor the return trips on the first of a month.

20-C-1-g- If an individual trip pairing repeated in sequence will not provide the minimum calendar days off specified in Section 5-G-1-d, an additional trip or trips may be substituted in the line to provide such minimum calendar days off.

20-C-1-h- All night flying will be built into a minimum number of lines even if this results in some lines being built under guarantee. Pairings with ANF's will not be used to fill non all-night primary lines.

20-C-2- Secondary Lines

Flying which remains open after the awarding of the lines of

flying, due to the planned absence of the lineholder and/or flying which was not awarded as part of a line, may be combined into secondary lines. Secondary line construction shall take into consideration the schedule criteria preferences submitted by those pilots awarded secondary lines.

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Section 20-C-3

20-C-3- Reserve Lines

Reserve lines with

days off patterns

will be available

for preferencing

The approximate number of reserve lines needed in each status, fleet and domicile will be posted for preferencing.

Available reserve lines shall consist of a pattern of available days on and days off, as specified in Section 5-G-1-e. For Mainline reserve pilots, these lines will be constructed with a minimum of twelve (12) days off in a thirty (30) day month and thirteen (13) days off in a thirty-one (31) day month. For Shuttle reserve pilots, these lines will be constructed with a minimum of fourteen (14) days off.

20-C-4- Floater Reserve Lines

Floater reserve

line may be

preferenced, day

off will be

determined

Floater reserve lines will have no posted day off pattern, but will have the minimum of twelve (12) days off in a thirty (30) day month and thirteen (13) days off in a thirty-one (31) day month (fourteen (14) days off for Shuttle pilots) determined by the Company after awarding the lines and evaluating their coverage requirements. Floater reserve lines will not be posted, but may be preferenced and awarded, as provided in Section 20-D-3.

20-D- Preferencing and Awarding

Monthly bid

Awards

20-D-1- During monthly schedule preferencing, a pilot will

have the opportunity to indicate to the Company which lines of flying, including secondary lines, and/or reserve lines he desires. He may also indicate his desire to be awarded a floater reserve line. A line of flying or reserve line which is open for a full schedule month due to the planned absence of the initially assigned pilot, will be assigned to the next eligible pilot(s) so preferencing who is available for the full month, as part of the line awarding process. If a pilot preferences secondary lines, he may also indicate which of the schedule characteristics he considers most desirable. A pilot will not be awarded a secondary line if he is not planned to be available for the full month. "Available for the full month" as used herein means a pilot who, at the time monthly line awards are made, is not planned to be absent for any reason except (1) training of under five (5) days; (2) ALPA duty; (3) no more than one weekend (or equivalent) military absence or (4) Company requested absence. Lines of flying open for the month which are not filled by preferencing may be filled in inverse order of seniority by assignment of regular reserve pilots in the status and equipment type involved. A reserve pilot shall not be eligible to be assigned in inverse.

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Section 20-D-2

seniority order unless he is available for the full month, as defined above.

20-D-2- Preferencing for secondary lines will be accomplished as follows:

Awarding

secondary lines

20-D-2-a- Advertised secondary lines shall be preferred by specific line number. The seniority of the pilot awarded a secondary line shall determine the order of accommodation in the assignment of specific trips to such line. The Company will initiate a test of posting and bidding or PBS selection of secondary lines with the B737-200 fleet. The results of this test will be jointly evaluated to be used in the development of a process to more efficiently conduct the bidding and awarding of secondary lines.

Preferencing

unadvertised

secondary lines

20-D-2-b- Should the amount of open flying available for secondary lines be sufficient to build more secondary lines than were available for preferencing, such added secondary lines will be awarded to pilots who preferenced unadvertised secondary lines. The "999" preference shall be used only to indicate a desire to be awarded an unadvertised secondary line. A "999" preference must be used along with preferences by number for all advertised secondary lines in order for a pilot to be eligible for assignment to all secondary lines. If an insufficient number of pilots preference these unadvertised secondaries, those pairings will revert to open flying and no pilot will be involuntarily assigned to such added secondary lines.

Secondary line

criteria

SSC participation

20-D-2-c- Each pilot who preferences a secondary line will be required to submit a list of schedule characteristics which he considers desirable. Secondary lines will be constructed for each pilot awarded a secondary line taking into consideration his prior schedule and the criteria he has submitted. Lines will be constructed and awarded in seniority order. The secondary line bidding and awarding process will be administered with the direct participation of The System Schedule Committee. In the event the parties agree that additional pilots are required to assist in the process, ALPA and the Company will agree to the number of pilots required and the trip drops which will be allowed. Additionally, the Company will maintain administrative control of the process including the allocation of Crew Management Resources.

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Section 20-D-2-d

20-D-2-d- A pilot will not be awarded a secondary line if he is not planned to be available for the full month, as defined above.

20-D-2-e- Prior to releasing the content of a secondary line to the pilot awarded that line, any assignment

revision, necessary to resolve conflicts with his prior

month's flying, will be accomplished.

Preference floater

reserve lines

20-D-3- Floater reserve lines will be available for preferencing and may be awarded up to a maximum of twenty percent (20%) (or six (6) lines, whichever is less) of the reserves in each domicile, equipment and status.

Notwithstanding the 20% above, in no case will the Company have less than one (1) floater reserve line in each domicile equipment and status. Those pilots awarded floater reserve lines will have the opportunity to request a day off pattern from the crew desk and where possible their request will be honored. A pilot initially awarded or assigned to a floater line shall not be eligible to be moved up to any other line. A pilot initially assigned to a floater reserve line during the line award process will be ineligible to be involuntarily assigned (junior manned) to another open line unless all of the following conditions are met:

20-D-3-a- The open line is a basic line of flying.

20-D-3-b- The pilot is available for the entire month, and

20-D-3-c- There is an available replacement pilot for the vacated floater line. Such available replacement must also be available for the full month.

20-D-4- Those pilots not having an awarded line at the completion of the awarding process will be awarded the highest numbered reserve line or lines as necessary in inverse order of seniority.

Reserve mov-up

to full lines

20-D-5- Full lines which become available after the completion of the monthly line awarding process may be assigned to reserve pilots according to their monthly preferences and seniority; except that any reserve who desires to remain a reserve may, within forty-eight (48) hours after the completion of the initial awards, advise the Company that he desires to keep his reserve assignment; in which case he shall not be moved up under this provision. To be eligible to be moved up, a pilot must be available for a full

month, as defined above.

Reserve mov-up

to partial lines

20-D-6- If, at any time, a partial line becomes available, such partial line may be offered to reserve pilots who are available for all of the flying, in seniority order. Trips remaining unassigned after following the above procedure will be assigned in accordance with Section 20-H.

Reassignment as

a result of

schedule error

20-D-7- Should a pilot's schedule be published which contains an error which results in a pilot losing flying, he may be given, when the error is discovered, an assignment under Section 20-F-1. The pilot's scheduled pay credit will be the greater of his original line of flying or his new line of flying assigned under this provision.

20-D-8-

20-D-8-a- If a pilot is awarded a line of flying which requires overwater or INS qualifications and he is not so qualified, he will be assigned the appropriate training so as to be qualified whenever possible, in sufficient time to allow him to fly his first trip sequence which requires such qualification.

Reserve will

receive necessary

training to be

qualifier for

overwater and

INS.

20-D-8-b- A pilot assigned a reserve line in an equipment type and status and in an equipment domicile which has trip sequences that require overwater or INS qualifications, and he is not so qualified, he will be assigned the appropriate training so as to be qualified whenever possible.

Maintaining

special

qualification

20-D-8-c- Once a pilot is qualified, he shall be required to maintain his qualification while holding an assignment in an equipment domicile in which there are schedules which require such qualification. Should the pilot be assigned to an equipment domicile in which there is no scheduled flying which requires such qualifications, he may be required to maintain his overwater qualification.

Any pilot who is already qualified may, at his option, retain his qualification even if the Company does not require it.

20-D-9- A pilot's schedule assignment is an individual assignment. Each pilot will fly his assigned trip sequence unless deviation is permitted or required by the Company or the application of this Agreement.

20-D-10- Trip segments, round trips or series of trips shall not be split apart from the configuration shown in the Domicile Schedule Letter if so doing increases the manpower requirement unless, the Company deems it necessary to accomplish coverage.

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Section 20-E

20-E- Operational Experience Lines

Notwithstanding the provisions of Section 6-A-2 and Section 20-B-1-f, initial Captains and initial First Officers will be assigned designated Operating Experience ("OE") lines upon completion of DENTK training. The Local Schedule Committee(s) at the domicile(s) where such lines of flying will be assigned will select these designated "OE" lines each month as part of the schedule preparation process. The "OE" lines may include Initial Operating Experience (IOE) and continue for the balance of the month in which training is completed and for the subsequent month. Such designated "OE" lines for this subsequent month will be assigned in Seniority order. Lineholders preferencing such "OE" Lines will be restricted as follows:

LSC Designates

"OE" lines

20-E-1- The designated "OE" lines will be appropriately identified by the Local Schedule Committee as to Captain or

First Officer "OE" lines at the time of posting or preferencing.

Original lineholder

reverts to reserve

when trips are

taken for OE

20-E-2- A pilot awarded a designated "OE" line of a like status will revert to reserve only on the days he would have flown in that line, not including shaded days, and will not be available for involuntary TDY. The original lineholder may be required to fly such portion of the line not required for OE training. Such pilots will be given as much notice of their reserve assignments as practical, with the understanding that early notice is preferable to strict FIFO compliance. Upon arriving from a trip or returning from days off, the pilot may, at his request, be placed at the top of the FIFO list. Additionally, the following provisions shall apply to those equipment domiciles that have international lines of flying:

20-E-2-a- In equipment domiciles that have only international trips, pilots originally assigned to OE lines will be subject to the international rules for reserve assignments.

20-E-2-b- In equipment domiciles which have both international and domestic trips, 50% of the OE lines in each pilot status will be identified and advertised as lines in which the originally assigned pilot will not be subject to assignments that are scheduled into his days off per domestic reserve rules. Those pilots originally assigned to the remaining 50% of the OE lines may be subject to assignments as reserves into their schedule days off, as provided under the international reserve rules. The.

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Section 20-E-2-c

Company will designate the lines at the time of preferencing. If an odd number of OE lines exist, the odd line will be identified as a domestic reserve line for days off consideration. If only one OE line is available for preferencing, it will be identified as international for assignment purposes.

Original lineholder

may designate 6/7

HDO's

20-E-2-c- A pilot who is subject to assignment as a reserve into his scheduled days off (International rules) may designate any block of RDO's in this scheduled line as holy days off (HDO's). This block may be up to a total of six (6) consecutive days off (seven (7) consecutive days off in a 31 day month). If the selected block does not contain six/seven (6/7) HDO's, the pilot may move days from any other block of RDO's in order to bring the total in the designated block to six/seven (6/7). The RDO's moved must come from the front or back of selected block(s) of RDO's

20-E-2-d- A pilot who is subject to assignment as a reserve into scheduled days off (International rules) but who may be removed from only part of the OE line, will still designate a block of six/seven (6/7) days as HDO's as though he would be on reserve for the entire month. This designation must be made prior to the beginning of the OE month. The pilot will fly the published line trips unless removed, at which point he will pick up the remaining days off sequence in the line.

20-E-2-e- The Company will not assign an international trip assignment to an OE reserve that disrupts his RDO unless he is the only reserve available for the assignment.

20-E-2-f- If an OE reserve is worked into one or more of his RDO's, he shall have the days off restored in accordance with Section 3-E-7 of the International Supplement.

20-E-3- At the time of preferencing, a pilot preferencing an "OE" line shall have the opportunity to indicate whether he prefers to fly the line (as opposed to being removed from the line under this provision). Such preference will be taken into consideration in seniority order when "OE" lines are assigned to newly transitioned pilots.

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Section 20-E-4

*Pay for giving up
of line*

20-E-4- A Pilot awarded an "OE" line who is removed from all or part of the line will be paid his line value including legal

inbounds plus three (3) hours override or eighty-four (84) hours (up to eighty-six (86) hours in a flex month), whichever is greater, for relinquishing his line. In the event of a full line move-up only the pilot inconvenienced as per paragraph 20-E-2 above will receive the pay provisions of this paragraph.

Must have 100

hours to be

awarded OE line

20-E-5- First Officers preferring a Captain "OE" line and Captains preferring a First Officer "OE" line must have completed a minimum of one hundred (100) hours in that assignment to be eligible to be awarded such "OE" lines.

20-E-6-

20-E-6-a- If a Captain is senior enough to be awarded a primary line of flying through preferencing upon his activation into his initial Captain assignment, and if he does preference and is awarded such a line, that line shall become his "OE" line.

20-E-6-b- If a First Officer is senior enough to be awarded a primary line of flying through preferencing upon his activation into his initial First Officer assignment, and if he does preference and is awarded such a line, that line shall become his "OE" line providing that the Captain holding the line has completed a minimum of 100 hours in that assignment.

20-E-7- A pilot who has completed any transition training may, with his concurrence, for the remainder of the month and the next full calendar month, be assigned out of reserve FIFO order open trips with a Captain or First Officer, as appropriate, who has a minimum of one hundred (100) hours in type.

20-E-8- Whenever a pilot, who has been removed from his line, is available without disruption to an assignment(s) already given, the Company will attempt to return the pilot to the trip(s) in his original line if the trip(s) is not needed for "OE".

Pick-up of flying

by displaced OE

lineholder

20-E-9- When a pilot is removed from all or part of his line under this paragraph, the Company will make available to the pilot, until 28 hours prior to the first day of each reserve period, known open flying which is available on those days the pilot converts to reserve status and also flying which becomes open during the pilot's reserve available days. The pilot may pick up such open flying as follows:.

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Section 20-E-9-a

20-E-9-a- If the pilot desires to pick up open flying which would be scheduled during this current period of work days, or if he is on days off at the time of the transaction and desires to pick up open flying scheduled during his next period of work days, he will be allowed to pick up:

20-E-9-a-(1) Any trip that begins on the first day of availability after scheduled days off, or

20-E-9-a-(2) Any trip or combination of trips that completely fills all available work days in that period of availability, or

20-E-9-a-(3) Any trip that ends on the last day of availability (except that a pilot qualified and available to be assigned under international reserve rules must have OPBCM concurrence), or

20-E-9-a-(4) With OPBCM concurrence, a combination of trips, one beginning on the first day of availability and another ending on the last day which together do not fill all available work days.

This provision shall not prevent the Company from assigning the pilot a reserve assignment(s) pursuant to paragraph 2 above, on all remaining unassigned reserve work days.

20-E-9-b- If the pilot is picking up open flying to place in a period of available work days that are in the future, beyond the periods described above, he may fill those blocks of available work days in any order; however, he must pick up enough open flying to fill all available work days in a selected block.

Displaced pilot

OE reserve

assignments over

month-end

20-E-10- The following rules will apply to reserve assignments over month end whenever an OE reserve pilot is

involved.

20-E-10-a- Such assignments will first be given to regular reserves.

20-E-10-b- Such assignment will next be given to eligible OE reserve pilots for whom the assignment will not cause a repair in the subsequent month. (It will remain the pilot's option to exceed the allowable scheduling cap.)

20-E-10-c- Such assignments will lastly be given to eligible OE reserve pilots for whom a repair is required in the subsequent month. The assignment in this case may extend into the subsequent month only for a number of days no greater than the original days of carry over of the last trip scheduled in the original OE line of flying.

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Section 20-E-11

*Trip trading by
pilots on OE lines*

20-E-11- The following rules will apply to pilots assigned OE lines when trip trading with open flying.

20-E-11-a- A newly qualified pilot who is assigned an OE line for consolidation of training will not be permitted by OPBCM to trade, pick-up or drop trips in that line.

20-E-11-b- The pilot assigned to the "companion" line; i.e. the assigned Captain on a First Officer OE line or the assigned First Officer on a Captain OE line, will not be subject to any special restrictions on their trading, dropping or picking up trips.

20-E-11-c- If a pilot awarded an OE line is not removed from his awarded line prior to the beginning of the OE month, he will be permitted to trade, pick up or drop trips only if the changes do not affect the line after the date on which he is planned to be removed from that line. For this purpose, the pilot will be advised by OPBCM of the date that he is planned to be removed from the awarded line, upon his inquiry.

20-E-12- If, due to unforeseen circumstances, the designated "OE" lines for a month are insufficient for all pilots requiring "OE", those pilots not assigned an "OE" line may be assigned out of reserve FIFO order open trips with a Captain or First Officer, as appropriate, who has a minimum of one

hundred (100) hours in type. Each initial assignment made to reserves under this paragraph will either be (1) a complete published sequence or (2) a portion of a single published sequence or (3) any sequence to which a complete crew is assigned as a unit.

20-E-13- A pilot who has completed transition training and is not senior enough to be awarded a line of flying under paragraph 20-E-6 above, need not be assigned to an "OE" line if he has a known absence and/or the pilot has not completed his IOE on or before the 15th of the month. In either circumstance, the pilot may be assigned trips as described in Paragraph 20-E-10, above.

20-F- Assignment or Reassignment

Assignment limitations contained in this Paragraph are waivable with pilot concurrence.

20-F-1- At Home Domicile

When a pilot assigned to a line of flying, loses at his home domicile a trip sequence or originating portion thereof which.

Page 209 **Section 20-F-1-a**

appeared in his assigned line of flying due to illegality, being out of position, cancellation, consolidation or equipment substitution, he may be assigned or reassigned by the Company as follows:

*Loss of
assignment prior
to report at home
domicile
suspension of
UAL operation*

20-F-1-a- If he is advised of the loss of his assigned flying prior to reporting to the airport for such flying, the Company shall at that time exercise one of the following; except that if the loss of his assigned flying is due to the suspension of United's operations at the domicile the Company shall exercise one of the following within two (2) hours after operations are resumed:

20-F-1-a-(1) He may be required to deadhead to any point to connect with the remainder of his scheduled assignment.

Telephone

available 4 hours

prior to original

departure

20-F-1-a-(2) Require him to be telephone available for a period not to exceed four (4) hours for a potential flight assignment; such four (4) hour period shall be subsequent to the legal rest and within the period of the trip sequence which he lost, except that the period may start up to four (4) hours prior to the scheduled departure of the trip lost.

20-F-1-a-(3) Give him a flight assignment (possibly including deadheading to accomplish the balance of his assigned trip) which falls within the limitations specified in Section 5-G-1-a-(1); including assignment under Section 8-L-6.

Reassignment

cannot depart

prior to 1800 or 3

hours earlier than

original departure

time

20-F-1-a-(4) Any flight assignment given under this Paragraph F-1 including deadheading, cannot be scheduled to depart prior to 1800 or three (3) hours before the pilot's originally scheduled departure, whichever is earlier.

20-F-1-a-(5) Require him to report to the airport for a four (4) hour standby assignment and potential flight assignment; such four (4) hour standby assignment to commence at the scheduled departure time of the trip sequence he has lost. Any flight assignment given the pilot during this four (4) hour standby period must fall within the limitations specified in sub-paragraph 20-F-1-c below, based on his duty time for the standby assignment.

20-F-1-a-(6) Relieve him from responsibility for assignment under the provisions of this Paragraph F.

*Loss of
assignment after
report to home
domicile*

20-F-1-b- If he is advised of the loss of his assigned flying after reporting to the airport, the Company shall exercise one of the following within two (2) hours of the time he was advised of the loss of his assigned flying; except that if the loss of his assigned flying is due to the suspension of United's operations at the domicile, the pilot may be released from duty and the Company shall exercise one of the following within two (2) hours after operations are resumed.

20-F-1-b-(1) He may be required to deadhead to any point to connect the remainder of his scheduled assignment.

20-F-1-b-(2) He may be reassigned other flying within that duty period which falls within the limitations specified in sub-paragraph 1-c below (including deadheading to accomplish the balance of his assigned trip).

20-F-1-b-(3) He may be reassigned other flying which falls within the limitations specified in Section 5-G-1-a-(1) after being given a legal rest; including assignment under Section 8-L-6.

20-F-1-b-(4) Require him to be telephone available for a period not to exceed four (4) hours for a potential flight assignment; such four (4) hour period shall not commence prior to his receiving a legal rest subsequent to being released from duty.

20-F-1-b-(5) Relieve him from responsibility for assignment under the provisions of this Paragraph F.

20-F-1-c- Any reassignment given a pilot under the provisions of sub-paragraph 20-F-1-a or 20-F-1-b above must comply with all of the following limitations:

20-F-1-c-(1) The pilot's total scheduled on duty period must comply with reassignment provisions of Section 5-G-2-a-(1).

20-F-1-c-(2) Any reassignment cannot be scheduled to

interfere with the next scheduled calendar day off appearing in the pilot's assigned line of flying.

Optional hotel

when

reassignment is 2

turnarounds vs.

mult-duty period

assignment

20-F-1-c-(3) If a reassignment produces an additional "layover(s)" at the pilot's domicile during the period of his original assignment, the pilot shall, upon request, be provided a local hotel room.

20-F-1-c-(4) If the reassignment given is scheduled to interfere with the outbound portion of the next trip.

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Section 20-F-1-d

sequence appearing in the pilot's assigned line of flying, the loss of such next trip sequence shall not subject him to reassignment under this Paragraph F, except that the pilot may be positioned to fly a portion of his scheduled trip.

20-F-1-c-(5) If the reassignment given was not scheduled to interfere with the outbound portion of his next trip sequence, but if the actual operation does interfere, the loss of such trip sequence shall not subject him to reassignment under this Paragraph F, except that the pilot may be positioned to fly a portion of his scheduled trip.

20-F-1-d-

20-F-1-d-(1) If a pilot is assigned a telephone availability or standby period and no assignment is made, the pilot is relieved of responsibility under this Paragraph F-1.

20-F-1-d-(2) Once a pilot is reassigned flying as provided in this Paragraph F-1 a subsequent loss of that flying will not subject him to further assignment under this Paragraph 20-F-1, except that the pilot may be required to complete a portion of his original scheduled trip sequence which is operating and for which he is legal.

20-F-2- Away From Home Domicile

*Loss of
assignment after
leaving home
domicile and
reassignment
provisions*

*Return home
within 16 hours / 8
hours into day off
Complete original*

Schedule

When a pilot assigned to a line of flying or a reserve assigned a trip pairing loses any portion of an assigned trip pairing beyond the originating segment, he may be reassigned to other known open flying, including deadheading to such flying, provided such trip or trips is scheduled to return him to his home domicile within sixteen (16) hours of his originally scheduled arrival at his home domicile and provided further such assignment does not extend more than eight (8) hours into a pilot's calendar day off. A pilot reassigned other known open flying due to the loss of a portion of his scheduled flying may subsequently be required to complete a portion of his original scheduled trip sequence which is operating and for which he is legal.

*Reassignment
away from home
due to weather*

20-F-2-a- In the event, that due to weather, a pilot cannot return to his domicile at the end of the last scheduled duty period of a trip sequence and is, therefore, required to layover at an airport other than an airport serving his domicile as listed in Section 5-G-1-b-(3); he may.

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Section 20-F-2-b

subsequently be assigned to any known open flying which will expediently return him to his domicile, notwithstanding the sixteen (16) and eight (8) hour time limits contained in Section 20-F-2 above. In no case, however, will such pilot be reassigned flying which would return him to his

domicile more than eighteen (18) hours later than his scheduled return, without his concurrence.

20-F-2-b- A pilot who is required to remain at a non-crew domicile location to protect equipment that is unserviceable for mechanical reasons will be assigned to fly the equipment to the location where it is to be utilized. Under this provision, return of the pilot to his domicile must not exceed by more than twenty-four (24) hours the time which his assignment when he left his home domicile was scheduled to return him to his home domicile.

Cessation of UAL operations and reassignment to expedite return home

20-F-2-c- Notwithstanding sub-paragraph 2-b above, a pilot who has lost all or portion of a trip(s) he was scheduled to fly and is unable to return to his domicile as a result of the cessation of United operations, either at his domicile or at the airport at which he lost his scheduled flying, may, when operations are resumed, be reassigned to other known open flying which will expediently return him to his domicile, otherwise, he may be assigned to deadhead to his domicile.

Charter and ferry Reassignment

20-F-2-d- Any pilot assigned a charter or ferry trip sequence that requires a subsequent revision may be required to complete the revised itinerary to an on-line station where relief can be provided. Any such revised assignment must be scheduled in accordance with the provisions of Section 5 and must return the pilot to his home domicile within sixteen (16) hours of his originally scheduled arrival time and provided further such assignment does not extend more than eight (8) hours into a pilot's calendar day off.

20-F-2-e- If the reassignment given above interferes with the pilot's next scheduled trip sequence, the loss of such next scheduled trip sequence shall not subject him to

reassignment under Paragraph 20-F-1-a or 20-F-1-b,
except that the pilot may be positioned to fly a portion of
his scheduled trip.

20-F-3- Trip pairings which are scheduled to operate over a
month-end from "Month A" into "Month B" may be revised at
any time prior to the closing of schedule preferencing for
"Month B".

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Section 20-F-4

Notice for trips

over mont-end

Complete information on these revisions will be made public
and will be available at all domiciles so that pilots may
consider the effect of the changes when preferencing
schedules for the following month. Any month-end pairing
revisions which are not available at each domicile prior to
1200 noon (local time) on the day before schedules close
must be made under the provisions of Section 20-F-1. (In the
event that a month-end pairing becomes involved in a change
under Section 20-F-4 below, that change shall not be subject
to the provisions of this sub-paragraph, but shall be subject
only to the provisions of Section 20-F-4).

Schedule changes

after posting

20-F-4- Notwithstanding the provisions of 20-F-1, 20-F-2,
and 20-F-3 above, when a trip sequence(s) is (are) cancelled
or modified as a result of a change made to the applicable
airline system schedule after pilot schedules are posted for
preferencing, the schedules may be awarded as posted and
the affected pilots may be assigned other flying as follows:

Changes to

minimum number

of lines

20-F-4-a- The changes to lines of flying will be limited to
the fewest number of lines consistent with efficient
scheduling and those affected pilots will be notified as
soon as possible after the changes are made.

Same days

20-F-4-b- The primary effort will be to assign the revised
pairing on the same day(s) the pilot(s) was scheduled to

fly. No revised lines may exceed the applicable monthly flight time cap provided in Section 5.

Pilot hotel option

at home domicile

20-F-4-c- If a reassignment produces an additional "layovers" at the pilot's domicile during the period of his original assignment, the pilot shall, upon request, be provided a local hotel room.

Telephone

Availability

Assigned on work

days not

previously

reassigned

20-F-4-d- A pilot who is assigned a line with fewer duty periods than were contained in his original line may, at the time of initial notification of the revision, be given Section 20-F-1-a-(2) assignments on days he was originally scheduled to fly. The Company will make such assignments available as far in advance as possible.

Lineholder

reassigned to

reserve

20-F-4-e- Should the schedule change result in a reduction of flying at the domicile equivalent to one line of flying or more, any pilot who loses all of his flying may be assigned a reserve line which will retain the days off he had in his original line. Such reserve shall be put on the FIFO list ahead of all other reserves after each day off and.

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Section 20-F-4-f

shall be available for assignment during the first assignment period each day.

SSC consultation

20-F-4-f- The System Schedule Committee shall be afforded the opportunity to consult with and make recommendations on schedule revisions made under the provisions of this Paragraph 20-F-4.

More than 5% of

the lines changed

20-F-4-g- No more than five percent (5%) of pilot schedules will be subject to reassignment under this provision in any one month. Should an occasion arise which requires revision to more than five percent (5%) of schedules, all reassignments must be made under the provisions of Section 20-F-1.

SSC consultation

20-F-4-h- Notwithstanding the five percent (5%) limit above, in the event of a major disruption to service outside of the Company's control (such as that created by the 1981 Air Traffic Controller's strike), the Company may revise schedules to the extent necessary to maintain the highest level of service possible. In such event, the Company will work closely with the pilot members of the System Schedule Committee to insure that passenger schedule integrity is maintained without imposing unnecessary disruption on pilots' schedules.

20-G- Open Flying

20-G-1- Pilots who desire open flying shall advise the Company. The following information will be furnished by the pilot: his status and equipment type, priority rating, days available for open trip(s), as well as the amount of flight time desired. A pilot shall request the Company to remove his name when he no longer desires open flying.

20-G-2- Open flying being covered will be described by the system crew scheduler at the time of assignment. If such assignment is revised at any time prior to initial scheduled departure of that assignment, the crew scheduler will notify the pilot involved as soon as possible.

May combine

open trips

assignment

20-G-3- In the assignment of open flying, trips may be combined with other open trips at any location at the time of original assignment..

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Section 20-G-4

Open trips

assignment up to

28 hours

Early assignment

20-G-4- An open trip shall be considered to be still open until twenty-eight (28) hours before scheduled departure, or until assigned to a pilot, whichever is later; except that an open trip may be assigned to a PI at any time. An open trip may be assigned at any time during the twenty-eight (28) hour period preceding scheduled departure time, however, it shall be considered desirable to assign such trips as soon as practicable. When there is an open trip scheduled to depart, or be assigned during normal rest hours (in general from 2100-0600 local time), the pilot who will be assigned the trip shall be assigned twelve (12) hours or more prior to its scheduled departure, when possible.

20-G-4-a- If, because of irregular operations, an assigned pilot, when away from his home domicile is in position to fly his regularly scheduled trip after it has been assigned as an open trip, he will be entitled to return to that trip, unless he is involved with a conflicting assignment and such assignment cannot be covered by the pilot assigned his scheduled trip.

Lineholder must

advise crew desk

14 hours prior to

trip departure in

returning from

sick leave

20-G-4-b- Notwithstanding the twenty-eight (28) hour provision of this sub-paragraph G-4, a pilot assigned to fly a schedule who has been on sick leave shall be entitled to fly his scheduled trip only if he advises the crew desk fourteen (14) or more hours prior to the scheduled departure of the trip that he has obtained or plans to obtain his return to work medical release.

20-G-5- If it becomes apparent that an inbound crew cannot make their connection with time to provide for adequate preparation, a crew may be called for protection of the trip.

20-G-5-a- Once a crew has been called for such protection, such crew will fly the protected trip if sufficient time, as outlined below, does not exist. In the event a

sufficient time interval has developed to allow the original crew to make their connection, it will be the prerogative of the original crew to fly their scheduled trip, unless a legality problem has been created.

20-G-5-b- Every effort will be made to advise the inbound crew of the plan regarding protection. (Note: "Sufficient time" as outlined herein shall mean not less than thirty (30) minutes.).

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Section 20-G-6

20-G-6- Assignment of pilots to trips will be made based on the scheduled or planned departure times of the trips at the time of the assignment. Subsequent changes in departure time of trips will not change assignments unless additional irregularities in crew assignments will result.

20-G-7- A pilot who is deadheaded to another station to fly a particular trip, included under Section 8-L-6-a of the Pilots' Agreement, will be assigned that trip at the time of leaving his home domicile. A pilot assigned a trip under Section 8-L-6-b shall be considered assigned upon notification of the assignment.

*Minimum rest at
home prior to
junior manning
Specific release
from duty to
commence rest*

20-G-8- A pilot may not be given an assignment as junior man available or as the only reserve available with less than ten hours and forty-five minutes (10:45) free from duty at his home domicile; except, a pilot may be given an assignment as junior man available or as the only reserve available as part of a previously scheduled duty period, provided such assignment can be made within the limitations of the previously scheduled duty period. A pilot who is given an assignment as the only reserve available as part of a previously scheduled duty period will not be given a subsequent assignment under the provisions of this sub-paragraph, without his concurrence, and must be given legal rest at his home domicile following the assignment. In the application of this sub-paragraph, a pilot, upon completion of

an assignment, will be specifically advised if he is not released from duty and is not commencing a rest period.

20-G-9- When a trip terminates at other than the scheduled airport serving a metropolitan area (i.e., JFK/EWR/LGA, BWI/IAD/ DCA, ORD/MDW, SEA/BFI, SFO/SJC/OAK, LAX/ONT/ BUR, MIA/PBI/FLL) and:

20-G-9-a- Movement of the equipment to the scheduled airport is expected within three (3) hours of arrival at the alternate or positioning of the equipment at the alternate airport is desired after unloading, the inbound crew will be assigned to accomplish such movement or positioning unless the crew scheduler, knowing that such assignment will cause the inbound crew to be illegal for their turn trip, or illegal for their next assigned trip, can specifically release the inbound crew. Duty time limitations specified in Section 5-G-2-a-(1) shall not be exceeded.

20-G-9-b- Movement of the equipment to the scheduled airport is expected beyond three (3) hours of arrival at the alternate airport, the inbound crew will be released as.

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soon as possible after any necessary equipment positioning at the alternate airport and protection for moving the airplane to the scheduled airport will be accomplished in accordance with open trip coverage at the domicile.

20-G-10- Charter Flying

20-G-10-a- Notwithstanding the provisions of Section 20-H, a particular pilot(s) may, on a voluntary basis, be assigned by the Company to a charter in order to comply with the needs and desires of the charterer.

Restoration of days off

20-G-10-b- If a pilot assigned a charter under sub-paragraph 20-G-10-a above is a lineholder, and if the charter assignment results in a loss of days off below the minimum days off, the number of days needed to restore the minimum days off will be provided in the current month, if possible, or if not possible, in the following month.

20-H- Open Trip Coverage At Domiciles

All open trips occurring at or assigned to a pilot domicile will be covered in the following order:

20-H-1- Open flying may be assigned to a pilot who has lost his scheduled flying in accordance with Paragraph 20-F of this Section.

Mak-up of ALPA

flight pay loss

20-H-2- Open flying will be offered to those pilots who have dropped flying to attend an MEC meeting or a meeting scheduled with the Company which was later cancelled or rescheduled. This provision shall be used to offset billings to the Association for the dropped trip(s) when the pilot is not returned to the trip originally dropped for ALPA business.

Mak-up for ANP

20-H-3- Open flying will be offered to home assigned pilots in the status and equipment type involved who have voluntarily dropped trips for personal reasons or are picking up time for the application of Section 13-A-2, in the following manner:

20-H-3-a- The flying will be offered in seniority order to the pilots who request it.

20-H-3-b- Such flying will not be offered to a pilot if it will disrupt his assigned schedule for the current or succeeding month or project him over eighty-one (81) actual hours (over to eighty-three (83) actual hours in a

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flex month) in either month or reduce him below twelve (12) days off in a thirty (30) day month or thirteen (13) days off in a thirty-one (31) day month, (fourteen (14) days off for Shuttle) in either month.

20-H-4-

Mak-up for

ALPA flight pay

Loss

20-H-4-a- Open flying will be offered to those pilots who have dropped flying for ALPA duties. Such open flying picked up shall be used to offset billings to the Association.

PI open flying

20-H-4-b- Open flying may be offered to Pilot Instructors picking up open flying under the provisions of Letter of Agreement 89-2.

20-H-4-c- Open flying will be offered in seniority order to

pilots requesting it under this subparagraph.

20-H-5-

*Pic-up of
additional monthly
flying*

Open flying may be offered to home assigned lineholder pilots in the status and equipment type involved who have indicated a desire to volunteer for open flying in order to increase their pay projection. Flying shall be offered in seniority order among those requesting it. Assignment under this provisions shall not project the pilot over eighty-one (81) actual flight hours (over to eighty-three (83) actual flight hours in a flex month) in the current or succeeding month nor reduce him below twelve (12) days off in a thirty (30) day month or thirteen (13) days off in a thirty-one (31) day month, (fourteen (14) days off for Shuttle) in either month.

20-H-6- Open flying may be offered to flight management personnel who are on the Pilots' System Seniority List. Management flying under this provision shall not be on a displacement basis.

20-H-7- Open flying may be assigned to a reserve who is on standby basis in accordance with Section 5-G-5 of this Agreement.

--6

*reassignment to
prevent double
deadhead*

20-H-8- Open flying may be assigned to a visiting reserve pilot, in the status and equipment type involved, who is not assigned to fly a return trip and the assignment is scheduled to return the pilot to his home domicile without exceeding the limitations specified in Paragraph 20-F of this Section. Pilots assigned under Section 8-L-6 may be reassigned under this priority to prevent a double deadhead.

*Misconnecting of
inbound crew
reassignment*

Return home

within 16 hours or

8 hours into day

off

20-H-9- If the open trip is created because an inbound crew will not connect to their assigned sequence because of delays, illegality or cancellation, coverage of their trip may be provided by assigning it to another crew for whose flying the misconnecting crew is legal. The assignment must also return him to his home domicile within sixteen (16) hours of his originally scheduled arrival time and must not extend more than eight (8) hours into his day off, except with pilot concurrence or as otherwise provided in Paragraph 20-F-2 of this Section.

Misconnected

trade rules

Following is the order of consideration under this Paragraph:

20-H-9-a- Trade with any crew who can accomplish the flying without impact on their remaining scheduled trip sequences.

20-H-9-b- Trade with any crew to avoid a delay or further delay in the departure of the open trip, provided reserve coverage would cause a greater delay.

Home reserve

Assignment

20-H-10- Open flying will be assigned to home reserve pilots in the status and equipment type involved.

Open flying may

be assigned to

reserves under -

-6

20-H-11- Open flying may be assigned to a reserve pilot in equipment type and status from another domicile under the provisions of Section 8-L-6.

20-H-12- Open flying may be assigned to home reserve pilots in the status and equipment type involved who have previously been assigned, if the planned departure time of the open flying being covered is earlier than the planned departure time of the originally assigned trip. In the

application of this Paragraph, the reserve pilot who is legal and who is assigned to the latest departure will be moved up and assigned to the unanticipated earlier departure.

20-H-13- Open flying will be assigned to visiting reserve pilots in the status and equipment type involved who are not assigned to fly a return trip.

Senior/Junior

Manning

20-H-14-

20-H-14-a- Open flying may be assigned in the following order to pilots at the domicile in the status and equipment type involved who are available and qualified. No pilot will be obligated to accept any flying offered under this provision.

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Section 20-H-14-b

20-H-14-a-(1) Trips will be offered in seniority order to pilots who have indicated to OPBCM that they desire to be notified of open flying and:

20-H-14-a-(1)-(a) Whose schedules will be legal after the trip is assigned, or

Senior manning

schedule

adjustment

Limitation of duty

period plus 1 for

trip drop

20-H-14-a-(1)-(b) Whose schedules can be made legal after the trip is assigned with a trip drop(s) where the total number of duty periods dropped does not exceed the number of duty periods added by more than one. If there is a choice of trips with an equal number of duty periods that can be dropped to make the line legal, the trip(s) to be dropped will be mutually agreed upon by the pilot and the crew scheduler. If agreement cannot be reached, the offer of open flying will be withdrawn.

Junior manning

schedule

adjustment

20-H-14-a-(2) Trips will be offered, in inverse order of seniority, to pilots whose schedules are legal, or can be made legal, in accordance with the provisions of sub-paragraphs (1)-(a) and (b) above.

Mutual agreement

for senior

manning drop

No limitation on

duty period for trip

drop

20-H-14-a-(3) Notwithstanding the provisions of sub-paragraphs

(1)-(a) and (b) above, trips will be offered

in seniority order to pilots who have indicated to

OPBCM that they desire to be notified of open flying

and whose schedules can be made legal after the trip

is assigned. If there is a choice of trips that can be

dropped to make the line legal, the trip(s) to be

dropped will be mutually agreed upon by the pilot and

the crew scheduler. If agreement cannot be reached,

the offer of open flying will be withdrawn.

20-H-14-a-(4) Notwithstanding the provisions of sub-paragraph

20-H-14-a-(1)-(a) and 20-H-14-a-(1)-(b)

above, trips will be offered in inverse order of seniority

to pilots whose schedules can be made legal after the

trip is assigned.

Sr/Jr manning pay

credit

20-H-14-b- The flight pay credit projection of a pilot's line

of flying who accepts a trip under this provision will be the

value of his line immediately before or immediately

following the trip assignment and repair of his line, if any,

whichever is greater. Additionally, the pilot's actual

projection will be adjusted to reflect the value of his actual

hours flown.

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Section 20-H-14-c

Incentive Pay

20-H-14-c- A pilot who accepts and actually departs on

an assignment under this provision will receive incentive

pay in accordance with Section 3-B-7-c of the Agreement.

20-H-14-d- A pilot who is assigned a trip with a planned departure time within nine (9) hours of the planned departure time of the trip to be covered shall not be considered to be available under this provision. If no pilots are available in this category, the assignment will be made to the most junior pilot in the status and equipment type involved regardless of the planned departure time of his next scheduled trip.

NOTE: A pilot is not available if his monthly projection cannot be reduced below eighty-one (81) actual hours (below eighty-three (83) actual hours in a flex month) (or his projection, if higher) or his monthly minimum days off cannot be restored. Additionally, a Shuttle pilot is not available if his schedule cannot be restored to at least 14 days off.

20-H-15- With pilot concurrence, open flying may be assigned to a pilot who is legal, qualified and in position, or who can be positioned, to accomplish the desired operation in a timely manner.

20-H-16- Should a lineholder be required to take sick leave for a trip which he has been assigned under the provisions of this Section 20-H, he shall be eligible for paid sick leave for that trip under the same provisions and conditions as if the trip were part of his scheduled line at the time it was awarded.

20-I- Open Trip Coverage At Non-Domiciles

All open trips at non-domiciles will be covered in the following order:

20-I-1- Open flying may be assigned to a pilot who has lost his scheduled or assigned flight(s), providing such assignment will position him to continue his assigned scheduled sequence of trips or return him to his home domicile within the limitations of Paragraph 20-F-2 of this Section.

20-I-2- Open flying may be assigned to a pilot at that location or at some other location who was not assigned to fly a return trip, if the assignment is scheduled to return the pilot to his home domicile without exceeding the limitations of

Paragraph 20-F-2 of this Section. Home domicile for a Section 8-L-6 assigned pilot is his actual domicile and not the domicile from which the trip sequence was scheduled to originate.

Open trip coverage at no-domicile

20-I-3- If the open trip is created because an inbound crew will not connect their assigned sequence because of delays, illegality or cancellation, coverage of their trip may be provided by assigning it to another crew, for whose flying the misconnecting crew is legal. Any assignment under this provision must not interfere with either crew's next scheduled sequence of trips out of their home domicile and must return the pilots involved to their home domicile within sixteen (16) hours of their originally scheduled arrival time and must not extend more than eight (8) hours into a scheduled day off except as provided in Paragraph 20-F-2 of this Section.

Following is the order of consideration under this Paragraph:

20-I-3-a- Trade with a crew from the same domicile as the misconnecting crew.

20-I-3-b- Trade with a crew from some other domicile.

20-I-4- If time permits deadheading on-line, assign the open trip to a domicile for coverage.

20-I-5- Assign the open flying to a pilot who can accomplish the operation without any disruption of his assigned flying sequence other than deadheading or rest periods.

Only man qualified at no-domiciles

20-I-6- Open flying may be assigned to a pilot who is the only man legal, qualified and in position, or who can be positioned, to accomplish the desired operation. Without pilot concurrence, assignment under this sub-paragraph 6 must not delay the pilot's return to his home domicile more than sixteen (16) hours beyond the time his assignment when he left his home domicile would normally return him to his home domicile or more than eight (8) hours into his next scheduled day off except as provided in Paragraph 20-F-2 of this

Section.

20-J- Scheduling of Reserve Crews

20-J-1- General.

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Section 20-J-1-b

20-J-1-a- Standby Lists

20-J-1-a-(1) Reserves shall be placed on a one (1) day, two (2) day, three (3) day, or four (4) or more day availability list in accordance with the number of days available for reserve assignment remaining before their next scheduled unavailable days.

Legal rest for

reserve who

reports but does

not fly

Option to remain

at top or bottom of

list

20-J-1-a-(2) A reserve who reports for an assignment but does not fly and is released will be entitled to a legal rest and may at his option remain at the top or revert to the bottom of the appropriate list.

20-J-1-b-

20-J-1-b-(1) Reserve crew members will be assigned open flying or standby on a first-in first-out rotation with other reserves in their status and equipment type in the following manner:

Duty Period	Periods Available			
	1	2	3	4 or more
1	X	O	O	O
2	X	X	O	O
3	X	X	X	O
4 or more	X	X	X	X

Position a reserve

to fly his line

20-J-1-b-(2) If reserve coverage is available, reserve rotation will be modified to permit a pilot currently assigned as a reserve to be in position to legally fly the initial trip in his awarded line, unless such positioning will cause interruption of a lineholder's schedule or a reserve's time off pattern.

Reserve route

check and FIFO

modification

20-J-1-b-(3) Provided the pilot receives at least forty-eight (48) hours notice, reserve rotation may be modified to enable a reserve pilot to accomplish an en route check by a check airman. With pilot concurrence, the forty-eight (48) hour notice requirement may be waived.

Reserve on TDY

may request top

of FIFO list

20-J-1-b-(4) Reserve rotation may be modified to allow a reserve pilot assigned under Section 8-L-5 to voluntarily be placed at the top of the appropriate FIFO list upon reporting for his temporary duty assignment and upon returning from any flight assignment during the temporary duty period.

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Section 20-J-1-c

Procedure for

assigning reserve

as PC fill-ins

20-J-1-b-(5) Notwithstanding the provisions of Paragraph 20-J-1-b-(1) above, when a line reserve fill-in for PC/PT's is required, such fill-in will be selected as follows:

20-J-1-b-(5)-(a) A reserve will be sent from the same domicile as the rest of the crew, if available, without jeopardizing other coverage. Otherwise, a reserve will be sent from any other domicile where adequate coverage is available, giving consideration to maintaining an equitable distribution among domiciles.

20-J-1-b-(5)-(b) No reserve will be assigned to more than one (1) fill-in during any single month, unless all other available reserves at that domicile have already received one or more such assignments.

20-J-1-b-(5)-(c) No reserve will be given more than three (3) fill-in assignments during any consecutive

six (6) month period, if the reserve advises the Company of this fact at the time of assignment; unless no other reserve with fewer assignments is available on the system.

20-J-1-c- In the event that a reserve pilot deadheads to his home domicile on a trip being flown by another reserve pilot of the same domicile who has the same number of days available, the deadheading pilot shall take his position on the first-in, first-out list ahead of the pilot flying the trip.

20-J-1-c-(1) When a pilot returns to reserve assignment from a schedule assignment, he shall, for the purpose of determining his first-in, first-out position, be considered to have arrived exactly at midnight beginning the day when the reserve assignment began and will be available for duty. In the event more than one pilot becomes available for reserve at the same time, their relative position on the first-in, first-out list shall be determined by their arrival time at home after their last flying assignment. In any case, a pilot beginning a reserve assignment will take a position on the appropriate first-in, first-out list behind any continuing reserve who is already positioned.

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Section 20-J-1-d

0600 departure

following

vacation, leave or

training

Return from sick

leave training of 4

days or less

20-J-1-c-(2) A pilot on reserve shall not be required to report for duty to fly or deadhead on a trip which is scheduled to depart from his home domicile prior to 0600 local domicile time on the day following his vacation, leave or training of five (5) days or more. A reserve returning from sick leave will resume his reserve assignment upon release for duty by the Medical Department. A reserve involved in training

assignments of four (4) days or less will be available after any required rest periods.

20-J-1-d- A reserve will progress normally through the first-in, first-out rotation until he reaches first-up on the appropriate list, at which point he will remain until he reports for a flying assignment or a standby protection assignment or goes on a days-off period. A reserve pilot returning from a days-off, sick leave, training or vacation or a reserve returning from a line assignment or Association business, will enter the appropriate list behind other available reserves already on that list.

20-J-1-e- A reserve pilot who has been assigned a trip may be removed at any time prior to three (3) hours before the scheduled departure of the trip for the assignment of a pilot under the provisions of Paragraph 20-F-1.

20-J-1-f- A reserve pilot may maintain his position on the first-in, first-out list, or at his option, revert to the bottom of the first-in, first-out list when:

20-J-1-f-(1) He is displaced.

20-J-1-f-(2) He is a reserve covered by Section 5-G-5-c

20-J-2- Reserve System Options:

The following options will be available to a pilot while on reserve status:

Traditional - FIFO

20-J-2-a- Traditional Option: A reserve who does not contact OPBCM to elect one of the other options available under this Paragraph 2 will be a Traditional reserve. A

Traditional reserve will progress normally through the first-in, first-out list until he receives an assignment in accordance with the provisions of sub-paragraph 20-J-1-d above.

20-J-2-b- Active Option

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Section 20-J-2-c

Active - top of list

20-J-2-b-(1) A reserve may volunteer to go to the top of the FIFO list. A reserve who elects this option will be given an assignment just as though he had progressed through the FIFO list in accordance with Paragraph 20-J-1-d above.

20-J-2-b-(2) A reserve's position on the FIFO list under

this option will be determined by the time the reserve blocked in from his last assignment, i.e., a reserve who blocked in at 1700 will go ahead of a reserve who blocked in at 1800 regardless of when the individual pilots volunteer to go to the top of the FIFO list. This block in time rule (block in time of last flight assignment) also applies to a reserve coming off days off.

20-J-2-b-(3) A reserve who volunteers to go to the top of the FIFO list under this provision and who subsequently does not receive an assignment by 2359 of the day before his last day of availability shall revert to the position on the FIFO list he would have been if he had not volunteered to go to the top of the list.

Aggressive -

pick-up

20-J-2-c- Aggressive Option: A reserve may volunteer for an assignment on a first-come first-served basis pursuant to the following provisions:

28/24 window

20-J-2-c-(1) All flying that is known to be open more than twenty-eight (28) hours before the scheduled departure time of the trip will be available for pick-up between twenty-eight (28) hours and twenty-four (24) hours before the scheduled departure time of the trip.

28 and 12 - 4 hour

window

20-J-2-c-(2) Flying that becomes open between twenty-eight (28) hours and twelve (12) hours before the scheduled departure time of the trip will be available for pick-up for a period of four (4) hours after the trip opened up or until twelve (12) hours before scheduled departure time, whichever is earlier.

Pick-up resulting

from sick leave

between 14 and

12 hours

20-J-2-c-(3) Trips that become open as a result of short term sick leave will be available for pick-up as

follows:

20-J-2-c-(3)-(a) The initial trip for which a lineholder places himself on sick leave will be available for pick-up for a period of up to four (4) hours beginning at the time the trip becomes open but ending not later than twelve (12) hours before the scheduled.

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Section 20-J-2-c

departure time of the trip.

20-J-2-c-(3)-(b) Any subsequent trip(s) for which the lineholder remains on sick leave will be available for pick-up not earlier than fourteen (14) hours and not later than twelve (12) hours before the scheduled departure time of the trip.

Silo concept

20-J-2-c-(4) A reserve may pick up a trip that has the same number of days, or the same number minus one, as the number of days of availability before his next scheduled unavailable days (Silo concept - length of assigned ID must be not less than days of availability minus one). With OPBCM concurrence, a reserve may pick up a trip that is not within his silo.

Subsequent

illegal projection

20-J-2-c-(5) A reserve may pick up a trip for which he is projected to be legal while he is flying a current assignment. If he subsequently is projected to become illegal for the trip that he picked up, the trip will be placed back in open flying and will be picked up by or assigned to another pilot in accordance with the provisions of this Paragraph J-2.

20-J-2-c-(6) A reserve may, with OPBCM concurrence, move an RDO(s) to pick up a trip.

20-J-2-d- Voluntary Short Call Out Option

Short call for trips

within 5 hours

20-J-2-d-(1) A reserve may volunteer to go on a Short Call Out List, on a duty period by duty period basis, for assignment to trips that become open five (5) hours or less before the scheduled departure time of the trip.

20-J-2-d-(2) Notwithstanding their relative positions on the FIFO list, a reserve on the Voluntary Short Call Out list will be assigned to a trip that opens up five (5) hours or less before the scheduled departure time of the trip ahead of pilots who have elected the Active or Traditional options.

Remain on short

call list until

midnight or end of

rest period

Reversion to

traditional option

20-J-2-d-(3) A reserve who volunteers to be on the Short Call Out list will remain on that list until midnight of the day on which he volunteered or at the end of his designated rest period, whichever is earlier, at which time he will revert to the Traditional option.

20-J-2-d-(4) A reserve will remain in his original position on the FIFO list during the time he is a Short.

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Call Out reserve and after he falls off the Short Call Out list unless he has elected the Active option.

Short call reserve

remains on

traditional FIFO

for trips greater

than 5 hours out

20-J-2-d-(5) Notwithstanding the provisions of this sub-paragraph J-2-d, the Company may assign a trip to a Short Call Out reserve more than five (5) hours before the scheduled departure time of the trip in accordance with the provisions of sub-paragraph 20-J-1-d above.

20-J-3- Reserve Rest

Designated rest periods will be determined as follows:

Base rest period

20-J-3-a- The company may designate up to four (4) base rest periods per day in each fleet/seat/domicile for monthly preferencing. Reserves will be awarded a base rest period which will continue on a day by day basis unless changed as a result of the application of the

provisions of sub-paragraph 20-J-3-b, paragraph 20-J-3-d and paragraph 20-J-3-e below.

20-J-3-b- A reserve shall return to his original base rest period following an assignment, RDOs and other known absences except sick leave where the following provisions shall apply:

20-J-3-b-(1) Returning from sick leave not requiring a medical clearance - the nine (9) hours immediately preceding the time the reserve calls off sick leave shall be considered to be his designated rest period. If the reserve is not assigned to an ID that day with a scheduled departure time prior to the start of his base rest period then he will return to his base rest period.

20-J-3-b-(2) Returning from sick leave requiring a medical clearance - the reserve shall have a default designated rest period from 1800 of the day he received his medical clearance until 0300 of the following day.

20-J-3-c- A reserve shall also return to his original base rest period following an assignment unless he receives a subsequent assignment that has a check in time before the beginning of his base rest period. Notwithstanding this provision, however, a pilot may pick up a trip under the provisions of Section 20-J-2-c that has a check in time after the beginning of his base rest period.

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Section 20-J-3-d

*Last 9 hours prior
to checking in is
designated rest*

20-J-3-d- When given a flight assignment the last nine (9) hours in the period following the receipt of the assignment prior to check in time will be the reserve's designated rest period.

*Last 9 hours of
contractual rest
will be designated
rest*

20-J-3-e- A reserve returning from an assignment may, within four (4) hours after his scheduled arrival time,

designate the last nine (9) hours of his contractual rest to be his FAA required rest period for the purpose of being a voluntary short call-out reserve under Section 20-J-2-d following his rest period.

20-J-4- Reserve Assignments

Reserves shall be assigned known open flying in accordance with the following:

Note: As contained herein, "Available for assignment" is that time following the Aggressive Pick-up window under Paragraph 20-J-2-c-(1), Paragraph 20-J-2-c-(2), and Paragraph 20-J-2-c-(3) above.

0700- 2300

20-J-4-a- Trips that becomes available for assignment between the hours of 0700 and 2300:

20-J-4-a-(1) A trip that becomes available for assignment twenty-four (24) hours before the scheduled departure time of the trip will be assigned at that time.

20-J-4-a-(2) A trip that becomes available for assignment between twenty-four (24) hours and twelve (12) hours before the scheduled departure time of the trip will be assigned as soon as it is available.

20-J-4-a-(3) A trip that becomes open less than twelve (12) hours before the scheduled departure time of the trip will be assigned as soon as it is known to be open.

2301 - 0659

20-J-4-b- Trips that becomes available for assignment between the hours of 2301 and 0659:

20-J-4-b-(1) A trip that becomes available for assignment twenty-four (24) hours before the scheduled departure time of the trip will be assigned at that time but the reserve will not be notified of the assignment until 0700.

20-J-4-b-(2) A trip that becomes available for assignment between twenty-four (24) hours and twelve (12) hours before the scheduled departure time of the trip will be assigned twelve (12) hours before the.

whichever is earlier.

20-J-4-b-(3) A trip that becomes open less than twelve (12) hours before the scheduled departure time of the trip will be assigned so as to provide the reserve with a reasonable amount of time to report for the trip or at 0700, whichever is earlier, unless waiting to make the assignment would cause an otherwise available reserve to become illegal for the assignment

20-J-4-c- In the application of sub-paragraph 20-J-4-a and paragraph 20-J-4-b above the following shall apply:

20-J-4-c-(1) Assignments will be made to the first reserve, in first-in, first-out order, who is legal for the assignment notwithstanding the fact that waiting to make the assignment would result in assigning the trip to a reserve who is closer to the top of the list.

If no reserves are available,

Company may wait to assign

20-J-4-c-(2) If no reserves are legal for an assignment at the time a trip becomes open or available for assignment (including those reserves on required rest) the Company may wait to make the assignment to a reserve who subsequently will become legal for the assignment.

Company call during designated rest period

20-J-5- The Company will not call a reserve during his designated rest period unless no other reserves are available for the assignment. A reserve will not be required to answer his phone or accept any assignment offered during his designated rest period.

Non-augmented international flying under domestic rules treated as domestic

20-J-6- All non-augmented international flying operated under domestic contract rules, except that flying conducted under Section 5-H of the Agreement, will, for the purposes of the required rest rule, be treated as domestic flying.

*Conversion of
reserve to
international
standby*

20-J-7- In those domicile/fleets that operate both domestic and augmented international flights, the Company may convert a reserve to a twenty-four (24) hour international standby if that reserve is the only reserve available to cover an anticipated open international trip in his domicile. In this case the reserve will not be assigned to any domestic trips. If an international assignment is not made, and he is no longer the only reserve available, he will be returned to his normal designated rest period.

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Section 20-J-8

20-J-8-

*No double all-nighter
without
pilot concurrence*

20-J-8-a- A reserve returning on a trip which contains a last segment that is scheduled to arrive at his home domicile between the hours of 0045 and 0600 will not be assigned to another trip the last segment of which is scheduled to arrive between the hours of 0045 and 0600 the following day, without his concurrence.

20-J-8-b- Should a pilot be assigned an all nighter (a segment within the first duty period of a trip pairing that arrives between 0200 and 0600 local domicile time) and said pilot does not receive his original awarded rest period between the time the trip pairing is assigned and check-in of the trip; this pilot will immediately return to his original awarded rest period upon completion of the trip pairing.

20-J-9- The Company will make known reserves' base and designated rest periods in UNIMATIC and on the VRU. Any change to a reserve's designated rest period will be communicated to the reserve by OPBCM by telephone.

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Section 21

General

21-A-

A pilot shall not be required to pay for the use of any Company equipment used in personnel training required by the Company.

21-B-

A single master personnel file shall be maintained on each pilot in the employ of the Company in his Flight Manager's office and shall contain all progress reports, all written orders issued to him affecting a change of station or status, copies of all reports and orders issued concerning his pilot status, all summary records of practice, training and flight checks, and any other supervisory reports involving said pilot. A single training file may be maintained on each pilot at the Denver Training Center and shall contain all records associated with training and flight checks, including grades received on all examinations and instructor evaluations involving said pilot. All orders to pilots assigning them to special duties or to different stations shall be in writing. A pilot's personnel file and training file shall be open on request for inspection by said pilot. Nothing herein shall prevent the Company from maintaining duplicate files.

21-C-

Any change or alteration to the pilot uniform must be with the concurrence of the Uniform Committee.

21-D-*Publishing of the
Contract*

A convenient booklet containing this Agreement and all associated documents including Letters of Agreement will be furnished to the pilots by the Company no later than ninety (90) days after the signing of this Agreement. Copies of all additional supplemental amendments or agreements, on the same paper size and format as the Basic Agreement, will be furnished to all pilots within forty-five (45) days after signing. The revisions and additions will be numbered and dated for record keeping.

Page 234**Section 21-E****21-E-***Maintaining
present pass
policy
Additional pass
privileges
extended to other
employees, pilots
also obtain*

21-E-1- It is agreed that the pass transportation regulations as established by Company policy, in effect as of April 12, 2000, will apply to pilots and will not be changed or discontinued during the term of this Agreement without first advising the Association the reason therefor and affording the Association an opportunity to confer with the Company. It is further understood that any additional pass entitlements extended to other employees during the term of this Agreement will also be extended to pilots, widows and/or their dependents.

21-E-2- A pilot who has ten (10) years of service with the Company prior to being permanently grounded will be considered as a retired employee for pass travel privileges.

21-F-

If requested by the pilot, a UAL pilot representative of ALPA may be present in the cockpit as an observer on any check other than a routine check.

21-G-

With adequate notice, the Company shall honor all requests from the President's Department of the Association for release of MEC members and MEC standing committee members. Other pilots, with adequate notice, will be released for Association business consistent with the needs of the service.

21-H-

There shall be no discrimination between employees covered by the Agreement because of race, creed, color, sex or national origin.

21-I-

Parking at no-pilot domiciles

21-I-1- In the event parking facilities are not available for employees at the airport location, the Company will assume the monthly parking charges up to a maximum of thirty-five Dollars (\$35.00) per month. This provision does not apply to original or replacement charges for employees for parking decals, stickers, gate keys or similar items. It is understood that a pilot may park his car at either his domicile or some other Company station location, if parking space is available,

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Section 21-I-2

in which case the Company shall be obligated to assume only the expense of one location.

21-I-2- If a pilot is scheduled to fly or deadhead from an airport serving his domicile and parking is not provided for his automobile, public facilities may be used and charges will be paid by the Company. Such charges shall be submitted within ten (10) days on the Company expense forms and will be supported by a receipt.

21-J-

The Company shall indemnify a pilot or his estate and provide defense against any claims, whether by third parties or by fellow employees, arising out of such pilot's performance of his duties with the Company as a pilot unless such claims arise from the willful misconduct of the pilot.

21-K-

Cockpit jumpseat

21-K-1- The parties agree that the Company will maintain the new cockpit jumpseat policy established June 15, 1989 which provides that the United cockpit jumpseat may be granted to other Part 121 air carrier pilots where a reciprocal cockpit jumpseat agreement is in effect. The Company has sole discretion in establishing reasonable procedures to administer this policy.

21-K-2- The Company will install a second jumpseat on B-737-300/500 and B-757 aircraft when the aircraft go through heavy maintenance.

21-K-3- Provided seats are available in the cabin, a United Airlines pilot may travel on OMC authority even if the cockpit jumpseat(s) are occupied. The pilot will be boarded in the cabin on OMC authority only after all other stand-by passengers (revenue and non-revenue) have been boarded.

In the event the Company implements a policy of service-charge-waived employee pass travel, this provision will expire.

Weight restricted

Flight

21-K-4- A United Airlines pilot will be allowed to travel on OMC authority and occupy the cockpit jumpseat(s) on a weight restricted flight.

21-L- Mailing of Paychecks

21-L-1- The Company will mail paychecks in accordance with the following procedures:

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Section 21-L-1-a

21-L-1-a- The paychecks will be mailed the day before their due date.

21-L-1-b- The paychecks will be mailed to the pilot's UG-100 address.

21-L-1-c- Each pilot may elect four times a year, during a designated sign-up period, to have his paycheck sent to his UG-100 address. Once having selected the mailing option, the service will continue until the pilot requests that it be terminated. If a pilot fails to select paycheck mailing, his check will be sent to his domicile office for pick-up. A pilot may discontinue this check-mailing service at any time by having his Manager notify EXOPZ.

21-L-1-d- The Company shall charge a fee of \$6.00 per year to cover the cost of this service. The service year shall run from April 1 to March 31.

21-L-2- In the event the Company incurs additional administrative costs due to increased requests for stop payments, incorrect addresses, etc., the Company may terminate this procedure, after discussion with the Association.

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Page 237 **Section 22-A**

Section 22

Duration

22-A-

22-A-1- This Agreement shall cancel all Agreements, Supplemental Agreements, Amendments, Letters of Understanding and similar related documents executed between the Company and the Air Line Pilots Association prior to the signing of this Agreement with the exception of those listed in sub-paragraph 2 below and:

<u>Letter Number</u>	<u>Date Signed</u>
Letter of Understanding (including Appendix A attached) establishing and implementing the official integrated seniority list	11/13/62
Letter of Agreement	6/11/63
Letter from Mr. C.M. Mason to Mr. C.H. Ruby on the Use of the Jump Seat	3/21/68
Letter from Mr. P.A. Wood to Mr. C.H. Ruby	8/22/70
Letter from Mr. C.E. Luther to Mr. J.J. O'Donnell relating to Airborne Information System	12/01/72
90-2 Company Date of Birth	12/20/90
91-21 570	5/09/99
91-29 Panel of Arbitration Referees	5/09/91
91-54 Labor Protective Provisions	11/11/91
91-55 "Class of '85"	12/06/91
92-4 PAA-Latin America	6/30/92

22-A-2- The following listed Agreements, Supplemental Agreements, Amendments, Letters of Understanding and similar related documents executed between the Company and the Air Line Pilots Association shall remain in effect for the duration of this Agreement as specified in Paragraph D below.

<u>Letters</u>	<u>Date Signed</u>
83-3 ALPA-PAC	6/08/83
83-5 Voluntary Contributions - UAL Pilots Charitable Foundation, Inc.	7/12/83
84-1 Age 60	3/01/84
Page 238	Section 22-A-2
85-11 Charter Operation	6/15/85
87-1 Resolution of Cockpit Conflicts	8/03/87
87-2 Unimatic Terminal	8/04/87
89-2 Pilot Instructors	11/20/89
90-1 Drug and Alcohol Testing	1/03/90
91-2 International Agreement	5/09/91
91-4 Pacific ETOPS	5/09/91
91-10 Medical/Dental Plan Meet and Discuss	5/09/91
91-13 Future Amendments to Pension Plans	5/09/91
91-15 CRAF	5/09/91
91-16 MAC	5/09/91
91-19 Cessation of Work	5/09/91
91-20 UP-PAC	5/09/91
91-23 CLR Seminar Training	5/09/91
91-27 Dues Check-Off	5/09/91
91-30 MEC Officer Displacement	5/09/91
91-32 Age 59 Bypass	5/09/91
91-33 Agency Shop	5/09/91
91-36 LAX B-737-300 and 757/767 Equipment	

97-9	Open Flying for Flight Management	5/16/97
97-13	FOQA Update	9/24/97
98-1	DENTK Contract Training	1/6/98
98-2	Standards Captain Job Share	1/23/98
98-3	Management Pilot Definition	1/23/98
98-6	Domicile Swan	2/2/98

98-8	Simulator Schedule Protocol	4/30/98
98-13	B-777 Crew Rest Facility	12/18/98
98-14	Honolulu Domicile	12/18/98
99-6	B-747-400 Currency	3/31/99
99-7	LCA Work Rules and Compensation	4/27/99
99-8	Widebody New Hire	4/27/99
99-9	Job Share S/C Guideline Change	6/30/99
99-10	Captain Development Course	8/16/99
99-11	Air Canada Letter	10/22/99
99-12	PWM Downtown Hotel	11/15/99
99-13	Crew Mean Expense Clarification	12/10/99
99-14	P.I. Compensation and Days off	12/29/99
00-1	Natural Disaster Absence Policy	1/7/00
00-2	Pay for ORD DC-10 Freighter/HazMat Training	3/9/00
00-3	Re-award of 2000 Annual Vacation	3/27/00
00-4	Pre and Post Snap-Back	4/14/00
00-5	Separate Vacation Bidding for HNL B747-400	4/18/00
00-6	Professional Standards Letter	5/15/00
00-7	3 Month reduction of Freezes	5/31/00
00-8	Human Factors LAHSO Simulator Study	6/14/00
00-9	Contribution Lump Sum	7/13/00
00-10	Recapitalization Agreement	10/11/00
00-11	International Medical Study	10/26/00
00-12	PBS Study	10/26/00
00-13	New Equipment Formula	10/26/00
00-14	Labor Disputes	10/26/00
00-15	Cabotage	10/26/00
00-16	New Uniform	10/26/00
00-17	Life Event	10/26/00
00-18	Pension Modification	10/26/00
00-19	Life, Medical and Dental Insurance Modifications	10/26/00
00-20	Scheduling Commitment	10/26/00
00-21	Flights Scheduled in Excess of 16 Hours	10/26/00
00-22	Short-Term Disability	10/26/00
00-23	570 Seniority Date	10/26/00
00-24	Year 2000 Training Commitments	10/26/00
00-25	Trip Trade and Secondary Lines Modification Test	10/26/00

00-26	Electronic Communication	10/26/00
00-27	New Hire OMC Eligibility	11/28/00
00-28	Anchorage Closing	11/28/00
00-29	Navigating Change Workshop	12/00
00-30	Modifications to the Flight Safety Awareness Program	12/14/00
00-31	Implementation of New Contract Provisions	12/15/00
01-1	777 Over 12-Hour Flights	1/5/01
01-2	Chicago Honolulu Augmentations	1/5/01
01-3	New Hire First Officer	1/12/01
01-4	Bump Notification and Training Notification Charges	1/17/01
01-5	Annual Vacation Bidding for Pilots Surplussed Out of a Closing Domicile	1/17/01

22-B- Notwithstanding Paragraph A above, the following

Letters of Agreement, which address retirement and insurance issues, remain in effect to the extent that each is not modified by one or more of the subsequent Letters listed herein or by the 2000 Pilot Agreement:

<u>Letters</u>	<u>Date Signed</u>
81-3	AS & D Supplemental 8/14/81
83-5	Preexisting Conditions Restrictions 5/27/82
82-8	Pension Plan 06/24/82
83-1	Pension Plan Program Modifications 02/24/83
83-6	Pension Plan Program Modifications 07/12/83
83-7	Pension Plan Modifications 08/01/83
84-2	S & P 500 Index 09/10/84
85-10	Pension Program Modifications 06/15/85
86-2	Pension Agreement 10/16/86
89-1	A & B Plan Amendments per Settlement of Civil Action Nos. 84C5013 and 85C3755 05/23/89
	Letter of Agreement to Revise Certain Aspects of the Pilots' Directed Account Retirement Income Plan 06/02/88
	Letter of Agreement to Revise Certain Aspects of the Pilots' Directed Account Retirement Income Plan 02/08/90
91-1	Adoption of the 5 th and 6 th Amendment To DAP 02/12/91

91-9	Relating to Medical, Dental and Flexible Spending Account	05/09/91
91-11	Relating to Pension Program Modifications	05/09/91
91-12	Relating to Maximum Qualified Plan Eligible Compensation	05/09/91
92-8	Relating to the Pilot Disability Income Plan	12/21/92
		revised
		12/17/97
93-1	Relating to Partial Periodic Distribution From the DAP	03/01/93
		revised
		03/11/93
94-4	Benefit Calculations	7/12/94
	The Employee Stock Ownership Plan ("ESOP")	
	And Related ESOP Documentation Adopted in Connection with the 1994 ESOP Transaction	
	United Air Lines, Inc. Pilots' Fixed Benefit Retirement Plan as amended through the 20 th Amendment	12/21/95
		05/02/97
	Relating to Student Pilot Benefits	
97-13	Definition of Earnings for Permanently Grounded Pilots	08/12/97
	Relating to Retiree Medical Mediation Settlement	10/31/97
99-1	Relating to Medical Coverage for Permanently Grounded Pilots and Eligible Dependents	01/22/99
99-2	Relating to Medical Coverage for Deceased Pilots' Surviving Eligible Dependents	01/22/99
		revised,
		05/07/99
	United Air Lines, Inc. Pilots' Directed Account Retirement Income Plan as amended and restated effective as of September 1, 1982, as amended through	
	The 14 th Amendment thereto	9/22/99
	The Administrative Employee Waiver	10/28/99
	The Payment of ESOP Dividend and Dividend Equivalents	10/29/99

UAL Corporation Supplemental ESOP as amended through the 9 th Amendment	10/29/99
UAL Corporation ESOP as amended through the 10 th Amendment	4/28/00
Relating to Domestic Partner Benefits	xx/xx/xx

22-C- The Agreement shall become effective as of April 12, 2000, except as provided in Letter 00-XX (Implementation Schedule).

22-D- This Agreement shall continue in full force and effect until September 1, 2004 and shall renew itself without change each succeeding September 1 thereafter, unless written notice of intended change is served in accordance with Section 6, Title I, of the Railway Labor Act, as amended (the "Act"), by either party at least two hundred seventy (270) days prior to September 1, 2004 or any year thereafter upon written notice of either party thereto. In the event a new tentative collective bargaining agreement has not been concluded by June 1, 2004 (or June 1 of any year thereafter if applicable), and the services of the National Mediation Board (the "Board") have not previously been invoked, the parties will no later than June 1, 2004 (or June 1 of any year thereafter if applicable) jointly invoke the services of the Board under Section 5 of the Act and jointly request that the Board release the parties no later than September 1, 2004 (or September 1 of any year thereafter if applicable).

IN WITNESS WHEREOF, the parties have signed this Agreement this 26th day of October, 2000.

WITNESS: FOR UNITED AIR LINES, INC.

/s/ Ed Del Genio

/s/ Charles H. Vanderheiden

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

/s/ Peter R. Davis

/s/ Robert C. Sannwald

/s/ Thomas M. Sullivan

WITNESS: FOR THE AIR LINE PILOTS IN THE
SERVICE
OF UNITED AIR LINES, INC.

/S/ J. Stephen Smith

/s/ Larry D. Schulte

/s/ Duane E. Woerth

Duane E. Woerth, President

Air Line Pilots Association, International

/s/ Steven L. Senegal

/s/ Hal E. Stepinsky

/s/ F.C. Dubinsky

F.C. Dubinsky, Chairman

UAL-MEC

/s/ Wendy J. Morse

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ALPA-PAC

AGREEMENT
between
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 AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

WITNESSETH:

It is mutually agreed:

A. The Company agrees to deduct a monthly contribution to the Air Line Pilots Association Political Action Committee (referred to herein as "ALPA-PAC") from the pay of each pilot who voluntarily authorizes such contributions on the forms provided for that purpose by ALPA-PAC (referred to herein as "Check-Off Forms").

B. The language of those forms shall be as follows:

TO: United Air Lines, Inc.

I hereby authorize and direct the Company named above to deduct

\$_____ of my gross earnings per month and to remit that amount to the Air Line Pilots Association Political Action Committee (ALPA-PAC).

This authorization is voluntarily made based on my specific understanding that:

The signing of this authorization card and the making of these voluntary contributions are not conditions of membership in the Union or of employment by my employer;

Any guideline amount suggested by ALPA-PAC or its representatives is only a suggestion and I may contribute more or less and will not be favored or disadvantaged by the Union for doing so;

I may refuse to contribute without reprisal; and

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ALPA-PAC, which is connected with the Air Line Pilots Association, International, Use the money it receives solely for making contributions to and expenditures for candidates for federal elected offices.

This authorization shall remain in full force and effect until revoked in writing by me, pursuant to the provisions of the Agreement between United Air Lines, Inc. and the Air Line Pilots Association, International.

I further certify that I am either a United States citizen or a foreign national lawfully admitted to the United States for permanent residence as defined by section 101(s) (20) of the Immigration and Nationality Act (8 U.S.C. 1101(s) (20)).

Name _____

File Number _____

Signature _____

Date _____

C. All Check-Off Forms will be submitted through the Chairman of the Master Executive Council of the Association who will forward the original signed copy to the Payroll Accounting Manager, Executive Offices, Chicago, Illinois. A properly executed Check-Off Form, filed before the 15th of any month, will become effective the 1st of the month following its receipt by the Payroll Section of the Accounting Department, Chicago, Illinois. Illegible or improperly executed forms will be returned to the Chairman of the Master Executive Council of the Association.

D. Any notice of revocation as set forth in the Check-Off Form must be in writing, signed by the employee and delivered by certified mail, addressed to the Payroll Accounting Manager, United Air Lines, Inc., P.O. Box 66100, Chicago, Illinois 60666, with a copy to the Chairman of the Master Executive Council as soon as processed through Company payroll procedures. Check-Off Form and notices so received by the Company will be stamp-dated on the date received and will constitute notice to the Company of the date received and not when mailed.

E. Deduction of a pilot's contribution shall be made each month provided there is a sufficient balance due the pilot at the time after all other deductions authorized

by the pilot or required by law (including money claims of the Company and the Credit Union) have been satisfied. Within a reasonable time after the second regular paycheck issued each month, the Company will remit to ALPA-PAC a check in payment of all contributions collected for that month pursuant to outstanding and unrevoked Check-Off Forms, together with a list of the names of those pilots for whom contributions were deducted and the amount deducted for each such pilot.

F. A pilot who has executed a Check-Off Form and (1) who resigns from the Company; (2) who is laid off; or is (3) otherwise terminated from the employ of the Company shall be deemed to have automatically revoked his assignment as of the date of such action and if he (1) is rehired; (2) is recalled; or (3) reemployed, further deductions of ALPA-PAC contributions will be made only upon execution and receipt of another Check-Off Form.

G. It will be the Association's responsibility to verify apparent errors in deduction of ALPA-PAC contributions before contacting the Company Payroll Accounting Manager.

H. United Air Lines, Inc. shall be held harmless and indemnified by the Association for any claims which may be made by the pilot or pilots by virtue of the wrongful application and misapplication of any of the terms of this Section.

I. The Association shall pay the Company the reasonable costs incurred in implementing and maintaining this Section.

J. The Association hereby certifies to the Company that:

J-1- No assignment and authorization will be transmitted to the Company hereunder which was obtained by the Association under the twice-yearly solicitation provisions of Section 441b.(b)(4)(B) of Title 2 of the United States Code;

J-2- All funds transmitted to the League hereunder shall be used solely in connection with federal elections.

IN WITNESS WHEREOF, the parties have signed this Agreement this 8th day of June, 1983.

FOR UNITED AIR LINES, INC.

WITNESS:

/s/ D. L. Pringle

/s/ C.W. Thomson

David L. Pringle

Vice President Industrial Relations

WITNESS:

/s/ R.D. Hall

/s/ J.R. Brace

/s/ W.C. Brashear

/s/ D.A. Clark

FOR THE AIR LINE PILOTS IN THE SERVICE
OF UNITED AIR LINES, INC.

/s/ H.E. Stepinsky

/s/ Henry A. Duffy

/s/ John P. Ferg

Henry A. Duffy, President

Air Line Pilots Association, International

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Voluntary Contributions UAL Pilots Charitable Foundation, Inc.

AGREEMENT

between

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 AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

It is mutually agreed:

During the life of this Pilot Agreement, the Company will deduct from the pay of each pilot the dollar amount authorized by the pilot and such deduction shall constitute a contribution to the United Airlines Pilot's Charitable Foundation, Inc. provided that such pilot voluntarily executes the following agreed upon form which will be prepared and furnished by the Association and will be known as the United Airlines Pilots' Charitable Foundation "Check-Off Form":

ASSIGNMENT AND AUTHORIZATION FOR VOLUNTARY CONTRIBUTIONS
TO THE UNITED AIR LINES PILOTS' CHARITABLE FOUNDATION, INC.

I, _____, hereby authorize and direct United Air Lines, Inc. to deduct \$_____per month of my gross earnings as a contribution To the United Airlines Pilots' Charitable Foundation, Inc. Such amount so deducted is hereby assigned to the United Airlines Pilots' Charitable Foundation, Inc. This assignment and authorization may be revoked by me in writing at any time. A copy of any such revocation will be sent to the Chairman of the Master

Executive Council.

Signature of Employee _____

Street Address _____

City _____

File Number _____

Organization (Domicile) _____

B. All Check-Off Forms will be submitted through the Chairman of the Master Executive Council who will forward the original signed copy to the Payroll Accounting Manager, Executive Offices, Chicago, Illinois. A properly executed Check-Off Form, filed before the 15th of the month, will become effective the 1st of the month following its receipt by the Payroll Section of the Accounting Department, Chicago, Illinois. Illegible or improperly executed forms will be returned to the Chairman of the Master Executive Council of the Association.

C. Any notice of revocation as set forth in the Check-Off Form must be in writing, signed by the employee, and delivered by certified mail, addressed to the Payroll Accounting Manager, United Air Lines, Inc., P. O. Box 66100, Chicago, Illinois 60666, with a copy to the Chairman of the Master Executive Council as soon as processed through Company payroll procedures. Check-Off Form and notices so received by the Company will be stamp-dated on the date received and will constitute notice to the Company of the date received and not when mailed.

D. Deduction of the contributions shall be made from all paychecks issued each Month provided there is a sufficient balance due the employee at the time after all other deductions authorized by the employee or required by law (including money claims of the Company and the Credit Union) have been satisfied. Within a reasonable time after the second regular paycheck issued each month, the Company will remit to the United Airlines Pilots' Charitable Foundation, Inc. a check in payment of contributions collected for that month pursuant to outstanding and unrevoked Check-Off Forms.

E. An employee who has executed a Check-Off Form and who has been (1) transferred or promoted to a job not covered by the Agreement; (2) who resigns from the Company; (3) who is laid off; or is (4) otherwise terminated from the employ of the Company shall be deemed to have automatically revoked his assignment as of the date of such action and if he (1) transfers back or returns to a job covered by the Agreement; (2) is rehired; (3) is recalled; or (4) reemployed, further deductions of Association dues will be made only upon execution and receipt of another Check-Off Form.

F. United Air Lines, Inc. shall be held harmless and indemnified by the

Association for any claims which may be made by the employee or employees by virtue of the wrongful application and misapplication of any of the terms of this Agreement.

G. This Agreement shall become effective as of the date of signing and shall be subject to changes in the same manner as specified in Section 22 of the Pilots' Employment Agreement.

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IN WITNESS WHEREOF, the parties have signed this Agreement this 12th day of July, 1983.

WITNESS:

/s/ Charles W. Thomson

/s/ D.L. Seay

FOR UNITED AIR LINES, INC.

/s/ Joseph A. Hertrich

/s/ David L. Pringle

David L. Pringle Vice President
Industrial Relations

/s/ G.L. Andrews

/s/ M.L. Gerkin

WITNESS:

/s/ R.D. Hall

/s/ J. R. Brace

/s/ W.C. Brashear

FOR THE AIR LINE PILOTS IN THE SERVICE
OF UNITED AIR LINES, INC.

/s/ D.A. Clark

/s/ H.E. Stepinsky

/s/ Henry A. Duffy

Henry A. Duffy, President Air Line Pilots
Association, International

/s/ J.P. Ferg

Age 60

AGREEMENT
between
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 is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

It is mutually agreed:

In accordance with the provisions of the Letter of Agreement, dated June 27, 1979, which appears on pages 157-158 of the 1981 Pilot Agreement, and as directed by order of the United States District Court, dated May 31, 1983, the parties have met and have agreed upon the following modifications to the Agreement. This Agreement replaced the Letter of Agreement, dated January 19, 1983.

A-1- Second Officers shall be permitted to work beyond age 60.

A-2- Any Captain or First Officer or International Relief Pilot shall be eligible to bump, in accordance with his seniority, a Second Officer assignment which he intends to assume upon reaching age 60. This bump must be made not less than ninety (90) days prior to his 60th birthday.

A-3- Captains or First Officers or International Relief Pilots exercising a bump in accordance with Paragraph A-2 above, must first provide the Company with evidence that he possesses a valid Flight Engineer's certificate or that he has satisfactorily passed the written portion of the FAA Flight Engineer Turbojet Exam prior to or at the time he exercises his bump.

A-4- Pilots who bump into an assignment under the provisions of Paragraph A-2 above, shall not be activated into a Second Officer's assignment prior to reaching age 60.

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A-5- One (1) year prior to age 60, all active pilots shall be required to sign a statement of intent to inform the Company of his retirement or non-retirement plan upon reaching the normal retirement age. Any pilot who fails to submit a statement of intent will be treated as if he intends to continue working beyond age 60. Such pilot shall be eligible for involuntary vacation assignments under the provisions of Section 11-E-1 of the Agreement. A pilot who has indicated the intention of retiring at age 60 and who, within the year prior to reaching age 60, changes his mind, shall have any accrued vacation due in the current vacation year liquidated under the provisions of Section 11 of the Agreement to the extent possible in that vacation year. Such pilot shall be eligible for the application of this provision of Section 11-E-3 of the Agreement even if it increases the amount of unliquidated vacation. Any vacation not liquidated shall be paid to him at his current rates at the end of that vacation year. Once a pilot reaches age 60, he shall no longer be entitled to defer liquidation of accrued vacation.

A-6- Any flight officer utilizing the provisions of this Letter of Agreement shall be paid at the rate of pay associated with the assignment held at age 60 until the first of the scheduled month following his 60th birthday, or upon activation of a Second Officer assignment whichever occurs first. Thereafter, he shall be paid at the appropriate Second Officer rate as specified in Section of the Agreement.

A-6-a- Any Captain who is receiving B-747 or DC-10 Captain pay under the provisions of the Letter of Agreement, dated August 14, 1981, which appears on page 167-169 of the 1981 Pilot Agreement, shall become ineligible for such pay upon being activated into an assignment awarded under the provisions of Paragraph A-2 (effective 9/23/89 B-747-400 added to this paragraph).

A-6-b- Any pilot receiving B-737 Captain pay under the provisions of the TCA Letter of Agreement, dated June 23, 1982, shall lose such pay should he become ineligible to hold a Captain or First Officer assignment.

A-7- Should a reduction in force become necessary, any flight officer who is surplusage under the provisions of Section 8 of the Agreement who cannot

qualify for another assignment under the provisions of Section 8-K-2-a shall be furloughed, notwithstanding the provisions of Section 7 of the Agreement.

A-8- Two official Flight Officer Seniority Lists shall be published annually. One shall be called the Pilot Eligibility Seniority List and shall contain the names of all flight officers who are eligible to be awarded Captain and First Officer assignments. The second list shall be called the Second Officer Eligibility Seniority List and shall contain the names of all flight officers who are eligible to be awarded Second Officer assignments.

The Second Officer Eligibility Seniority List shall recognize the special rights of those who have been designated "Career Second Officers" under the Letter of Agreement, dated June 11, 1963.

A-9- The provisions of this Letter of Agreement were implemented by Agreement on June 10, 1983 and shall, thereafter, run concurrently with the 1981 Pilot Agreement; however, should the FAA establish a retirement age requirement for Second Officers or should the jury decision in the Age 60 suit be reversed upon appeal, the provisions of this Letter of Agreement shall terminate and the parties shall meet immediately to determine the appropriate action.

A-10- Should any government action alter the age requirements for continued employment as a flight deck crew member, the parties will meet promptly to modify the Agreement to conform to said action.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 1st day of March, 1984.

FOR UNITED AIR LINES, INC.

WITNESS:

/s/ David L. Pringle

David L. Pringle Vice President Industrial Relations

/s/ Charles W. Thomson

WITNESS:

/s/ W.C. Brashear

/s/ J.R. Brace

/s/ D.A. Clark

FOR THE AIR LINE PILOTS IN THE SERVICE OF UNITED AIR LINES, INC.

/s/ W. H. Nelson

/s/ H.E. Stepinsky

/s/ Henry A. Duffy

Henry A. Duffy, President Air Line Pilots Association, International

/s/ D. Hall

Revised as of this 36th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood
Senior Vice President
People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky
Chairman
UAL/ALPA Master Executive Council

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Charter Operation

CHARTER
SUPPLEMENTAL AGREEMENT

between

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 SUPPLEMENTAL AGREEMENT is made and entered into in accordance

With the provisions of Title II of the Railway Labor Act, as amended, by and

between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as

represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

(hereinafter referred to as the "Association").

W I T N E S S E T H:

WHEREAS, the Company and the Association desire to supplement their Pilots'

Employment Agreement, June 15, 1985 (hereinafter referred to as the

"Agreement") by providing certain rates of compensation, rules and working

conditions with respect to the Company's Charter Operation.

NOW, THEREFORE, is understood and agreed that:

Domestic Charters

Due to operational and pilot scheduling problems associated with domestic charters, pilots involved in the domestic charter operation shall be scheduled in accordance with the provisions of Section 5 of the Agreement with the exception of Section 5-G-1- a, 5-G-2-a and 5-H-5.

A-1- For scheduling purposes, an on-duty period of thirteen hours and thirty minutes (13:30) will be the maximum.

A-2- Pilots in the actual performance of their assignment will have a maximum on-duty period of fifteen (15) hours, which may be exceeded with pilot concurrence.

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A-3- The provisions of Paragraphs A-1 and A-2 above shall apply only to those duty periods which contain a domestic charter segment. A duty period which contains both a domestic charter segment and a regularly scheduled line segment shall be scheduled under the provisions of the Agreement.

A-4- Notwithstanding Paragraph A-1 above, the provisions of Section 5-G-1-a-(1)-(b) of the Agreement are applicable to any duty period scheduled under this Supplemental Agreement when such application will provide a greater duty time.

A-5- Notwithstanding Paragraph 5-B-3 of the Agreement, Mainland-Hawaii-Mainland or Hawaii-Mainland-Hawaii charter flights may be scheduled in one duty period.

International Charters

Notwithstanding the provisions of Section 5-B-2, 5-B-3, 5-B-4 and 5-B-8, 5-G-1-a and 5-G-2-a and 20-J, operations which involve an international charter segment may be conducted under the following provisions.

B-1- Trip sequences which include an international charter segment(s) may be scheduled under the provisions of Paragraph A above at Company option.

B-2- Duty periods which include an international charter segment(s) shall not be scheduled to exceed fourteen (14) hours on duty, and in the actual operation, may not exceed sixteen (16) hours without pilot concurrence.

B-3- Duty periods which include an international flight segment(s) may be scheduled with up to twelve (12) hours of flight time, as follows:

B-3-a- One (1) flight segment may be scheduled up to twelve (12) flight hours.

B-3-b- Two (2) flight segments may be scheduled up to a total of eleven (11) hours.

B-3-c- Three (3) flight segments may be scheduled up to a total of ten (10) hours.

B-4- Duty periods composed of deadhead and/or ferry segments only, which immediately precede or follow a duty period containing an international charter segment(s) may be scheduled in accordance with Paragraphs B-2 and B-3 above.

B-5- Notwithstanding Paragraph B-2 above, the provisions of Section 5-G-1-a-(1)-(b) of the Agreement are applicable to any duty period scheduled under this Supplemental Agreement when such application will provide a greater duty time.

B-6- A pilot shall be considered to be on duty from one (1) hour before the scheduled departure of his trip until fifteen (15) minutes after the actual termination of his trip unless a customs check is involved at the end of the duty period, in which case he shall be on duty until thirty (30) minutes after the actual termination of the last flight segment in that duty period. If the required reporting time exceeds one (1) hour, such time shall be considered as duty time. This Paragraph shall not apply in the application of Paragraph 5-G-1-b- of the Agreement.

B-7- Duty periods scheduled under Paragraph B of this Supplemental Agreement and which contain eight (8) or fewer hours of flight time shall provide rest breaks in accordance with Section 5-G-1-c and 5-G-2-c of the Agreement.

B-8- Duty periods scheduled under Paragraph B of this Supplemental Agreement and which contain more than eight (8) hours of flight time shall provide a minimum of twelve hours and forty-five minutes (12:45) free from duty.

B-9- Notwithstanding Paragraphs 7 and 8 above, a pilot who has flown twenty (20) or more hours during any consecutive forty-eight (48) hours or twenty-four (24) or more hours during any seventy-two (72) consecutive hours will be provided eighteen (18) hours free from duty.

B-10- Notwithstanding Paragraphs B-2, B-3 and B-4 above, if a duty period contains a regularly scheduled line segment, then Section 5 of the Agreement shall apply to that duty period.

B-11- The Company may designate certain equipment domiciles to which it expects to assign international charter flying. Pilots at these domiciles will be advised of the potential existence of charter assignments and may indicate their availability for such assignments. Those pilots who have volunteered and who are on reserve will be required to maintain current passports, other documents and inoculations as required by the Company. The Company will not limit the number of volunteers in a designated equipment domicile, however, should insufficient pilots volunteer, the Company may designate additional pilots, as required, in inverse seniority order.

B-12- Open international charter pairings may be assigned to qualified reserve pilots as follows:

B-12-a- Assign to first (1st) available reserve in FIFO, without interference with day(s) off.

B-12-b- Offer to available reserves who would require a day off change, in seniority order.

B-12-c- Assign to an available reserve who requires the fewest number of days off changed, in inverse seniority order. In the application of this provision, days off will be restored in the current month, if possible, but may be restored in a following month, if necessary. Such day off restoration will not be deferred beyond the first month in which it is possible to restore the day(s) off.

C. Non-Critical MAC Operations

Non-critical MAC may be flown under the applicable section of this Supplement Agreement or under the provisions of the Agreement if they can be so scheduled.

D. Charter Line of Flying

D-1- Pairings containing Domestic Charter flying and/or Domestic Non-Critical MAC flying which are subject to the provisions of the Supplemental Agreement, may be placed in lines of flying when sufficient flying time exists to construct lines.

D-1-a- Such lines of flying will be constructed to the monthly maximum of credited time in effect for the equipment type for that schedule month.

D-1-b- One scheduled DSL pairing may be inserted into such line of flying for the purpose of maximizing the time within the line.

D-1-c- Lines of flying constructed under this paragraph shall comply with all applicable provisions of Section 20 of the Agreement.

D-2- Pairings containing International Charter flying and/or International Non-Critical MAC flying will be placed in lines of flying when sufficient flying time Exists to construct lines under the provisions of Section 20 of the Agreement.

D-2-a- Such lines of flying will be constructed to the monthly maximum of credited time in effect for the equipment type for that schedule month.

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D-2-b- One Domestic Charter pairing or one scheduled DSL pairing may be inserted in this line(s) for the purpose of maximizing the time within the line.

D-2-c- Lines of flying constructed under the provisions of this paragraph D-

2 may contain "buffer" days, in addition to the trip pairings and days off.

Such buffer days shall be used to protect the charter assignment, as described below.

D-2-c-(1)- Buffer days may be scheduled between trip days and days off for the purpose of allowing the trip pairing scheduled within that period to depart or arrive earlier or later than originally shown without impacting upon the assigned flight officer's obligation to fly the trip.

D-2-c-(2)- Lines will be constructed to the monthly maximum of credited time in effect for that schedule month in the assigned equipment type.

D-3- Lines of flying constructed under this provision shall be clearly identified and made available for preferencing in accordance with Paragraph 20-D of the Agreement at the same time as other lines of flying for the equipment type and domicile involved.

D-4- Line(s) of flying constructed under these provisions shall be awarded in accordance with Section 20-D of the Agreement, except that the flying contained in a line which is not awarded during the initial award process shall revert to open flying.

D-5- A pilot awarded a line of Domestic Charter and/or Domestic Non-Critical MAC flying shall be treated as a lineholder in accordance with the applicable paragraphs of Section 20 of the Agreement.

D-6- A pilot awarded a line of International Charter and/or International Non-Critical MAC flying will be treated as a lineholder during the assigned schedule month with the following exceptions:

D-6-a- Any change in departure or arrival times of the trip segments in the assigned pairings which changes the day(s) on which the pairing operates shall not affect the pilot's responsibility to fly the pairings, provided the change does not extend the trip into the pilot's day-off pattern.

D-6-b- If a pilot is relieved of responsibility for a pairing that was in his assigned line of flying as a result of a cancellation, or a change which now projects the trip into the pilot's day-off pattern, or a consolidation of two or more changed pairings, the pilot may be assigned to open flying or reserve duty during the period of days between the day-off periods associated with the cancelled pairing in the following order:

D-6-b-(1)- An International Charter and/or International Non-Critical MAC pairing.

D-6-b-(2)- A Domestic Charter and/or Domestic Non-Critical MAC pairing.

D-6-b-(3)- A regular scheduled pairing.

D-6-b-(4)- Reserve standby.

D-6-c- To insure pilot notification of any changes to his scheduled flying, the lineholders awarded this International line(s) of flying will be required to be telephone available between 1800 and 2000 CST (CDT) on the evening of the last day off prior to each assignment period. The pilot will also be responsible for keeping System Crew Scheduling advised of his whereabouts during the days between his day-off pattern when he is not scheduled to fly.

D-6-d- If a pilot is assigned training of less than five (5) days on days-off, or on buffer days, he will be governed by the provisions of Paragraph 9-C of the Agreement.

E. Should unusual circumstances require, charter assignments which comply only with the appropriate FARs, may be made to pilots who volunteer for the specific assignment. When any such assignments are contemplated, the MEC Chairman will be advised.

F. Qualified lineholder pilots may be assigned domestic charter or international charter pairings under the provisions of Section 20-G-10 and Section 20-H of the Agreement.

G. It is understood that, at the Company's option, the provisions of this Supplemental Agreement may be used to schedule pilots for any domestic or international charter operations, notwithstanding the provisions of the Basic Agreement, the International Supplement and the U2 Supplement. In the event an international operation scheduled under the provisions of this Supplement produces a "Sunrise Service" schedule, the provisions of the Settlement Letter for SB 93-9, dated July 30, 1993 shall be implemented.

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IN WITNESS WHEREOF, the parties have signed this Supplemental Agreement this 15th day of June, 1985.

WITNESS:

/s/ C.W. Thomson

/s/ J.R. Samolis

FOR UNITED AIR LINES, INC.

/s/ B. Conroy

/s/ D.L. Brink

/s/ R. Gangwal

/s/ D.L. Pringle

/s/ G.L. Andrews

David L. Pringle Vice President
Employee Relations

/s/ D. F. Rensvold

WITNESS:

/s/ W.C. Brashear

/s/ J.R. Brace

FOR THE AIR LINE PILOTS IN THE
SERVICE OF UNITED AIR LINES, INC.

/s/ D.A. Clark

/s/ W.A. Nelson

/s/ H.A. Duffy

Henry A. Duffy President
Air Line Pilots Association, International

/s/ H.E. Stepinsky

/s/ R.D. Hall

Revised as of July 12, 1994.

/s/ John R. Samolis

John R. Samolis
Vice President Employee Relations

/s/ Roger D. Hall

Roger D. Hall, Chairman
UAL/ALPA Master Executive Council

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Resolution of Cockpit Conflicts

UNITED AIRLINES
LETTER OF AGREEMENT

Dear Fellow Pilots:

In the interest of providing the highest standards of professionalism and safety among the pilots of United Airlines...and to insure that all pilots are treated fairly, consistently and effectively...the Company and the Association have agreed to

the following procedure for the resolution of cockpit conflicts. United Airlines

traditional authority and responsibilities regarding proficiency and air safety shall not in any way be altered by the terms of this letter.

1. When a professional standards problem arises, whatever the source, which precipitates a cockpit conflict, and is brought to the attention of the Association by a pilot, the Association will act as follows:

1-a- The individuals involved will be encouraged to discuss the matter privately in a forthright and reasoned manner, in an attempt to settle their dispute.

1-b- Failing this, the local Professional Standards Committee members will elicit both sides of the story, generally by telephone, and counsel both parties at a peer level; (e.g.) a Captain committee member will call a Captain involved, a First Officer committee member will call a First Officer involved, and a Second Officer member will call a Second Officer involved. Again, agreement to resolve the dispute will be sought.

1-c- Should this fail, the pilots involved will be invited to a Local Professional Standards Committee meeting. After each pilot has had the opportunity to present his or her view of the matter, the committee will seek a commitment from the parties to end the conflict and work together in the future constructively and without dissension.

1-d- Should one of the pilots refuse to participate the Association will advise the Company of the conflict and request the Company to encourage all involved parties to attend the Professional Standards Committee meeting.

2. When a Professional Standards problem (as defined above) is brought to the attention of the Company in the first instance, at management's discretion, the Company will refer that issue and the parties involved to the Local Professional Standards Committee. Each pilot will be encouraged to attend the committee's meeting to settle their dispute in a reasoned, no-fault manner.

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Successful resolution of a problem will produce a committee report to the Company that states the matter is resolved. Lack of successful resolution will produce a report to the Company that the Local Professional Standards Committee is unable to be of assistance. Complete confidentiality regarding the committee's meeting will be maintained and further, the Company agrees not to cite a pilot's involvement with the Professional Standards Committee in any subsequent disciplinary proceeding.

Should successful resolution of a problem not be attained within 30-day time period, the Company will then be free to take whatever action it deems necessary to resolve the issue within the framework of the agreement.

Either party to this agreement reserves the right to cancel it upon giving a 30

Days written notice. Accepted and agreed to this 3rd day of August, 1987.

/s/ L. W. Barry.

Lloyd W. Barry
Senior Vice President
Flight Operations
United Airlines, Inc.

/s/ F.C. Dubinsky

F.C. Dubinsky, Chairman
Master Executive Council
Air Line Pilots Association

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Unimatic Terminal

UNITED AIRLINES

August 4, 1987

Captain F. C. Dubinsky, Chairman
UAL/ALPA Master Executive Council
Air Line Pilots Association, International
10700 W. Higgins Road, Suite 200

Rosemont, IL 60018

Dear Captain Dubinsky:

Recent discussion between the parties have resulted in the following understanding:

United will install a Unimatic terminal with an associated printer in the MEC office for the use of MEC representatives and staff. This terminal will be authorized Mode 41 access and will be used in the same manner and for the same purpose as the "public" pilot sets located at each domicile.

This terminal is being provided to the UAL-MEC by the Company in recognition of the mutual benefits which it can provide; however it may be removed if the Company concludes that the presence of an Unimatic terminal in the MEC office may compromise United's computer and/or Corporate security or for any other reason may no longer be mutually beneficial.

The direct cost of operating this terminal will be borne by the Association, however the Company will retain ownership and perform all required maintenance of the equipment.

It is understood that this agreement shall establish no precedent and will not be cited in the future for any purpose. If this accurately reflects our understanding, please sign and return two (2) copies of this letter for our files.

Very truly yours,

/s/ S. E. Tallent

Stephen E. Tallent

Special Labor Counsel

Accepted and agreed to this

4th day of August, 1987.

/s/ F. C. Dubinsky

F. C. Dubinsky, Chairman

UAL/ALPA Master Executive Council

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Pilot Instructors

LETTER OF AGREEMENT

between

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 is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

WHEREAS, for the purpose of improving the training environment and the efficiency of operation while maintaining the highest quality training, the training staff organization will be revised and the training related responsibilities will be assigned to the new management position of Standards Captain and the new non-management position of Pilot Instructor, and

WHEREAS, it is the intent of the parties that the position of Training Check Airman (TCA) be phased out and those duties will be assumed by the new positions of Standards Captains and Pilot Instructors, and

WHEREAS, the Association represents the interest of the line pilots who will Function as Pilot Instructors,

THEREFORE BE IT RESOLVED, it is mutually agreed:

The Pilot Instructors will be pilots represented by the Association with line seniority numbers.

1-a- Pilots selected must have the highest qualifications.

1-b- The Association will be advised of and have an opportunity to make recommendations concerning the required qualifications and the selection process.

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1-c- A pilot selected to be a Pilot Instructor will be required to complete the following minimum actual line experience which may consist of either First Officer or Second Officer flying, as appropriate:

1-c-1- Initial PI (new hire pilot):

The pilot will be required to have 3 months line experience on the airplane on which he will instruct, prior to serving as a PI.

1-c-2- Initial PI (current line pilot):

A-3-b-(1)- If the pilot will be a PI on the same airplane on which he is serving on the line, no additional line experience is required prior to his serving as a PI.

A-3-b-(2)- If the pilot will be a PI on an airplane different from the airplane on which he is serving on the line, he will be required to have 75

hours (including IOE) on the airplane on which he will instruct, prior to serving as a PI.

1-c-3- Current or former PI:

A-3-c-(1)- If the equipment change for the PI is from a 3-pilot airplane to a 2-pilot glass cockpit airplane and the PI has no previous glass cockpit experience, he will be required to have 75 hours (including IOE) on the airplane on which he will be instructing, prior to serving as a PI on that airplane.

A-3-c-(2)- If the equipment change for the PI is from a 3-pilot airplane to a 2-pilot non-glass cockpit and the PI has no previous 2-pilot crew experience, he will be required to have 50 hours (including IOE) on the airplane on which he will be instructing, prior to serving as a PI on that airplane.

A-3-c-(3)- If the equipment change for the PI is from a non-international airplane to an international airplane and the PI has no previous international experience, he will be required to have 75 hours (including IOE) on the airplane on which he will be instructing, prior to serving as a PI on that airplane.

This line of flying under sub-paragraph (1), (2), and (3) above will be in the aircraft in which the individual will be initially instructing. Such flying shall be performed as a reserve (at the Pilot Instructor's request, he may remain number one (1) on the FIFO list) or, should the Company desire the individual to fly specific trips during this three (3) month period, such flying shall be on a displacement basis.

2.

2-a- The Pilot Instructor will perform the following duties and assignments:

2-a-1- Conduct instruction in the simulator for Captains, First Officers, Second Officers and International Relief Pilots. This instruction will include transition training, Proficiency Check warm-up and requalification training.

2-a-2- Conduct First Officer certification checks.

2-a-3- Conduct Second Officer certification checks.

2-a-4- Conduct BIRC instruction.

2-b- Additionally, a Pilot Instructor may perform the following duties and assignments in his assigned equipment:

2-b-1- Serve as a fill-in crew member for transition training.

2-b-2- Serve as a fill-in crew member for Proficiency Check warm-up (2nd day).

2-b-3- Serve as a fill-in crew member for Proficiency checks when he is the

only pilot available.

2-b-4- Serve as a Second Officer in the aircraft under the following conditions:

B-2-d-(1)- Only Pilot Instructors who volunteer for such assignments will be eligible to be assigned to line Second Officer flying.

B-2-d-(2)- Prior to performing the assignment, the Pilot Instructor will receive whatever refresher training he deems necessary.

B-2-d-(3)- Such line flying as a Second Officer will not replace nor offset the line flying required under the terms of this Agreement.

B-2-d-(4)- No action will be taken against a Pilot Instructor who declines a Second Officer flight assignment.

2-b-5- Perform Ground School instruction as assigned.

2-b-6- Be assigned special projects as needed.

3. Pilot Instructors will be required to bid and hold a line assignment in addition to their TK assignment.

4.

4-a- Pilot Instructors will maintain line familiarity in the equipment to which they are assigned as a P.I. through annual open flying on the line as a First Officer for a minimum of 24 duty periods and up to 36 duty periods. Open flying will be offered to Pilot Instructors who request it under Section . Additionally, Pilot Instructors may trade into and pick up open Shuttle and Mainline trips immediately after all pilots are accommodated as the result of the trip trade monthly rundown. They may not be assigned or pick up additional flying until 1200 on the day prior to departure. Pilot Instructors who

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request additional flying beyond the open flying maximum, above, may on their scheduled days off be scheduled for unlimited line flying on a displacement basis.

4-b- To effect an efficient policy for Pilot Instructor pick up of open flying that provides for a wide range of experience by flying from various domiciles and minimizes the overuse of the Denver domicile assigned open flying, the following guidelines have been established:

4-b-1- P.I.'s in conjunction with Crew Management (CM) will to the extent possible be assigned open flying from all domiciles.

4-b-2- On P.I. work days open flying in Denver may be picked up by P.I.'s on a pro-rata basis as the assigned Denver flying relates to system flying in the fleet. Notwithstanding the above limitation, if there is no Denver pilot in that particular fleet and seat requesting 20-H-3 12 hours or less prior to scheduled departure of an I.D., a P.I. may pick up this open flying as an

exception to the proportional limitation.

4-b-3- P.I. deadheading to and from a domicile will not be considered a duty period as defined by the 36 duty period annual limitation.

4-b-4- Duty periods which consist entirely of deadheading will not count toward satisfying the minimum 24 duty period requirement.

4-b-5- Any combination of P.I. duties and flying duties performed within a single duty period must conform to the Section 5-G duty period time limitations. For scheduling purposes, this requirement is not waivable.

5. The rate of pay for pilot instructors shall be determined as follows:

5-a- The rate of pay for a pilot in years 1 through 5 of pilot longevity who is permanently assigned as a pilot instructor shall be not less than the 81 hour salary for the line assignment which he holds, plus 15%; but not more than the 81 hour salary for B-747 First Officer at the 6th year of longevity. The Company may determine that the override percentage for all pilot instructors in years 1 through 5 will be greater than 15%, but in no case will it produce greater earnings than the 81 hour salary for B-747 First Officer at the 6th year of longevity.

A pilot instructor beyond the 5th year of pilot longevity shall be paid the 81 hour salary for his line assignment or the 81 hour salary for 747 First Officer at the 6th year, whichever is less.

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5-b- Pilot Instructors shall begin receiving PI pay in accordance with the following:

5-b-1- Pilots who will be instructing as PIs in the equipment type for which they are currently trained will begin receiving Pilot Instructor pay upon reporting to the Flight Center.

5-b-2- Pilots who require transition training for the equipment in which they will be instructing will begin receiving PI pay upon beginning their IOE after completing the required transition training, or 45 days after reporting to DENTK, whichever is earlier, provided they successfully complete the training necessary to become a Pilot Instructor.

5-c- When a Pilot Instructor leaves the Flight Center to return to his line of flying assignment his Pilot Instructor pay shall continue until he begins IOE for his line assignment, at which time he shall be paid at the rate associated with his line assignment.

6. Pilot Instructor schedules shall have a minimum of twelve (12) calendar days

free of duty per month. For trainee/instructor continuity, Pilot Instructors shall be allowed, at their option, to trade their days off; however, in no event shall a Pilot Instructor receive less than twelve (12) actual calendar days free of duty during the month.

7. Pilot Instructors will accrue, preference and liquidate vacations as per Section 11 of the Agreement.

8. When a pilot transfers from and to his Pilot Instructor assignment he will be entitled to a pilot paid move, in accordance with the provisions of Section 10 of the Agreement, except when the line assignment is DENFO.

9. The provisions of Section 1, 2, 4, 6, 7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21 and 22 of the Agreement shall apply to Pilot Instructors. The provisions of Section 9 shall apply when the Pilot Instructor is functioning as a trainee. The provisions of Section 5 and 20 shall apply during any line flying. All pilot benefits shall apply to Pilot Instructors.

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10. Vacations

Vacations for PI's will be bid and awarded according to Section 11 of the Agreement between ALPA and United Airlines. The vacation year PI's is from May 1 to April 30. Newly employed PI's accrue one day of vacation for each full calendar month of continuous employment with the Company during the remainder of the vacation year after the date of their initial employment, provided that the first vacation for PI's initially employed on or after May 1 of any year will not be due or payable except between May 1 and April 30 of the succeeding vacation year. After these provisions have been complied with, a PI will receive sixteen vacation days each year, provided his/her employment has been continuous. Beginning in the vacation year following the year in which a PI completes the continuous service shown below, s/he will be entitled to the following number of vacation days:

Years of	Vacation
-----------------	-----------------

Service	Days
5	23
12	30
20	37
25	44

In order to insure that a PI receives a total number of days off in a given month that approximates what a line pilot could expect, the following maximum number of regular days off (RDO's) can be scheduled as part of a vacation period:

Days			
1	0	16	3
2	0	17	5
3	0	18	5
4	0	19	6
5	0	20	6
6	0	21	6
7	0	22	6
8	1	23	6
9	1	24	6
10	1	25	6

10	2	25	7
11	2	26	8
12	3	27	9
13	3	28	10
14	3	29	11
15	3	30	12

This maximum number of RDO's which can be assigned to a PI's vacation period applies to all vacation awards, including annual awards, monthly awards, and involuntary assignments.

In addition, a PI may request specific days off prior to or following a vacation period, up to and including the full allocation of monthly RDO's remaining. The DENTK Scheduling Office will honor that request if at all possible. PI requests will be honored based on line pilot seniority.

Annual Preferencing: Vacation bid books are located in the Scheduling Office and are arranged in order of seniority. Vacations are awarded in order of seniority within each fleet based on the PI's preference.

All PI's will be eligible to preference the allocated vacation periods for the following year based on their equipment type as of January 1. If you're entitled to 16 calendar days or more of vacation, you may elect to split your vacation into not more than two periods during the vacation year, provided that no period is less than 10 days. If you elect to split your vacation, you'll need to designate your preference as being for a primary, secondary, or tertiary assignment. You'll be afforded the opportunity to be awarded your primary and secondary vacation periods before and tertiary vacations are awarded.

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Monthly Preferencing: PI's may elect to bid for vacation periods on a monthly basis. Vacations are awarded in seniority order within each Fleet. PI's awarded a vacation will be notified of the award not less than 60 days before the first day of the month in which the vacation period falls. If you don't receive this notice, you won't be required to take this vacation award. Any vacation periods created and available within 60 days of the vacation period will be offered in order of seniority and may be assigned with your concurrence with less than 60 days notice.

Involuntary Assignments: In the event that there are insufficient preferences submitted for posted vacation periods, involuntary vacations may be assigned in reverse order of seniority. Involuntary assignment vacations shall be for a

minimum of ten days or the balance of your vacation credit (if less than ten days).

You must be notified of the date of the involuntary assignment at least 60 days before the first day of the month in which the vacation period falls, except that any vacation periods created and available within 60 days of a vacation periods which are not voluntarily accepted may be assigned in reverse order of seniority (provided you're given at least 45 days notice prior to the start of the vacation period).

11. Pilot Instructors will receive expense reimbursement according to the provisions of Section 4-E-1 of the Agreement when conducting training assignments at any location other than Denver.

12. The parties will be guided by the terms of the PI guidelines, and these guidelines will be changed only by mutual agreement of the parties.

13. This Letter of Agreement shall be effective upon signing and shall run concurrently with the current Basic Pilot Agreement.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 20th day of November, 1989.

FOR UNITED AIR LINES,
INC.

/s/ J.R. Samolis

John R. Samolis

Vice President

Employee Relations

WITNESS:

/s/ G.L. Andrews

/s/ T.A. McClone

WITNESS:

/s/ T.P. Austin

FOR THE AIR LINE PILOTS IN
THE SERVICE

/s/ C.A. Rine

OF UNITED AIR LINES, INC.

/s/ L.J. Balestra

/s/ Henry A. Duffy

/s/ H.E. Stepinsky

Henry A. Duffy, President

Air Line Pilots Association,
International

Revised as of July 12, 1994.

/s/ John R. Samolis

John R. Samolis

Vice President

Employee Relations

/s/ Roger D. Hall

Roger D. Hall, Chairman

UAL/ALPA Master Executive Council

Further revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council

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Drug and Alcohol Testing

UNITED AIRLINES

January 3, 1990

Captain F. C. Dubinsky, Chairman

UA/ALPA MAster Executive Council

Air Line Pilots Association, International

10700 West Higgins Road, Suite 200

Rosemont, Illinois 60018

Dear Captain Dubinsky:

As the result of discussions between the parties, it has been agreed that:

When a pilot is required to provide a urine or breath specimen at the conclusion of his assigned trip sequence in order to comply with the Federally mandated random drug testing program, his duty period just completed shall be extended by 15 minutes beyond the duty time provided by the application of Section 5-G of the Agreement or of Section 3-N of the International Supplement, whichever is applicable.

Such duty time credit shall be included in the computation of each pilot's pay credit for that trip sequence; however, this 15 minutes credit shall not preclude a pilot from being tested.

It is understood that the 15 minutes of duty time credit provided above shall constitute full compensation for participation in the drug testing program regardless of variations in the actual amount of time spent by each pilot in accomplishing this procedure.

Sincerely,

/s/ J. R. Samolis

John R. Samolis

Vice President Employee Relations

Accepted and agreed to this

3rd day of January, 1990.

/s/ F. C. Dubinsky

Captain F. C. Dubinsky, Chairman

UA/ALPA Master Executive Council

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Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council

PREAMBLE

WHEREAS, the Company and the Association desire to supplement their Pilots' Employment Agreement, signed October 26, 2000 (hereinafter referred to as the "Agreement") by providing certain rules and working conditions with respect to the Company's international flying to and within the Pacific Basin, Europe and the British Isles, Central and South America and India.

NOW, THEREFORE, it is mutually agreed and understood by and between the Parties to this Supplemental Agreement that the rules and working conditions stipulated herein shall be in full force and effect on the Company's international flying to and within the Pacific Basin, Europe, and the British Isles, Mexico,

Central and South America and India provided that all provisions of the Agreement, except as specifically modified or excepted by this Supplemental Agreement, shall be applicable also to this flying.

SECTION 1- DEFINITIONS

A. International Flight Segments

A-1- International Atlantic flight segment for the purpose of this Supplemental Agreement means (1) any flight segment which is operated between any point in the United States or Canada on the one hand and any point in Europe or the British Isles on the other hand, and (2) any flight segment which is operated between points within Europe and/or the British Isles.

A-2- International Pacific flight segment for the purpose of this Supplemental Agreement means (1) any flight segment which is operated between any point in the United States or Canada on the one hand and any point in the Pacific Basin on the other hand, and (2) any flight segment which is operated between points within the Pacific Basin.

A-3- International Central and South American flight segments for the purpose of this Supplemental Agreement means (1) any flight segment which is operated between any point in the United States or Canada on the one hand and any point in Central America, Mexico and South America on the other hand, and (2) any flight segment which is operated between points within Central America, Mexico and South America.

B. An international trip pairing is any trip pairing which contains an international segment.

Basic Crew

C-1- Three Pilot Aircraft:

A "Basic Crew" on a three (3) pilot aircraft shall consist of a Captain, a First Officer, and a Second Officer.

C-2- Two Pilot Aircraft:

A "Basic Crew" on a two (2) pilot aircraft shall consist of a Captain and a First Officer.

D. Augmented Crew

D-1- Three Pilot Aircraft

An "Augmented Crew" shall consist of a Captain, a First Officer with an ATP and type rating in the aircraft, a Second Officer, and an International relief Pilot.

D-2- Two Pilot Aircraft

An "Augmented Crew" shall consist of a Captain, and (2) First Officers with AT's and type ratings in the aircraft.

E. Double Augmented Crew

Two Pilot Aircraft

A "Double Augmented Crew" shall consist of a Captain and three (3) First Officers with ATP's and type ratings in the aircraft.

F. Augmented Trip

An "Augmented Trip" shall mean any trip sequence which includes at least one duty period scheduled with an augmented or double augmented crew.

G. International Relief Pilot (IRP)

An International relief Pilot shall be qualified to provide relief, on those flights on which he is required, at the Captain, First Officer and Second Officer stations.

Such qualifications shall be established by the Company to permit him to accomplish:

G-1- Pre-flight, post-flight and enroute First Officer duties, not including take-off or landing of the aircraft.

G-2- All Second Officer duties.

G-3- Any other duties assigned to him by the Company or the pilot in command.

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H. Flight Deck Duty

"Flight Deck Duty" shall mean the flight time spent at an FAA required or contractually required operating station in the cockpit, which does not include any time spent in a cockpit observer seat(s) below FL 180.

I. Pacific Crossing

A "Pacific Crossing" is any flight segment across the Pacific Ocean that exceeds Eight (8) hours scheduled flight time.

J. Atlantic Crossing

An "Atlantic Crossing" is any international flight segment operated across the North Atlantic to or from Europe or the British Isles. Additionally, any flight segment to or from Anchorage into the Pacific Basin is considered an Atlantic Crossing.

K. Pacific Basin

All current and future route authority, including all of the PAA acquisition, used or unused, served by United Airlines in the Pacific; not to include route authority between mainland United States and Hawaii.

SECTION 2- EXPENSES AND TRANSPORTATION

A. Expenses for International flying will be as provided in Section 4-A of the Agreement, except that pilots assigned to International flying shall receive, in addition to the expenses provided for in Section 4-A, fifty cents (\$0.50) for each hour away from home.

B.

B-1- Transportation of pilots on United Airlines will be booked in First Class, if available. If First Class is unavailable, Business Class will be booked. If both First and Business Class are unavailable, coach may be booked. Regardless of class of service reserved, pilots may be upgraded to First Class, if available at departure time.

B-2- All NRPS pilot reservations will be booked as non-smoking. Upon check-in a pilot who requests smoking will be accommodated in the smoking section on the same basis as revenue passengers.

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B-3- Transportation of pilots on any airline other than United Airlines will be booked in Business Class, if available. If Business Class is unavailable, First Class will be booked. If both First and Business Class are unavailable, coach may be booked for any single segment which is scheduled for three (3) hours or more, non-stop. All other offline transportation shall be Coach.

B-4- Upon request, the parties will meet to consider information and recommendations which ALPA may have regarding the suitability of a foreign carrier for deadheading crews.

B-5- The Company will provide ground transportation to layover hotels at all international layover locations. Transportation to and from the hotel will be provided in a full sized air-conditioned vehicle exclusively for cabin and cockpit crew use. Additionally, if the cockpit crew is at the pickup location, transportation will leave no later than thirty (30) minutes after actual arrival of the trip unless a later departure is agreed to. Hotel pickup times will be arranged to have the pilots arrive at the airport in sufficient time to report for duty at their assigned report time. Upon request, the parties will meet to consider information and recommendations which ALPA may have regarding the suitability of ground transportation at specific international layover locations.

B-6- If a room at the scheduled layover hotel is not available within thirty (30) minutes of scheduled check-in time, the affected pilots may seek other accommodations and will be reimbursed by the Company.

C. Should isolated cases of unusual expenses be encountered by a pilot which the expense allowance will not normally cover, the Company will reimburse the pilot for such expenses upon receipt of a documented Company expense form.

SECTION 3- HOURS OF SERVICE

Notwithstanding the provisions of Section 5-B-7, 5-B-8, 5-B-9 and 5-B-10, 5-D-4,

5-G-1-a, 5-G-1-b-(1) and 5-G-1-b-(2), 5-G-1-c-(1), 5-G-1-c-(2), 5-G-1-c-(3), 5-G-1-c-(4) and 5-G-1-c-(5), 5-G-2-a, 5-G-2-b-(1), 5-G-2-b-(2) and 5-G-2-b-(3), 5-G-2-c-(1), 5-G-2-c-(2) and) of the Agreement, the following shall apply to international trip pairings:

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A. Pacific Operations

A-1- Two Pilot Aircraft, Basic Crew

A-1-a- Duty time limits of Section 5-G-1-a-(1)-(a) and 5-G-1-a-(1)-(b), 5-G-1-b-(3), 5-G-2-a-(1), 5-G-2-a-(2) and 5-G-2-a-(3) shall apply to all duty periods that do not contain a Pacific crossing.

A-1-b- Maximum flight time shall not exceed eight (8) hours of scheduled flight time in any single duty period.

A-2- Two Pilot Aircraft, Augmented Crew, Single Segment

A-2-a- Maximum scheduled duty time shall not exceed thirteen and one half (13 1/2) hours. Actual duty time shall not exceed fifteen and one half (15 1/2) hours.

A-2-b- Maximum flight time shall not exceed twelve (12) hours of scheduled flight time in any single duty period and no pilot will be required to exceed eight (8) hours flight deck duty in any single duty period.

A-3- Two Pilot Aircraft, Double Augmented Crew Single Segment

A-3-a- Maximum scheduled duty time shall be seventeen and one half (17 1/2) hours. Actual duty time shall not exceed nineteen and one half (19 1/2) hours.

A-3-b- Maximum flight time shall not exceed sixteen (16) hours of scheduled flight time in any single duty period and no pilot will be required to exceed eight (8) hours flight deck duty in any single duty period.

A-4- Two Pilot Aircraft, Double Augmented Crew, Two (2) Segments

A-4-a- Maximum scheduled duty time shall be fifteen and one half (15 1/2) hours. Actual duty time shall not exceed seventeen and one half (17 1/2) hours.

A-4-b - Maximum flight time shall not exceed twelve and one-half (12 1/2) hours of scheduled flight time in any two (2) flight segment duty periods and no pilot will be required to exceed eight (8) hours flight deck duty in any

single duty period.

A-4-c- In the application of 3-A-4-a and 3-A-4-b above, the first segment must be scheduled to depart between 0800 and 1500 per 3-A-8 below. In the event the Company desires to schedule departures outside this 0800-1500 window, Association concurrence will be required.

A-5- Three Pilot Aircraft, Basic Crew

A-5-a- Duty limits of Section 5-G-1-a-(1)-(a) and 5-G-1-a-(1)-(b), 5-G-1-b-(3), 5-G-2-a-(1), 5-G-2-a-(2) and 5-G-2-a-(3) shall apply to all duty periods that do not contain a Pacific Crossing.

A-5-b- Maximum flight time shall not exceed eight (8) hours of scheduled flight time in any single duty period.

A-6- Three Pilot Aircraft, Basic Crew, Single Segment, Pacific Crossing:

A-6-a- Maximum scheduled duty time shall be twelve (12) hours. Actual duty time shall not exceed fourteen (14) hours.

A-6-b- Maximum Flight Time

A single flight segment of up to ten and one-half (10 1/2) hours may be scheduled.

A-6-c- Notwithstanding the limits of sub-paragraphs a and b above, if a Single flight segment consisting of a Pacific crossing of up to twelve (12) Hours maximum flight time is scheduled in a duty period, that duty period may be scheduled for one and one-half (1 1/2) hours more than the scheduled actual flight time of the segment, but will not be scheduled to exceed thirteen and one-half (13 1/2) hours. The actual duty time limits in these instances will be two (2) hours more than the scheduled duty time.

A-6-d- Notwithstanding the crew complement requirements above, if a segment in a pairing is scheduled to depart after 1500 and before 0800, as defined in paragraph 3-A-8 below, and contains more than 10 hours of flight time, an augmenting crew member will be required and the operation will become subject to the provisions of 3-A-7 below. Further, no augmenting crew member will be required on the last Pacific crossing in a pairing as a result of the application of this sub-paragraph.

A-7- Three Pilot Aircraft, Augmented Crew, Pacific Crossing, Single Segment

A-7-a- Maximum scheduled duty time shall not exceed sixteen (16) hours.

A-7-b- Maximum actual duty time shall not exceed eighteen (18) hours.

A-7-c- Notwithstanding the limits of sub-paragraphs a & b above, if a single flight segment consisting of a Pacific Crossing of up to sixteen (16) hours maximum flight time is scheduled in a duty period that duty period may be

scheduled for one and one-half (1 1/2) hours more than the scheduled actual flight time of the segment, but will not be scheduled to exceed

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seventeen and one-half (17 1/2) hours. The actual duty time in these instances will be two (2) hours more than the scheduled limit.

A-7-d- Notwithstanding the single segment limitation above, two (2) flight segments may be scheduled in excess of eight (8) hours and up to twelve and one-half (12 1/2) flight hours. In the event the Company intends to schedule flying under this provision which exceeds eight (8) hours, Association concurrence will be required.

A-8- The first two (2) duty periods in an international Pacific trip pairing which include international flying shall be based on the pilot's home domicile time. Subsequent duty periods in an International trip pairing shall be based on the local time which is in effect at the point of origin of the duty period. Applicability of duty period length and on-duty credit provisions shall be based on the time which is in effect at the point of origin of the duty period as defined above.

B. Atlantic Operations

B-1- Two Pilot Aircraft, Basic Crew

B-1-a- Maximum duty time

Duty time limits of Section 5-G-1-a-(1)-(a) and 5-G-1-a-(1)-(b), 5-G-1-b-(3), 5-G-2-a-(1), 5-G-2-a-(2) and 5-G-2-a-(3) shall apply to all duty periods that do not contain an Atlantic crossing.

B-1-b- Maximum flight time

Eight (8) hours of scheduled flight time shall be the maximum scheduled in any single duty period.

B-2- Two Pilot Aircraft, Augmented Crew, Single Segment Atlantic Crossing:

B-2-a- Maximum scheduled duty time shall not exceed thirteen and one

Half (13 1/2) hours. Actual duty time shall not exceed fifteen and one half (15 1/2) hours.

B-2-b- Maximum flight time shall not exceed twelve (12) hours of

Scheduled flight time in any single duty period and no pilot will be required to exceed eight (8) hours flight deck duty in any single duty period.

B-2-c- A pilot may be scheduled, in the final duty period of a trip pairing, to

operate a one (1) stop westbound flight scheduled to depart at or after 0800

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local time from points in Europe and scheduled to arrive by 1700 local time

at a point in North America.

B-2-d- Notwithstanding the single segment limitation above, a pilot may be scheduled to fly one additional segment in a duty period after an Eastbound Atlantic crossing which is scheduled to depart from his domicile after 0800, provided the scheduled arrival time of that second segment is not later than 2100 home domicile time.

B-3- Two Pilot Aircraft, Double Augmented Crew, Single Segment, Atlantic Crossing.

B-3-a- Maximum duty time

Fifteen (15) hours scheduled, seventeen (17) hours actual.

B-3-b- Maximum flight time

Thirteen and one-half (13 1/2) hours scheduled and no pilot will be required to exceed eight (8) hours of flight deck duty in any single duty period.

B-4- Three Pilot Aircraft, Basic Crew

B-4-a- Duty time limits of Section 5-G-1-a-(1)-(a) and 5-G-1-a-(1)-(b), 5-G-1-b-(3), 5-G-2-a-(1), 5-G-2-a-(2) and 5-G-2-a-(3) shall apply to all duty periods that do not contain an Atlantic Crossing.

B-4-b- Maximum flight time shall not exceed eight (8) hours of scheduled Flight time in any single duty period.

B-5- Three Pilot Aircraft, Basic Crew, Single Segment, Atlantic Crossing:

B-5-a- Maximum scheduled duty time shall be twelve and one half (12 1/2) hours, actual duty time shall not exceed fourteen and one half (14 1/2) hours.

B-5-b- Maximum Flight Time: A single flight segment of up to eleven (11) Hours may be scheduled.

B-5-c- Notwithstanding the limits of Paragraphs 3-B-5-a and 3-A-5-b above, if a single flight segment of more than eleven (11) hours and up to twelve (12) hours is scheduled in a duty period, that duty period may be scheduled for one and one-half (1 1/2) hours more than the scheduled actual flight time of the segment, but will not be scheduled to exceed thirteen and one-half (13 1/2) hours. The actual duty time in these instances will be two (2) hours more than the scheduled duty time.

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B-5-d- Notwithstanding the crew complement requirements above, if a segment in a pairing is scheduled to depart after 1500 and before 0800, as defined in paragraph 3-B-11 below, and contains more than ten (10) hours of flight time, an augmenting crew member will be required and the operation will become subject to the provisions of 3-B-6 below. Further, no

augmenting crew member will be required on the last Atlantic crossing in a pairing as a result of the application of this sub-paragraph.

B-6- Three Pilot Aircraft, Augmented Crew, Single Segment, Atlantic Crossing:

B-6-a- Maximum scheduled duty time shall be fourteen and one half (14 1/2) hours, actual duty time shall not exceed sixteen and one half (16 1/2) hours.

B-6-b- Maximum Flight Time: A single flight segment of up to twelve (12) Hours may be scheduled.

B-6-c- Notwithstanding the limits of Paragraphs 3-B-6-a and 3-B-6-b above, if a single flight segment consisting of an Atlantic Crossing is scheduled in a duty period that duty period may be scheduled for one and one-half (1 1/2) hours more than the scheduled actual flight time of the segment, but will not be scheduled to exceed fifteen and one-half (15 1/2) hours. The actual duty time in these instances will be two (2) hours more than the scheduled duty time.

B-7- Three Pilot Aircraft, Augmented Crew, Atlantic Crossing, Two Segments:

B-7-a- Maximum scheduled duty time shall be thirteen and one half (13 1/2) hours, actual duty time shall not exceed fifteen and one half (15 1/2) hours.

B-7-b- Maximum flight time shall not exceed twelve (12) hours of Scheduled flight time in any single duty period.

B-7-c- A pilot may be scheduled, in the final trip pairing, to operate a one (1) stop westbound flight scheduled to depart at or after 0800 local time from points in Europe and scheduled to arrive by 1700 local time at a point in North America.

B-7-d- A pilot may be scheduled to fly one additional segment in a duty Period after an Eastbound Atlantic crossing which is scheduled to depart from his domicile after 0800, provided the scheduled arrival time of that

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second segment is not later than 2100 home domicile time.

B-8- For the purpose of schedule preparation no other flying will be scheduled in a duty period which contains an Atlantic crossing except as provided in Section 3-B-2-c, and 3-B-2-d, and 3-B-7-c and 3-B-7-d, above. Notwithstanding the segment limitations above, an additional segment may be assigned in the actual operation as a result of diversions due to fuel, mechanical, or weather as long as the assignment conforms to the flight time and duty time limits of the original assignment.

B-9- A pilot shall not be scheduled to fly an Atlantic crossing scheduled in Excess of eight (8) hours, in either direction, within sixteen (16) hours of completing such a crossing.

B-10- International Atlantic trip pairings shall not be scheduled in excess of Six (6) duty periods nor include more than four (4) Atlantic crossings.

B-11- The first two (2) duty periods in an international Atlantic trip pairing Which include international flying shall be based on the pilot's home domicile time. Subsequent duty periods in an international trip pairing shall be based on the local time which is in effect at the point of origin of the duty period. Applicability of duty period length and on-duty credit provisions shall be based on the time which is in effect at the point of origin of the duty period as defined above.

C. Central and South America

C-1- Service to and from Central and South America will be scheduled and Flown under the provisions of this International Supplemental Agreement whenever the trip pairing contains any segment which exceeds eight hour flight time and/or any segment which operates south of 15 degrees south latitude. All other flying will be done under the basic agreement. Further, all operations conducted to or within Central and/or South America in all series of B-737, B-727, A319/A320 and B-757 aircraft will be conducted exclusively under the terms of the "basic" Agreement.

C-2- When operated under this International Supplement, the flight and duty time limitations contained in Section 3-B (ATLANTIC OPERATIONS) of the International Supplement shall be considered applicable to Central and South American. operations and all other provisions of the International Supplement Currently applicable to Atlantic (or European) operations shall also be considered applicable to Central and South America. No pairing shall operate between cities outside of North, Central and South America; including the Caribbean Islands.

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C-3- The term "Atlantic Crossing" when applied to South American service as described above, shall be understood to mean any flight segment over eight hours operated between the North American and the South American continents. Further, "eastbound" and "westbound" shall be understood to mean "away from the U.S." and "returning toward the U.S.", respectively. Other references, if any, intended to differentiate between the U.S. and Europe in the International Supplement shall be understood to mean the U.S. and South America in the same context.

C-4- In addition to the provisions of Section 3-K-6 of this International Supplement, upon completion of a trip sequence which includes more than four (4) duty periods, but which does not also include a South American crossing ("an Atlantic Crossing", as described above), a pilot shall receive a rest at his home domicile of not less than 36 hours. Further, whenever the last segment in a trip sequence is scheduled to originate in one of the following listed cities in South America and terminate at any point in the United States, the pilot will be scheduled to receive no less than twenty (20) hours free from duty upon completion of the sequence: Rio de Janeiro, Brazil; Sao Paulo, Brazil; Montevideo, Uruguay; Buenos Aires, Argentina; Santiago, Chile. With SSC concurrence on a monthly basis, this scheduled twenty (20) hour minimum may be reduced to eighteen (18) hours. (18 hours is to be considered the actual minimum.)

C-5- Notwithstanding the provisions of Section 5-G-1-e-(8), 5-G-2-c-(2) and 20-G-8, upon completion of any trip sequence which operates through Central or South America, all pilots will be scheduled for not less than 14 hours and 45 minutes free from duty. With SSC concurrence on a monthly basis, this scheduled 14 hours and 45 minutes minimum may be reduced to 12 hours and 45 minutes. (12 hours 45 minutes is to be considered the actual minimum.)

D. Other Regions

For new routes or flying to new markets, the crew make-up and duty limits shall be the same as for existing international flying of comparable flight segments. At least ninety (90) days prior to initiating such new flying, representatives of the Company and the Association will meet to resolve operational issues. If the representatives are unable to reach agreement on any operational issue (s), the issue (s) will be referred to the Senior Vice-President of Flight Operations and the MEC Chairman for resolution.

E. Reserve Coverage

The reserve provisions of Section 5 and 20 of the Agreement apply to International reserve assignments unless excepted in this International

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Supplement. Section 5-G-1-e-(1) and Section 5-G-1-e-(2) are specifically excepted. The following international reserve system options will be available to a pilot on reserve status:

E-1- Traditional Option

A reserve who does not contact OPBCM to elect one of the other options Available under this Paragraph 1 will be a Traditional reserve. A Traditional reserve will progress normally through the first-in first-out list ("FIFO") until he receives an assignment in accordance with the provisions of sub-

paragraph 1-a or 1-b below.

E-1-a- Assign to first available reserve on FIFO who can perform the assignment as scheduled without interference with any scheduled days off.

E-1-b- If unable to make the assignment under "a" above, assign to the First available reserve on FIFO who requires the fewest number of days off changed. In the application of this provision, assignments may not begin on a scheduled day off.

E-2- Active Option

E-2-a- A reserve may volunteer to go to the top of the FIFO list. A reserve Who elects this option will be given an assignment just as though he had Progressed through the FIFO list in accordance with paragraph 3-E-1-a and 3-E-1-b above.

E-2-b- A reserve's position on the FIFO list under this option will be determined by the time the reserve blocked in from his last assignment, i.e., a reserve who blocked in at 1700 will go ahead of a reserve who blocked in at 1800 regardless of when the individual pilots volunteer to go to the top of the FIFO list. This block in time rule (block in time of last flight assignment) also applies to a reserve coming off days off.

E-2-c- A reserve who volunteers to go to the top of the FIFO list under this provision and who subsequently does not receive an assignment by 2359 of the day before his last day of availability shall revert to the position on the FIFO list he would have been if he had not volunteered to go to the top of the list.

E-3- Aggressive Option: A reserve may volunteer for an assignment on a first-come first-served basis pursuant to the following provisions:

E-3-a- All flying that is known to be open more than forty-eight (48) hours

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before the scheduled departure time of the trip will be available for pick-up between forty-eight (48) hours and forty-four (44) hours before the scheduled departure time of the trip.

E-3-b- Flying that becomes open between forty-eight (48) hours and twelve (12) hours before the scheduled departure time of the trip will be available for pick-up for a period of four (4) hours after the trip opened up or until twelve (12) hours before scheduled departure time, whichever is earlier.

E-3-c- Trips that become open as a result of short term sick leave will be available for pick-up as follows:

E-3-c-(1)- The initial trip for which a lineholder places himself on sick leave will be available for pick-up for a period of up to four (4) hours beginning at the time the trip becomes open but ending not later than twelve (12) hours

before the scheduled departure time of the trip.

E-3-c-(2)- Any subsequent trip(s) for which the lineholder remains on sick leave will be available for pick-up not earlier than fourteen (14) hours and not later than twelve (12) hours before the scheduled departure time of the trip.

E-3-d- A reserve may pick up a trip equal to or less than his number of days of availability including Non-Holy Days off before his next scheduled unavailable days. However, the length of the assigned ID must be not less than his total days of availability minus one unless he receives OPBCM concurrence.

E-3-e- A reserve may pick up a trip for which he is projected to be legal While he is flying a current assignment. If he subsequently is projected to Become illegal for the trip that he picked up, the trip will be placed back in open flying and will be picked up by or assigned to another pilot in accordance with the provisions of this Paragraph E.

E-4- Voluntary Short Call Out Option

E-4-a- A reserve may volunteer to go on a Short Call Out List, on a duty Period by duty period basis, for assignment to trips that become open five (5) hours or less before the scheduled departure time of the trip.

E-4-b- Notwithstanding their relative positions on the FIFO list, a reserve On the Voluntary Short Call Out list will be assigned to a trip that opens up five (5) hours or less before the scheduled departure time of the trip ahead of pilots who have elected the Active or Traditional options.

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E-4-c- A reserve who volunteers to be on the Short Call Out list will remain On that list until midnight of the day on which he volunteered at which time he will revert to the Traditional option.

E-4-d- A reserve will remain in his original position on the FIFO list during The time he is a Short Call Out reserve and after he falls off the Short Call Out list unless he has elected the Active option.

E-4-e- Notwithstanding the provisions of this sub-paragraph E-4, the Company may assign a trip to a Short Call Out reserve more than five (5) hours before the scheduled departure time of the trip in accordance with the provisions of sub-paragraph 3-E-1 above.

E-5- Reserve Assignments

Reserves shall be assigned known open flying in accordance with the following with the understanding that the term "available for assignment" is that time following the aggressive pick-up window under paragraph 3-E-3.

E-5-a- Trips that become available for assignment between the hours of 0700 and 2300:

E-5-a-(1)- A trip that becomes available for assignment forty-four (44) Hours before the scheduled departure time of the trip will be assigned at that time.

E-5-a-(2)- A trip that becomes available for assignment between forty-four (44) and twelve (12) hours before the scheduled departure time of the trip will be assigned as soon as it is available.

E-5-a-(3)- A trip that becomes open less than twelve (12) hours before the scheduled departure time of the trip will be assigned as soon as it is known to be open.

E-5-b- Trips that become available for assignment between the hours of 2301 and 0659:

E-5-b-(1)- A trip that becomes available for assignment forty-four (44) Hours before the scheduled departure time of the trip will be assigned at that time but the reserve will not be notified of the assignment until 0700.

E-5-b-(2)- A trip that becomes available for assignment between forty-four (44) hours and twelve (12) hours before the scheduled departure time of the trip will be assigned twelve (12) hours before the scheduled departure time

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of the trip or at 0700, whichever is earlier.

E-5-b-(3)- A trip that becomes open less than twelve (12) hours before the scheduled departure time of the trip will be assigned so as to provide the reserve with a reasonable amount of time to report for the trip or at 0700, whichever is earlier, unless waiting to make the assignment would cause an otherwise available reserve to become illegal for the assignment.

E-5-c- In the application of sub-paragraphs 3-E-5-a and 3-E-5-b above the following shall apply:

E-5-c-(1)- Assignments will be made to the first reserve, in first-in, first-out order, who is legal for the assignment notwithstanding the fact that waiting to make the assignment would result in assigning the trip to a reserve who is closer to the top of the list.

E-5-c-(2)- If no reserves are legal for an assignment at the time a trip becomes open or available for assignment, the Company may wait to make the assignment to a reserve who subsequently will become legal for the assignment.

E-6- All non-augmented international flying operated under domestic contract rules of the Agreement, will, for the purposes of the required rest rule, be

treated as domestic flying.

E-7- Reserve Days Off

At equipment domiciles where scheduled international flying is assigned, all international reserve lines available for monthly preferencing shall include one period of six (6) consecutive days off in a 30 day month and seven (7) consecutive days off in a 31 day month which may not be disrupted without pilot concurrence by an assignment made under the provisions of sub-paragraph 3-E-1 above. If in the actual operation, a pilot is worked into one or more of these day(s), such day(s) shall be restored to the pilot in conjunction with the remaining days off and will not be disrupted without his concurrence. In addition to this period of six (6) or seven (7) days off, these international reserve lines will contain either two (2) periods of three (3) days off or three (3) periods of two (2) days off. Except for the one six (6) or seven (7) day off period, all other day off periods may be disrupted only by an international assignment under sub-paragraph 3-E-1 above, or to correct a month-end legality problem. When such disruption occurs, the days off lost will be restored in the current month, if possible, but may be restored in the following month, if necessary. Restoration of days off will not be deferred beyond the following month unless further deferral is required due to a conflict with (1) scheduled vacation, (2) training, (3) other schedule

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unavailability or (4) the inability to restore the days off owed without splitting scheduled trip sequences. Days off will be in minimum groups of two days provided the Company owes the pilot two or more days off. Single days off may be restored or added to the pilot's vacation with his concurrence.

E-8- At domiciles where no international flying is assigned, a reserve will not be assigned an involuntary 8-L-6 assignment to perform international flying at another domicile. When a new international domicile is established, the parties will meet to determine the scheduling process necessary to insure that the pilots who are assigned international flying meet the required qualifications and necessary experience levels.

E-9- In the event the scheduled pilot becomes available after a reserve is assigned and the reserve is no longer needed, the reserve assignment may be canceled. When assigned to cover for a pilot on sick leave, reserves shall call OPBCM within eight (8) hours of departure to verify the assignment.

E-10- When released from duty upon completion of an international assignment, a reserve will receive a minimum of twenty-four (24) hours free

from duty unless a greater rest is required by other provisions of this

Agreement.

E-11- In those international equipment domiciles that have both scheduled Pacific and Atlantic DSL flying no reserve pilot will be assigned a trip pairing containing an international Pacific flight segment within forty-eight (48) hours of completion of a trip pairing containing an international Atlantic flight segment. No reserve pilot will be assigned a trip pairing containing an international Atlantic flight segment within sixty (60) hours of completion of a trip pairing containing an international Pacific flight segment. No reserve will be assigned or reassigned to fly in the European and Pacific operation in any single trip pairing.

F. The Company will not construct lines of flying which contain both one or more international Atlantic flight segments and one or more international Pacific flight segments except where full lines of flying cannot be constructed using exclusively Atlantic or Pacific flying. In the event that both Atlantic and Pacific flying is scheduled in the same line of flying the time between pairings will not be less than sixty (60) hours between a pairing containing an international Atlantic flight segment and a pairing containing an international Pacific flight segment, and seventy-two (72) hours between a pairing containing an international Pacific flight segment and a pairing containing an international Atlantic flight segment.

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G. The actual duty time limits of Paragraph A & B above may be extended with Pilot concurrence.

H. On Basic and Augmented Crews, a Captain may be assigned as a First Officer subject to the provisions of paragraph of the Agreement.

I. If an augmenting crew member is required on any flight segment in a duty period, he shall be required on all flight segments in that duty period. If the scheduled flight time between any two (2) stations is such as to require augmentation in one direction, then augmentation at the same level shall be required on that segment when flown in the opposite direction. Notwithstanding, if a flight requires augmentation due only to the application of 3-A-6-d, or 3-B-5-d, the augmenting pilot shall be initially assigned to fly a comparable return flight, but may be reassigned if required by the operation. The augmenting First Officer who is displaced for any reason will not be assigned to another First officer position on the trip from which he was displaced, or any other trip, without his concurrence.

J. Fuel Stops

A fuel stop required for operational reasons on any international trip segment, Even though pre-planned on a recurring basis, shall not be considered as a scheduled stop for any reason.

Should a fuel stop occur on any international segment, all pilots assigned to fly That segment will receive an additional one (1) hour pay in addition to all other compensation provided upon completion of fueling the crew continues flying toward their original destination. Fuel stops will not be planned for less than forty (40) minutes block-to-block. Further, when Dispatch forecasts a fuel stop on any unaugmented Pacific crossing which was initially scheduled in excess of ten and one-half (10 1/2) hours flight time, an augmenting crew member will be assigned provided OPBCM receives at least six (6) hours notice.

K. All flight time, duty time and segment limitations which are applicable to flying under this Supplemental Agreement shall also apply to deadheading on the same basis as if it were flying. In the actual operation, assignments which include a duty period which consists solely of deadheading shall contain no more than three (3) deadhead segments in that deadhead duty period.

L. International lines of flying may be constructed which contain up to eighty-five (85) credit hours. Additionally, no pilot will be scheduled or reassigned to perform more than 4 Pacific or Atlantic crossings in a single trip pairing, or more than 2 Pacific or Atlantic crossings of more than 10 hours in a single trip pairing. The

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Local Schedule Committee, with the concurrence of the SSC and the Company, may authorize the construction of lines of flying in any equipment domicile to exceed the applicable monthly schedule limit by up to one (1) hour, provided the extended monthly schedule limit improves the quality of the affected lines.

(Should the monthly schedule limits be increased the actual performance limits will be increased by an equal amount).

M. Legal Rest Minimums.

M-1- Duty periods which contain eight (8) or fewer hours of flight time shall provide rest breaks in accordance with Section 5-G-1-c and 5-G-2-c of the Agreement. Further, in the application of this provision, the occurrence of rest breaks of 11:30 or less immediately following duty periods in excess of 12:00 will be limited to one per pairing.

M-2- Duty periods which contain more than eight (8) hours but twelve (12) hours or less of scheduled flight time shall provide at least eighteen (18) hours free from duty. With SSC concurrence on a monthly basis, this scheduled eighteen (18) hour minimum may be reduced to sixteen (16) hours. (16:00 is to be considered an actual minimum).

M-3- Duty periods which contain more than twelve (12) hours of scheduled flight

time shall provide at least twenty (20) hours free from duty. With SSC concurrence on a monthly basis, this scheduled twenty (20) hour minimum may be reduced to eighteen (18) hours. (18:00 is to be considered an actual minimum).

M-4- If a trip pairing includes duty periods which are scheduled to contain more than eight (8) hours of actual flight time for a basic crew or more than twelve (12) hours of actual flight time for an augmented crew, there must be scheduled within the pairing a crew layover of at least twenty-four (24) hours, block-to-block, at or before the end of each second long duty period as defined herein.

M-5- In addition to the above, at least sixteen (16) hours free from duty will be scheduled prior to any duty period which is scheduled to contain more than eight (8) hours of flight time or deadhead. With SSC concurrence on a monthly basis, this scheduled sixteen (16) hour minimum may be reduced to fourteen (14) hours. (14:00 is to be considered an actual minimum).

M-6- Upon completion of a trip pairing containing an Atlantic crossing(s) a pilot shall receive a rest at home scheduled for no less than 24 hours (22 hours shall be considered an actual minimum which may be further decreased to 21 hours with pilot concurrence) which shall increase to 36 hours if the trip pairing contains

more than two duty periods. Further, after completing a pairing containing a Pacific crossing, a pilot will receive a rest at home of no less than 48 hours, which shall be extended to 72 hours after a trip pairing containing more than 6 duty periods. Additionally, upon completion of a Pacific trip sequence which originates and terminates on the mainland and which includes four (4) or more duty periods, but which does not include a "Pacific Crossing", a pilot shall receive a rest at his home domicile of no less than 48 hours, which shall be extended to 72 hours after a trip pairing containing more than six (6) duty periods.

M-7- Pilots flying international trip pairings shall be scheduled for one (1) twenty-four (24) hour period off in each seven (7) twenty-four (24) hour period on duty. This time off, if given at an away from domicile point, shall not count toward minimum days off.

N. Report and Debrief Times

N-1- In order to assist in giving longer notice to reserves and to improve Schedule integrity, each scheduled pilot shall be required to verify his intention to fly his next scheduled trip by: (1) following the trip verification procedure in CMS, which is accessible through Unimatic terminals and may be available through private PCs via MODEM; or (2) by calling OPBCM on a toll free number provided by the Company. One of these two actions must be

accomplished not later than 24 hours before the scheduled departure of each international trip, or upon termination of the pilot's prior trip, if later.

N-2- When the originating segment of a trip sequence is known to be delayed, the Company will advise the scheduled crew prior to their check in. If such contact is attempted four (4) or more hours before the original scheduled departure (or before the last planned departure time of which the pilot(s) was aware), the pilots on-duty period will not begin until one and one half (1 1/2) hour before the revised departure. Further, if a delay develops within four (4) hours of scheduled departure and the pilot(s) is advised of the planned delay prior to his checking in at the airport, the start of his on duty period may also be adjusted as above. In the application of this provision, OPBCM will maintain alternate phone numbers and will follow all reasonable instructions provided by the pilot to facilitate reaching him.

N-3- Duty time, on a scheduled or actual basis, shall include flight and ground time. A pilot shall be considered to be on duty one and one-half (1 1/2) hour before the scheduled departure of his trip until thirty (30) minutes after the scheduled or actual termination of his trip, whichever is later. If the required reporting time exceeds one and one-half (1 1/2) hours, such time shall be considered as duty time. This paragraph shall not apply in the application of Paragraph 5-G-1-b-(3) of the Agreement. If in the actual operation at certain

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airport locations the thirty (30) minutes debrief time is continually less than required, the parties agree to meet to discuss increasing the thirty (30) minutes to a more reasonable amount of time. The schedule and actual duty limits specified in 3-A, 3-B, 3-C and 3-D above may be increased up to thirty (30) minutes to accommodate the increased report time under this sub-paragraph when necessary to accommodate the scheduled flight time of the trip in that duty period.

O. Minimum Scheduling Provisions and Actual Credit Provisions

Pilots flying international trip pairings shall be covered by the flight time credit provisions and actual credit provisions of Section 5-G-3 of the Agreement.

Section 5- G-3-g of the Agreement shall not apply.

P. Construction of International Lines & Pairings

P-1- An international trip pairing ID may contain a domestic segment(s).

P-2- An international line of flying may contain no more than two (2) domestic trip pairings. However, if the total time in the domestic pairings exceeds that of the international pairings, the total line value will be limited to the applicable domestic maximum line value. A domestic line of flying may contain international trip pairings.

P-3- For the purpose of this agreement, the international domicile airports are: SFO, LAX, IAD, JFK, ORD, HNL, MIA, ANC and SEA. If in the future, DSL scheduled international flying is assigned to domestic domicile airports other than listed here, those domiciles shall also be considered international domicile airports for the purposes of this paragraph 3-P-3. In the event a pilot is assigned an international pairing which originates at an airport listed in) which is not also an international domicile airport listed in this sub-paragraph 3, the Company shall provide round trip transportation at the pilot's option between the international domicile airport and the airport at which the assignment originates.

SECTION 4- INTERNATIONAL RELIEF PILOT

A. For the purpose of staffing the Pacific operation, IRP's shall be assigned as follows:

A-1- The position of IRP shall be established as a fourth pilot status on a three (3) pilot aircraft and shall be bid according to the provisions of Section 8 of the Agreement.

A-2- Eligibility to be Awarded Vacancies

Notwithstanding Section 8-D of the Agreement, the following requirements must be met for a pilot to be awarded an IRP vacancy.

A-2-a- He must hold a valid flight engineer's certificate and a valid commercial pilot's license which he is qualified to use under FAR 121.

A-2-b- He must hold an activated Second Officer assignment.

A-2-c- The provisions of Section 8-B-5 shall apply to any Second Officer who bids and is awarded an IRP vacancy, except for a Second Officer who is currently assigned to the same equipment type as the IRP assignment. In this situation, the Second Officer will carry over any remaining freeze to the IRP assignment.

A-2-d- Notwithstanding Paragraph A-2-b above, a pilot who holds an Activated assignment as a B-767/757, B-727, B-737, or B-737-300/400/500 First Officer shall also be eligible to be awarded an IRP assignment. Further, a pilot holding an activated assignment as a DC-10 First Officer or DC-10 IRP shall be eligible to be awarded a B-747 IRP assignment. A First Officer awarded an IRP vacancy or a DC-10 IRP awarded a B-747 IRP vacancy may be required to fill such assignment for a period of twenty-four (24) months from the first day of the month following the month he was awarded his bid.

A-3- Lines of flying available for preference and awarded to IRP's shall be constructed solely of IRP flying.

A-4- IRP's assigned to reserve shall be available for assignment to either IRP flying or Second Officer positions.

A-5- The IRP's monthly salary will be equal to the basic Second Officer's salary for the equipment and year of longevity plus twenty-five percent (25%) of the difference between the First Officer's salary and the Second Officer's salary for that equipment at twelfth (12th) year rates.

A-6- At B-747 domiciles where no flying is assigned which requires IRP augmentation, the Company may offer training to Second Officers who volunteer for the training as IRP's. These IRP-trained B-747 Second Officers will be used to augment B-747 crews in irregular operations or whenever occasional, unscheduled IRP coverage is required. When an IRP qualified Second Officer is assigned to augment a B-747 crew, he shall perform as an IRP and receive IRP pay for that assignment unless the scheduled Second

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Officer is both senior and IRP qualified. In this case, the scheduled Second Officer shall have his choice of functioning as an IRP or as a Second Officer.

SECTION 5- FIRST OFFICER ON AUGMENTED CREWS

A. First Officers in equipment domiciles where flying is scheduled which requires staffing with First Officers who require an ATP and type rating under the provisions of this Supplemental Agreement and First Officers at all B-747 and B-747-400 domiciles shall be required to have an ATP rating in the equipment to which assigned and will be provided training by the Company as follows:

A-1- Incumbent First Officers shall be provided the training normally required to obtain an ATP rating including, if necessary the training associated with the written portion.

A-2- In a domicile that becomes an International equipment domicile, all First Officers who meet the FAR requirements for an ATP will be provided the required training to fly international trips.

A-3- Notwithstanding the provisions of paragraphs A-1 and 2 above, a pilot will not be denied a B-767 First Officer bid at a domicile where such flying exists because he has insufficient flight time to qualify for an ATP and type rating. Further, during the first eighteen (18) months after the start of international flying requiring an augmented crew at that equipment domicile, a non-rated internationally qualified B-767 First Officer may serve as augmenting pilot until he accumulates sufficient flight time to qualify for an ATP and type rating.

During any month in which a First Officer flies a trip with an augmented or

double augmented crew, he shall receive, in addition to his regular salary, the appropriate First Officer Override or International Override in Section 3 of the Agreement, whichever is greater.

SECTION 6- FOREIGN TEMPORARY DUTY ASSIGNMENTS

A. The Company may designate TDY assignments at Tokyo, Osaka, Sydney, Auckland, Frankfurt, Paris, London, and Dublin. Prior to the Company implementing any temporary duty assignments in the above locations or at any other mutually agreed to location, the parties will meet to discuss any problems associated with the filling of the vacancies required for the TDY domicile, adequate lodging, expenses, and any other relevant issues.

B. Temporary duty assignments will be filled by a preferencing procedure at the domicile(s) designated by the Company. The number of TDY assignments available

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from each domestic domicile shall be posted prior to preferencing. Volunteers from any domicile may be considered, should insufficient pilots preference at the designated domicile(s).

C. Temporary duty assignments will be posted, preferenced and awarded prior to the posting of monthly lines of flying for domestic domiciles. All pilots assigned to a temporary duty domicile shall preference monthly schedules for that temporary domicile.

D. Should there be insufficient bidders for the TDY assignment, pilots will be assigned in inverse order of seniority from those pilots at the designated domicile who have spent the fewest number of months in TDY assignments in the last twelve (12) months. Under this provision, no pilot will be involuntarily assigned to a TDY assignment more than two (2) months in any twelve (12) consecutive months, nor will a pilot be involuntarily assigned to a TDY assignment in consecutive months without his concurrence.

E. Pilots who have been awarded or involuntarily assigned a temporary duty assignment will have the option to remain at the TDY assignment for an additional one (1) or two (2) months if the assignment is still available.

F. Pilots who indicate a desire to remain at the assignment for two (2) months or more will be entitled to:

F-1- Have his spouse and dependents accompany him to the assignment.

Dependents eligible for pass travel under this provision will be those

Dependents eligible for any pass travel as defined under Company policy regulation Series 15-9. Dependents of college age who have limited pass travel eligibility will be eligible for pass travel under this Section.

F-2- Positive space transportation to and from the assignment for his spouse and dependents.

F-3- When the pilot remains at a TDY assignment in excess of two (2)

months as defined in Section 2-O, the Company will provide one (1) additional BP-3 transportation for a pilot's spouse and eligible dependents.

G. Pilots who have been awarded a TDY assignment will receive expenses as provided in Section 4-E of the Agreement and Section 2-A of this Supplemental Agreement.

H. A pilot will be provided suitable hotel accommodations as specified in the Agreement. Additionally, if a pilot qualifies for a spouse and/or dependents to be at the TDY location and he does transport two (2) or more members of his family

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to the TDY location, he shall be provided, at a cost to him not to exceed the rate paid by the Company, an additional bedroom.

I. The following provisions will be applicable to pilots assigned to temporary duty (TDY):

I-1- Pilots volunteering for and being awarded a full month or months of TDY must position themselves to fly the first trip or to be available for the first reserve availability day in their TDY line.

I-2- To accomplish this, lineholders may have to travel to and from the TDY assignment outside of their TDY month on days that have previously been scheduled as vacation days and/or regular days off and Reserves may have to travel on their vacation days. Further, if a lineholder has a trip in the month prior to the initial TDY month that would prevent him from positioning himself for his first scheduled assignment in his TDY line, he shall have his prior month's line repaired in order to provide the necessary time. In that event, he will be "pay protected" in that month if the repair would otherwise reduce his pay in that month. A Reserve who has days off in the prior month that would prevent him from traveling to and from the TDY assignment to be in position for his first TDY assignment will have his days off moved so that the necessary travel day(s) will be reserve work (available) days instead of days off, unless he volunteers to travel on his days off, in which case he shall have all such lost days off restored under the provisions of I-4, below. Every reasonable effort will be made to comply with the reserve pilot's request regarding the rescheduling of his reserve days off.

I-3- The pilot's travel to and from the TDY assignment shall be subject to the following:

I-3-a- In order to travel to an initial month's TDY assignment, if the time is Not already available in the pilot's schedule, he shall be provided enough time so that he has the opportunity to schedule himself for (1) rest between any duty at his domestic domicile and the departure time of his flight from his domicile to

the TDY assignment equal to that required by Section 3-M-1 of this International Supplement, (2) online transportation from his domicile to the TDY assignment and (3) at least 18 hours off between his scheduled arrival at the TDY assignment and his first duty. In satisfying the requirements of this sub paragraph "a" and sub paragraph "b", below, the pilot may be required to travel on a continuous multi-segment itinerary so long as the en route time of these flights is not scheduled to exceed eighteen and one-half (18-1/2) hours. If the pilot schedules himself to arrive at the TDY assignment on a flight that would provide at least 18 hours off; then, in the actual operation, 16 hours off will be the applicable minimum.

I-3-b- If the time is not already available in the pilot's schedule to travel to His home domicile from the final month of the TDY assignment, he shall have his following month's schedule modified under the month-end conflict provisions of

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Section 5 of the Agreement in order to have enough time to schedule himself for (1) rest between his last TDY flight assignment and the start of his travel to his home domicile equal to that required by Section 3-M-1 of this International Supplement, (2) online transportation to his domicile from the TDY assignment and (3) at least 36 hours off between his scheduled arrival at his domicile and his first duty at his domicile. If the pilot has scheduled himself to arrive at his domicile on a flight that is scheduled to provide him with at least thirty-six (36) hours off, 24 hours off shall be the minimum requirement in the actual operation prior to any assignment at his home domicile.

I-3-c- It is understood that the provisions of "I-3-a" and "I-3-b", above, when applied in conjunction with the Company's current passenger timetable, will produce a schedule of rest periods and flight itineraries which may not reflect the actual arrangements that the pilot elects to use; nonetheless these rests and flight itineraries will be used (1) to determine what, if any, adjustments are required to the pilot's line or reserve days off in the months adjoining his TDY assignment and (2) to determine how many, if any, vacation days or regular days off need to be restored under paragraph I-4, below. In determining the number of days lost due to positioning, the departure time of the flight established in "I-3-a", above, and the arrival time of the flight established in "I-3-b", above, shall be used to define which days have been lost.

I-3-d- It is further understood that each pilot is required to make his own travel arrangements and is free to travel during any time that is available to him without impacting his schedule, after any adjustments that are required above. If the pilot chooses to travel from or return to a US point other than his domicile, he will be responsible for his own domestic transportation to and

from the gateway city.

I-3-e- The pilot shall be entitled to expense reimbursement for the period of TDY under the provisions of Section 4-E-1 of the Agreement and Section 2-A of this International Supplement, and for the travel time necessary between the pilots domicile and the TDY assignment and any required en route stopover during positioning travel between his domicile and the TDY assignment.

Further, if the pilot actually arrives at the TDY assignment early, the Company will reimburse expenses for up to two (2) calendar days prior to his first flight assignment or from the first day of the TDY month, whichever is earlier.

I-4- Restoration of days off and vacation days lost due to positioning will be subject to the following:

I-4-a- Should the pilot lose a vacation day or days outside his TDY period as a result of positioning himself, the Company will restore the lost vacation day(s) to the pilot.

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I-4-b- If a lineholder pilot loses no more than one day off outside the TDY month due to outbound positioning and/or one day off outside the TDY month due to return positioning, there will be no restoration of that (those) lost day(s) off. Any additional days off lost due to positioning will be restored to the pilot, as described below.

I-4-c- Lost vacation and regular days off will be added to either the pilot's vacation in the following year or to any remaining subsequent vacation in the current year, at the pilot's option.

I-4-d- Any restoration of vacation days or regular days off will not entitle the pilot to any additional vacation splits beyond what the pilot was originally entitled to under the provisions of Section and 11-G-2-b of the agreement.

I-4-e- If a pilot volunteers for the TDY assignment for two or more consecutive months, restoration of any lost vacation days or regular days off will be provided only for those days necessarily lost as a result of positioning immediately prior to the first month of the TDY period and immediately subsequent to the last month of the TDY period.

I-4-f- The pilot will be required to advise the Company within 48 hours of the publication of any schedule which generates days owed if he has a preference regarding when those days owed will be restored.

I-5- Pilots who are involuntarily assigned to a TDY assignment will not be required to position themselves on either regular days off or on vacation days outside of the month of the TDY, but may do so voluntarily. If they lose vacation days or days off as a result of volunteering, they will be entitled to schedule

adjustments and/or to restoration of lost days as provided above for volunteers.

SECTION 7- DELHI PROVISIONS

The following provisions will apply when operating to and from Delhi, India:

- A.** These provisions shall apply only to operations conducted in B-747-400, B-777 and B-767 aircraft. Prior to implementing operations in another equipment type, or to any cities in India except Delhi, the parties will meet to review the experience gained in the operation and reach agreement on any changes, if necessary, to initiate such flying.
- B.** Section 3-B above (Atlantic Operations) shall apply to non-stop London-Delhi operations, except for paragraph 3-B-2-c and 3-B-2-d. "Atlantic Crossing", as it applies to operations conducted under this Section, will mean any operation between London and Delhi. Section 3-D above will apply to all non-stop operations between ORD, JFK, and IAD and Delhi.
- C.** Pilots assigned to a DEL pairing shall receive a period free from duty at the end of each trip pairing consisting of not less than two nights (2300 to 0700) rest at their domicile before being assigned other flying.
- D.** Operations between DEL and HKG are already permitted under the provisions of Section 3-A above (Pacific Operations), which shall continue to apply to the operation of the HKG-LHR and HKG-DEL segments.
- E.** No pilot scheduled into DEL will be scheduled or reassigned to fly or deadhead multiple segments in excess of eleven and one half (11 1/2) time zones away from his home domicile, without his concurrence. (A TDY domicile is considered the pilot's home domicile for the purposes of this paragraph).
- F.** Trip pairings involving operations to DEL scheduled under the provisions of Section 3-B above will be limited to a maximum of 4 duty periods unless the pilot(s) involved agree to an exception.
- G.** No pilot will be scheduled or required to fly or deadhead from or through DEL in a direction away from his domicile, without his concurrence. (A TDY domicile is considered the pilot's domicile for the purposes of this paragraph).
- H.** B767 aircraft scheduled between LHR and DEL will provide a pilot rest seat consisting of a single International First Class seat in the non-smoking section of the First Class cabin.
- I.** When a pilot is required to deadhead (either on or off line) to or from DEL, the pilot will be seated in First Class or Business Class if First Class is not available. In no case will the pilot be required to deadhead in Coach Class. The Association will provide the Company with a list of acceptable airlines for the scheduled deadheading of UAL pilots.
- J.** The layover hotel in Delhi will be selected by the Association from the Hyatt

Regency or the Welcomgroup Maurya Sheraton. The Company will not change hotels as a result of a rate increase without providing the Association 60 days notice prior to the change. The parties will begin the process of obtaining another mutually acceptable hotel(s) to serve as an available backup, in the event the current hotel becomes unavailable. A crew lounge will be provided by the hotel for use by United crews. If technologically feasible, a Unimatic terminal will be provided at the hotel within a reasonable period of time and made available to United crews.

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J-1- If a room at the scheduled layover hotel is not available within 15 minutes of scheduled check-in time, the affected pilot may seek other accommodations and claim reasonable actual lodgings expense on the regular Company expense account form supported by the hotel receipt as provided in Section 4-B-1-c-(1) of the Agreement.

J-2- In addition to the provisions of Section 2-B-5, transportation to and from the Hotel will be provided by full size air conditioned private vehicle (exclusively for crews) with normal safety equipment and qualified driver. The size of the vehicle will be commensurate with the needs of an International flight crew with luggage.

K. The Company will explore the possibility of obtaining a corporate membership at a travelers or expatriate club which specializes in English-speaking membership in Delhi for the purpose of providing pilots on layover with membership services. The Company is committed to providing this service if such services are available and can be acquired at a cost no greater than that paid by other international airlines that provide their crews with such services in Delhi.

L. European or North American bottled drinking water meeting U.S. Health Department standards for purity will be made available at the layover hotel to layover crew members in India. Bottled water will also be made available to pilots on flight segments operating to and from DEL.

M. Aircraft used on flights to, from, or within India will have a priority lavatory lock system (similar to the 747-400 system) installed within a reasonable period of time.

N. Agreement will be reached between UAL Flight Operations management and the MEC Chairman on operational issues associated with India service, including depressurization escape routes and aircraft routings.

SECTION 8- GENERAL

A. Reassignment under Section 20-F-2 and 20-I must return the pilot to his home

domicile for a legal rest within thirty-six (36) hours of his originally scheduled arrival at his home domicile if reassigned while in the Atlantic operation and within forty-eight (48) hours of his originally scheduled arrival at his home domicile if reassigned while in the Pacific operation. If, however, the pilot's duties in his reassignment commence within the last forty-eight (48) hours in an Atlantic assignment or sixty (60) hours in a Pacific assignment prior to his originally scheduled arrival at his domicile, the reassignment as given will not delay his return to domicile for more than forty-eight (48) hours of his originally scheduled

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arrival at his home domicile if reassigned while in the Atlantic operation and for more than sixty (60) hours of his originally scheduled arrival at his home domicile if reassigned while in the Pacific operation. In the event a pilot is reassigned and his arrival at his domicile will be later than originally scheduled, upon his request, the Company shall notify the pilot's residence or contact number of the delay and expected arrival time.

B. The Association will be consulted and their recommendations will be given full consideration whenever a new aircraft type is ordered which requires on-board rest facilities as a result of this agreement or the FAR. The present B-747-400 rest facility is considered to be optimally suited for aircraft operating within the range of the B-747-400.

C. Should a situation arise, either in the country or city served, that could present a concern for the continued safety of the crew or aircraft, then representatives of the Association and the Company will meet immediately to determine the most appropriate action and/or modifications required, including the possibility that additional insurance may be appropriate. In no event will a pilot assigned to United's international operations suffer any reduction to his Company insurance benefits. Additionally, the Company agrees to protect a pilot from any reduction in his personal life insurance benefits which may result from his assignment to international operations at the time of his death up to a maximum of one million dollars of total personal coverage.

D. Notwithstanding the provisions of Section 13 and 20 of the Agreement, any lineholder who does not fly a scheduled international trip due to a sick leave absence, is subject to the following:

D-1- Such pilot shall be eligible to restore all or part of his accrued sick leave used for the illness absence on an actual hour for actual hour basis.

D-2- Restoration of sick leave accrual shall be accomplished by picking up open time under the provisions of Section 20-H-5 of the Agreement.

D-3- Pick up under this provision shall be limited to the month in which the absence occurs.

E. Lost Luggage

If a crew member's luggage is lost by the Company while he is assigned an international trip pairing or assigned to an international TDY domicile, then he shall be subject to the policy regarding lost luggage applicable to revenue passengers. An advance of Two Hundred and Fifty Dollars (\$250.00) will be made available to a pilot under these circumstances. Such Two Hundred and

Fifty Dollars (\$250.00) will be returned to the Company if his luggage is recovered.

F. While on layover at a foreign location, crew members shall advise the local United Station Operations of their whereabouts, if not residing at the scheduled hotel.

G. Should a pilot incur any foreign income tax liability as a result of an involuntary TDY assignment, that liability will be assumed by the Company.

H. Line preferencing information will be made available at one or more locations where crews layover who are flying trip pairings of five (5) or more days duration. Schedule preferences will be accepted by telemeter from all such crews who will not return to their domicile before close of preferencing.

I. Should government action modify any existing United Airlines route, the parties will meet to discuss the possible need to make modifications to this Supplemental Agreement.

J. The Company will consult with the Association Hotel Committee prior to changing any currently approved international layover facility. Whenever changes are contemplated, at the request of the ALPA Hotel Committee Chairman, a representative of Flight Operations will inspect the proposed facility prior to the change taking place.

K. The Company will provide the names of English speaking doctors and medical facilities which are available 24 hours. A priority will be placed on finding doctors and facilities which are convenient to the layover hotel and with whom arrangements can be made which will eliminate the possibility that the pilot will be required to provide immediate payment for treatment; including arrangements which would require the pilot to later reimburse the Company for advancing payment on his behalf.

L. The Company and the Association will conduct a second joint medical study regarding crew rest. The Company commits that scheduling practices and philosophies no less favorable to the pilots than those in effect January 15, 1991 shall remain in effect pending the results of this second crew rest study.

M. Should international scheduling problems occur, the parties will meet to attempt to resolve the problems. Additionally, should the Federal Aviation

Administration modify the current FAR's, the parties will meet for the purpose of determining what changes, if any, should be made to this International Supplemental Letter of Agreement to conform with the new regulations.

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N. Whenever a new aircraft type is ordered which requires an on-board rest facility as a result of this Agreement or the FAR, a joint committee comprised of ALPA and Company representatives will study and review all possible rest facilities currently in use or in development to determine what best meets the needs of United and the pilots. The joint committee will make their recommendation to the MEC Chairman and the Chief Operating Officer for a final resolution.

SECTION 9- DURATION

This Supplemental Agreement shall become effective upon signing and run concurrently with Section 22 of the 2000 Pilot Agreement.

IN WITNESS WHEREOF, the parties have signed this Supplemental Agreement this 9th day of May, 1991.

WITNESS:

FOR UNITED AIR LINES, INC.

/s/ G.L. Andrews

/s/ John R. Samolis

/s/ T.A. McClone

John R. Samolis
Vice President

/s/ R. W. Rosinia

Employee Relations

WITNES:

FOR THE AIR LINE PILOTS IN THE SERVICE
OF UNITED AIR LINES, INC.

/s/ T.P. Austin

/s/ J. Randolph Babbit

/s/ C.A. Rine

J. Randolph Babbit, President

/s/ L.J. Balestra

Air Line Pilots Association, International

/s/ H.E. Stepinsky

Revised as of July 12, 1994.

/s/ John R. Samolis

John R. Samolis

Vice President

Employee Relations

/s/ Roger D. Hall

Roger D. Hall, Chairman

UAL/ALPA Master Executive Council

Revised as of this 26th day of October, 2000.

/s/ Williams P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council

Pacific ETOPS

UNITED AIRLINES

May 9, 1991

Captain J. R. Babbitt, President

Air Line Pilots Association

1625 Massachusetts Ave., N.W.

Washington, D.C. 20036

Dear Captain Babbitt:

This will confirm that in the negotiations leading to the 1991 Pilot Agreement, the Company and the United Airlines' Master Executive Council Negotiating Committee agreed that prior to implementing any twin engine ETOPS operations in the Pacific Basin, the parties will meet to review the ETOPS experience gained in the Atlantic Operation and reach agreement on any changes in the International Supplemental Agreement necessary to initiate such flying.

It was further agreed that should the Company receive any new European route authority during the term of the 1991 agreement which could not be operated under the Atlantic provisions of the International Supplemental Agreement the parties will promptly meet and agree on such changes in the agreement necessary to implement such new service. (Such changes could include, but not be limited to, additional crew augmentation).

Sincerely,

/s/ John R. Samolis

John R. Samolis

Vice President

Employee Relations

Meet and discuss medical /dental plan

UNITED AIRLINES

May 9, 1991

Captain Thomas P. Austin Chairman

UAL-MEC Negotiating Committee

Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, Illinois 60018

Dear Pat:

This letter will confirm the commitments made between the parties during the 1991 negotiations.

The parties agreed to meet on a quarterly basis to discuss, and make a good faith effort to resolve, any and all problems relative to the medical/dental plan.

Such discussion could include, but not be limited to, problems with managed health care, and individual claim issues.

Sincerely,

/s/ John R. Samolis

John R. Samolis

Vice President

Employee Relations

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

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC., as represented by the AIR LINE PILOTS ASSOCIATION INTERNATIONAL (hereinafter referred to as the "Association").

WITNESSETH:

WHEREAS, the Company and the Association desire to clarify their respective rights with respect to future amendments to the United Air Lines, Inc. Pilots Fixed Benefit Retirement Income Plan (Fixed Plan), the United Air Lines, Inc. Pilots' Directed Account Retirement Income Plan (Directed Account Plan) and the Welfare Benefit Plans (any of the above may be referred to herein as a "Plan").

NOW THEREFORE, it is mutually agreed:

1. The Company will provide the Association an opportunity to discuss and comment on all proposed amendments to any provision of the Fixed Plan, Directed Account Plan, or a Welfare Benefit Plan at least thirty (30) days prior to implementation. The Company will consider any such comments in good faith. If, after proper notice by the Company, the Association objects to a proposed Plan amendment, the parties retain all their present rights and arguments under the Agreement and Plans concerning the Company's ability to implement such an amendment without approval of the Association.
2. Notwithstanding the provisions of 1, above, the Company shall not amend any provision of the Fixed Plan, the Directed Account Plan, or the Welfare Benefit Plans which changes negotiated benefits without the prior written consent of the Association. This provision is without prejudice to any other rights of the Association concerning other amendments to a Plan.

3. The Association may submit any dispute concerning any proposed Plan amendment, directly to the System Board or Pension Board, as applicable, within seven (7) days from the date the dispute is known to exist and will be decided within 60 days of submission.

IN WITNESS WHEREOF, the parties have executed this Letter of Agreement this 9th day of May, 1991.

WITNESS:

FOR UNITED AIR LINES, INC.

/s/ G.L. Andrews

/s/ John R. Samolis

/s/ T.A. McClone

John R. Samolis
Vice President

/s/ R.W. Rosinia

Employee Reoations

WITNESS:

/s/ T.P. Austin

FOR THE AIR LINE PILOTS IN THE SERVICE
OF UNITED AIR LINES, INC.

/s/ C.A. Rine

/s/ J. Randolph Babbitt

/s/ L.J. Balestra

J. Randolph Babbitt, President

/s/ H. E. Stepinsky

Air Line Pilots Association, International

CRAF

SUPPLEMENTAL AGREEMENT
between
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 SUPPLEMENTAL AGREEMENT, is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and THE AIR LINE PILOTS in the service of UNITED AIR LINES, INC., as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

WHEREAS, the Company and the Association desire to supplement their Pilots' Employment Agreement signed May 9, 1991, (hereinafter referred to as the "Agreement") by providing certain rates of compensation, rules and working conditions with respect to the Company's CRAF Operation (Civil Reserve Air Fleet).

NOW, THEREFORE, it is mutually agreed and understood by and between the parties of this Supplemental Agreement that the rates of compensation, rules and working conditions stipulated herein shall be in full force and effect on the Company's Civil Reserve Air Fleet Operation; provided that all provisions of the Agreement, as herein defined, except as specifically modified or excepted by this Supplemental Agreement, shall be applicable also to the Company's Civil Reserve Air Fleet Operation.

SECTION 1

DEFINITIONS

A. The word "Agreement" when used in this Supplemental Agreement means the Agreement between 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, signed August 14, 1981, or as it may be amended or modified.

B. The term "CRAF Operation" for the purpose of this Supplemental Agreement means all flight operations conducted in accordance with the agreement between United Air Lines and the Department of Defense but shall not include the Company's certificated service or commercial charter service or any other government operation.

SECTION 2

COMPENSATION

Rates of Pay

A-1- Pilots while assigned to the CRAF Operation shall be paid in accordance with the applicable rates of pay for the type of equipment flown as provided in Section 3 of the Agreement.

A-2- In addition to the compensation specified in Paragraph A-1 above, pilots shall be paid the rate of Twelve Dollars and Fifty Cents (\$12.50) for each hour flown.

Hourly Pay Computation

Actual time block-to-block shall be used in computing the override pay as specified in Paragraph A-2 above for flying performed on the CRAF Operation.

SECTION 3

EXPENSES

A. Pilots when on a CRAF Operation shall be entitled to expense reimbursement under the provisions of Section 4 of the Agreement. Accommodations provided by the Company, where available, will conform to the minimum standards set forth in Section 4 of the Agreement. In addition to the hourly expenses provided by Section 4-A-1 of the Agreement, pilots in a CRAF operation shall receive an additional \$.50 an hour.

B. Travel expenses en route for the pilot while commuting to and from the Operation shall be allowed in accordance with this Supplemental Agreement.

SECTION 4

MOVING EXPENSES

No pilot shall be required to move to the location of the CRAF assignment,

unless required by the government. No moving expenses shall be paid until a pilot has completed ninety (90) days from the date of the CRAF vacancy. All moving shall be in accordance with Section 10 of the Agreement.

SECTION 5

FILLING OF VACANCIES

In anticipation of the emergency nature of the CRAF Operation, the Company shall keep on file a currently effective Preference List which shall include, in order of seniority, all pilots desiring to fly the CRAF Operation. Each pilot on the CRAF Preference List shall indicate whether he is preferencing a Captain vacancy, a First Officer vacancy or a Second Officer vacancy, and equipment type. This List shall be kept up to date by repreferencing on June 1st of every year. Any pilot preferencing a CRAF assignment must be currently status (Captain, First Officer or Second Officer) and equipment type qualified. If the Company commits an entire fleet to the CRAF Agreement, then any vacancies posted for that fleet will be considered as CRAF vacancies also. Any pilot awarded an assignment under these circumstances will be considered as having also been awarded a CRAF assignment. A pilot may remove his name from the CRAF Preference List at any time by giving thirty (30) days written notification to his Flight Manager, except when such pilot holds an assignment in an equipment type which has been totally committed to the CRAF Operation.

A. All pilot vacancies on the Company's CRAF Operation shall be filled in Accordance with system seniority provided such pilot is status and equipment qualified. In the event there are insufficient bidders, the Company will assign the most junior status and equipment qualified pilot on the system.

B. All CRAF vacancies shall be bulletined on a systemwide basis.

C. A pilot while assigned to the Company's CRAF Operation shall be permitted to bid on any vacancies. Every reasonable effort shall be made to advise all CRAF pilots of all bulletined vacancies.

D. In the event that there is a reduction in the number of personnel on the CRAF Operation, the reduction shall be in the reverse order of seniority in the status

and equipment affected at the domicile where the reduction occurs, unless a more senior pilot at such domicile in the status and equipment affected volunteers to return to line flying duty for United Air Lines, Inc. All pilots referred to in this Paragraph shall have the rights specified in Paragraph F below.

E. Notwithstanding Paragraph 8-C of Section 8 of the Agreement, a pilot's assignment on the domestic operation shall not be considered as vacated and such assignment shall not be bid or filled for a period of ninety (90) days

following the date of the award of his CRAF vacancy. In the event a pilot is relieved of his CRAF assignment during this ninety (90) day period, such pilot shall resume his last previously held domestic assignment.

F. A pilot returning to line flying duties on the domestic operation shall have the rights specified in the applicable provisions of Paragraph 8-D, 8-E, 8-G, 8-H, 8-I and 8-K-2 of Section 8 of the Agreement, but shall not be entitled to a Company paid move unless the move is required by the government. In addition, pilots reduced in accordance with Paragraph D above may bump the most junior pilot in any status or equipment at any CRAF domicile provided the pilot so bumping is status and equipment qualified.

G. A pilot's initial assignment to the CRAF Operation shall be in accordance with system seniority of those pilots on the Preference List. A pilot's assignment to the Company's CRAF Operation will be effective on the date which appears on the award of such vacancy. Assignment to the CRAF Operation will be made on the basis of the chronological order of the award dates.

H. Any pilot assigned or awarded a bid on the CRAF Operation must take up such assignment or bid on the date specified by the Company.

I. Notwithstanding the provisions of Paragraph 8-K-2 of Section 8 of the Agreement, a pilot on the domestic operation may not displace a pilot holding a CRAF assignment.

J. During the period in which a pilot has been released from his CRAF assignment and pending the exercise of his bumping rights as provided in this Supplemental Agreement, he shall, notwithstanding the provisions of Paragraph 8-K-1 and 8-K-3 of Section 8, take up duties of Captain, First Officer or Second Officer at the United Air Lines, Inc. domicile having his equipment type nearest to his CRAF assignment domicile or his residence.

K. A pilot's release from assignment to the Company's CRAF Operation will be effective from the date he is assigned to the domestic operation, which shall be after a reasonable rest period after his last trip of not less than two (2) calendar days. Such rest period shall be exclusive of travel time required to return to the pilot's domicile.

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SECTION 6

VACATIONS

A. Notwithstanding the provisions of Section 11 of the Agreement, a pilot assigned to the Company's CRAF Operation shall receive three and two-thirds (3-2/3) days vacation credit for each calendar month of service on such operation which shall be cumulative and carried over to the Company's domestic operation and made a part of the regular annual vacation credit due such pilot. In

computing vacation accrual, a pilot who was assigned to the Company's CRAF Operation for one-half (1/2) or more of a calendar month will be credited with three and two-thirds (3-2/3) days vacation for that month. In determining the vacation credit of a pilot who was assigned to the CRAF Operation, such days shall be in addition to the prorated vacation credit earned in accordance with Section 11 of the Agreement.

B. Vacation periods will be assigned by the Company taking the pilot's preference and seniority into consideration consistent with the needs of the CRAF Operation.

SECTION 7

RETIREMENT BENEFITS

A pilot assigned to the Company's CRAF Operation will be eligible for continued participation in the United Air Lines, Inc. Pension Plan for pilots. Contributions on behalf of a participant shall be based on his earnings while assigned to the Company's CRAF Operation.

SECTION 8

DEATH BENEFITS

In the event of the death of any pilot while assigned to the CRAF Operation or in the event of death of any pilot resulting from injury or disease received while assigned to the CRAF Operation, the Company shall pay or cause to be paid, subject to the conditions of Section 14 of this Supplemental Agreement, \$150,000.00 to the beneficiary or beneficiaries in the order and manner named in the last Group Life Insurance certificate issued for such pilot as a Company employee. Such death benefit shall be paid either in a lump sum or in installments, as the respective pilot's may in writing direct. Such benefits shall be in addition to the benefits prescribed in the Company's Group Life Insurance and Group Accident-Sickness Insurance Program as per the Basic Agreement.

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SECTION 9

SICKNESS AND INJURY BENEFITS

A. A pilot assigned to the Company's CRAF Operation shall receive sickness and injury benefits in the same manner as any pilot as outlined in Section 13 of the Agreement.

B. A pilot assigned to the Company's CRAF Operation will be eligible for continued participation and coverage in the Company's Accident and Sickness Program as provided in the Basic Agreement.

SECTION 10

PERMANENT TOTAL DISABILITY

In lieu of death benefits described in Section 8, in the event of the permanent total disability of a pilot resulting from injury or disease received while assigned to the CRAF Operation, the Company shall pay or cause to be paid, subject to the conditions of Section 14 of this Supplemental Agreement, compensation in the sum of \$150,000.00. Such compensation shall be paid either in a lump sum or in installments, as the respective pilots may in writing direct. The loss of, or the loss of use of, both hands, or both arms, or both feet, or both legs, or both eyes, or any two thereof, shall constitute permanent total disability for the purpose of this Section. In all other cases under this Section, permanent total disability shall be determined in accordance with the facts. Such benefit shall be in addition to the benefits prescribed in the Company's Group Life Insurance and Cooperative Group Life and Group Accident-Sickness Insurance Program as per the Basic Agreement.

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SECTION 11

INSURANCE AND WELFARE BENEFITS

A. Any pilot assigned to fly a CRAF flight shall continue to receive full benefits as provided in each applicable Plan. Further, the war limitation will be waived and benefits will be payable in the event of claims arising out of a declared or undeclared war. Benefits under all plans shall be paid on a per capita basis with no tartrate per accident limit.

A-1- Life Insurance

A-1-a- Company Paid Life - \$80,000

A-1-b- Supplemental Life up to \$330,000 (Pilot Contributor)

A-1-c- CRAF Life - \$150,000

A-2- Accidental Death and Dismemberment (AD&D)

A-2-a- Company Paid - \$4,000

A-2-b- Company Paid (Pilot) - \$35,000

A-2-c- Supplemental (24 Hour High Limit Contributory) - Up to \$300,000.

A-3- CRAF Death and Dismemberment - \$150,000

A-4- Special Hazards Benefits - \$100,000

A-5- Invalidated Life Benefit - \$50,000

A-6- Personal Life Insurance Protection - Up to \$1,000,000

A-7- Pilots Disability Income Benefit - 55% of Considered Compensation.

A-8- To the extent they are present in the Company's insurance programs, all exclusions and limitations in coverage, such as for job-related injury and criminal acts, are waived for pilots while participating in any operation conducted under the provisions of this Letter. The limitation for self inflicted injury will remain in effect.

A-9- The Company will protect a pilot from any reduction in his personal life insurance benefits which may result from his assignment to international CRAF operations at the time of his death up to a maximum of one million dollars of total personal coverage.

SECTION 12

WORKMEN'S COMPENSATION BENEFITS

The Workmen's Compensation Benefits provided for pilots by Section 15 of the Agreement shall be provided for all pilots assigned to the Company's CRAF Operation and all amounts paid under such Section shall be in addition to any amounts paid under Section 8 and 10 of this Supplemental Agreement.

SECTION 13

MISSING, INTERNMENT, PRISONER OF WAR - BENEFITS

A. Captains, First Officers and Second Officers who while engaged in the CRAF Operation are interned or taken prisoner of war by a foreign government shall be entitled to compensation at the salary as specified in Section 2 of this Supplemental Agreement for the periods during which they are interned or held prisoner of war; provided, however, that in the absence of knowledge on the part of the Company as to whether a pilot is alive or dead, compensation in such amounts will be allowed for a period of twelve (12) months after such Captain, First Officer or Second Officer was last known to the Company to have been

interned or held prisoner of war.

B. When after such twelve (12) month period it has still not been established whether

such pilots are alive or dead, Captains, First Officers and Second Officers shall be allowed compensation at the salary as specified in Section 2 of this Supplemental Agreement from and after such twelve (12) month period until death is established or until there is a sufficient presumption of death to permit payment of the death benefit provided in Section 8.

C. In the event such Captain, First Officer or Second Officer is later found to be alive, he shall receive retroactively the difference in pay between the total compensation (including death benefit) paid by the Company under this Section and the monthly amounts which would have been paid under Paragraph A of this Section and such monthly pay shall then be resumed for the duration of internment or imprisonment.

D. Captains, First Officers and Second Officers who while engaged in the CRAF Operation become missing and whose whereabouts become unknown shall be allowed compensation at the salary as specified in Section 2 of this Supplemental Agreement for a period of twelve (12) months after disappearance or until such date as death is established, whichever first occurs. If upon the expiration of the twelve (12) month period, any such Captain, First Officer or

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Second Officer is still missing and his whereabouts is unknown, or if prior to that time his death is established, the Company shall pay the death benefit provided for in Section 8.

E. The monthly compensation allowable under this Section to pilots interned, held prisoner of war, or missing shall be credited to such pilot on the books of the Company and shall be disbursed by the Company in accordance with written directions from such pilots. The Company shall cause each pilot hereafter employed in or assigned to its CRAF Operation to execute and deliver to the Company prior to such employment or assignment a written direction in the form set forth in Section 16 of the Agreement.

F. Any payments due to any pilots under this Section which are not covered by a written direction as above required shall be held by the Company for such pilot and in the event of his death shall be paid to the legal representative of his estate.

G. The monthly compensation allowable under this Section shall be in lieu of all compensation provided for by any law in respect to persons interned, held prisoner of war or missing and shall also be in lieu of all salary, expenses and subsistence during the period in which a pilot is interned, held prisoner of war or

missing.

H. Pilots shall maintain and continue to accrue seniority and longevity for pay purposes during periods in which they are interned, held prisoner of war or missing.

SECTION 14

GENERAL CONDITIONS

A. The provisions for death benefits in Section 8 and for disability benefits in Section 10 and 11 are intended to apply to Captains, First Officers and Second Officers while assigned to the CRAF Operation, as follows:

A-1- When outside the continental United States in connection with or as a result of said operations irrespective of whether they are actually engaged in active duty at the time of death or injury.

A-2- When within the continental United States only if they are actually engaged in the course of employment at the time of death or injury, except that when not actually engaged in the course of employment at the time of death or injury, Captains, First Officers and Second Officers receive the group insurance benefits as per the Basic Agreement.

B. The obligation of the Company to make any payment provided for in Section 11 and 12 hereof is subject to the condition that the injury or disease resulting in the permanent total or partial disability shall not have been occasioned solely by his attempted suicide.

SECTION 15

MISCELLANEOUS PROVISIONS

A. Rules governing hours of service during the first thirty (30) days of the CRAF Operation shall be those specified in the applicable FAR's. At the termination of the initial thirty (30) day period or as soon as feasible, the hours of service as specified in the Basic Agreement or Supplemental Agreements as applicable.

B. Other than as specifically provided in this Supplemental Agreement, the provisions of the Basic Agreement shall apply.

C. The assignment of all pilots to this Operation will be in writing to the pilot.

D. Pilots will continue to fly any CRAF flight deemed essential to the national defense provided such flights are solely military in nature and carry cargo composed entirely of military requirements even if at the time such military flights are necessary the pilots have withdrawn their air line service for any reason.

D-1- To assure the movement of a particular flight under such circumstances, the Association will require certification by an appropriate Company official designated by the Company that such flight is in accordance with the

specifications set forth in Paragraph D above. This certification shall be provided prior to movement of the flight where feasible or, where not feasible, promptly thereafter.

D-2- Pilots who fly such military traffic will not lose any benefits accruing to other pilots which they would otherwise have received upon settlement of an unresolved labor dispute.

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SECTION 16

DURATION

This Supplemental Agreement shall become effective on the date of signing and shall remain in full force and effect and shall run concurrently with the Agreement signed August 14, 1981.

IN WITNESS WHEREOF, the parties have signed this Supplemental Agreement this 9th day of May, 1991.

WITNESS:

FOR UNITED AIR LINES, INC.

/s/ G.L. Andrews

/s/ J.R. Samolis

/s/ T.A. McClone

John R. Samolis

/s/ R.W. Rosinia

Vice President

WITNESS:

Employee Relations

FOR THE AIR LINE PILOTS IN THE SERVICE
OF UNITED AIR LINES, INC

/s/ T.P. Austin

/s/ J. Randolph Babbitt

J. Randolph Babbitt, President

/s/ C.A. Rine

Air Line Pilots Association, International

/s/ L.J. Balestra

/s/ H.E. Stepinsky

MAC

MAC SUPPLEMENTAL AGREEMENT

between

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 SUPPLEMENTAL AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

WITNESSETH:

WHEREAS, the Company and the Association desire to supplement their Pilots' Employment Agreement, signed May 9, 1991, (hereinafter referred to as the "Agreement") by providing certain rates of compensation, rules and working

conditions with respect to the Company's "MAC Operation" (Military Airlift Command).

NOW, THEREFORE, it is mutually agreed and understood by and between the parties of this Supplemental Agreement that the rates of compensation, rules and working conditions stipulated herein shall be in full force and effect on the Company's Military Airlift Command Operation provided that all provisions of the Agreement, as herein defined, except as specifically modified or excepted by this Supplemental Agreement shall be applicable also to the Company's Military Airlift Command Operation.

SECTION 1

DEFINITIONS

A. The word "Agreement" when used in this Supplemental Agreement means the Agreement between United Air Lines, Inc. and the Air Line Pilots in the service

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of United Air Lines, Inc., as represented by the Air Line Pilots Association, International, signed June 15, 1985 or as it is amended or modified.

B. The term "MAC Operation" for the purpose of this Supplemental Agreement Means any flights all or part of which are conducted in accordance with any contract made between United Air Lines, Inc. and the Military Airlift Command into a non-conflict area.

The term "Critical MAC Operation" for the purpose of this Supplemental Agreement means any flights, regardless of the nature of payload transported, all or part of which are conducted in accordance with any contract made between United Air Lines, Inc. and the Military Airlift Command into an area of the world where an armed conflict is occurring or has occurred within the prior thirty (30) days.

D. "MAC Operation Base" is the domicile or geographical location to which responsibility is assigned and pilot vacancies are bid for the conduct of the Critical MAC Operations when the level of critical MAC flying is planned to be nine hundred and seventy-five (975) hours or more per month and is planned to exist for sixty (60) days or more.

SECTION 2

MAC FLYING

A. Critical MAC flying into non-conflict areas will be done by a domicile where Pilots are currently assigned to the equipment used.

A-1- MAC flying of a non-critical nature will be assigned under the applicable provisions of Section 20 of the Pilots Agreement and/or the Charter Supplemental Agreement.

A-2- MAC flying which is defined as "Critical MAC Operations" will be

assigned to volunteer pilots from among the pilots assigned a reserve line.

Should insufficient pilots volunteer, reserve pilots may be assigned in inverse order of seniority.

Critical MAC flying, if planned for nine hundred and seventy-five (975) hours Per month or more, and if planned to exist for sixty (60) days or more will be flown by a MAC Operation Base as defined in Paragraph 1-D above, provided at least ninety (90) days notice is available to the Company.

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SECTION 3

FILLING OF VACANCIES

A. Bidding Of Critical MAC Vacancies

A-1- All pilot vacancies on the Company's Critical MAC Operation shall be bulletined at all domiciles as far in advance as possible but not later than thirty (30) days after such vacancy exists. If at the time of advertising a critical MAC vacancy, the Company plans to advertise a domestic vacancy in the same status and equipment type as the critical MAC vacancy and with an advertised effective date the same as or prior to the critical MAC vacancy, the domestic vacancy will be advertised and awarded prior to the awarding of the critical MAC vacancy.

A-2- Vacancy bulletins for critical MAC assignments shall state the number and status of vacancies to be filled; the anticipated effective date of the assignment; the equipment type involved; the Critical MAC Operation Base; the anticipated general area of operation; and a reasonable deadline date, not less than ten (10) days, after which bids will not be considered.

A-3- All critical MAC vacancies shall be filled in accordance with system Seniority from among eligible bidders as stipulated in Paragraph F of this Section.

B. Eligibility To Be Awarded Critical MAC Vacancies

A pilot's eligibility to be awarded a critical MAC vacancy shall be subject to the following conditions:

B-1- He must be currently flying in the status and equipment type of the Critical MAC assignment at the time of the closing of the critical MAC vacancy bulletin, or

B-2- He must have been awarded a domestic vacancy in the status and equipment type of the critical MAC vacancy which had an advertised effective date the same as or prior to the advertised effective date of the critical MAC assignment.

C. Any pilot assigned to the Critical MAC Operation may bid and be awarded a domestic vacancy under the provisions of the Agreement and shall be considered to have vacated his former domestic assignment at the time the flying for such awarded assignment commences. Such pilot shall not be required to occupy his new domestic assignment until he vacates his critical MAC assignment, unless such new assignment involves a change in status or equipment type in which case he shall be required to occupy such new domicile assignment.

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D. Whenever a pilot for any reason vacates his critical MAC assignment, he shall return to his current domestic assignment.

E. Section 8-K of the Agreement shall not apply to pilots in the Critical MAC Operation in the event of a reduction in the number of assignments on critical MAC. In the event of a reduction of domestic assignments affecting a critical MAC pilot's domestic assignment, Section 8-K shall apply. Notwithstanding Section 8-K, a domestic pilot who loses his assignment shall not be permitted to bump into the Critical MAC Operation.

F.

F-1- A pilot may vacate an assignment on the Critical MAC Operation by Giving notice in writing to the Company of his desire to return to his domestic assignment. The Company shall release such pilot as soon as possible but in any event he shall be returned to his domestic assignment on the first day of the calendar month following the completion of sixty (60) days from the date of receipt by the Company of the pilot's request for release.

F-2- A pilot who has vacated his critical MAC assignment under the provisions of sub-paragraph 1 above may not be awarded a critical MAC assignment for a period of six (6) months following the date of his release from such critical MAC assignment, except that a pilot who has vacated his critical MAC assignment to take up a new domestic assignment involving a change in status, as provided in Section 3-C of this Supplemental Agreement, who is subsequently reduced from such assignment and bumps into critical MAC equipment type shall, notwithstanding said six (6) months restriction, be eligible to bid a critical MAC vacancy.

G. When at the request of a pilot the Company adjudges that unusual conditions Exist concerning his assignment to the Critical MAC Operation, such pilot shall be allowed to return to his domestic assignment within thirty (30) days of the acknowledgement of the unusual condition.

H. Standby Assignments To Critical MAC Operation

H-1- In addition to the number of pilot assignments provided for under the provisions of Paragraph A and B above, the Company shall advertise and award

critical MAC standby assignments in each pilot status to the extent necessary to provide adequate coverage of increases in the monthly level of flying on the Critical MAC Operation.

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H-2- A pilot who holds a standby assignment shall acquire the necessary over water and immunization qualification in order to be available for short notice assignment to the Critical MAC Operation. A pilot holding said standby assignment shall continue to serve in his normal assignment in the domestic operation until such time as he is moved into the Critical MAC Operation to alleviate a temporary need contemplated to exist for less than sixty (60) days in the pilot status in which he holds a standby assignment.

H-3- Pilots holding a standby assignment, when needed to fill a temporary requirement shall be assigned to the Critical MAC Operation in order of seniority among those pilots holding standby assignments in each pilot status. Upon termination of the temporary need on the Critical MAC Operation, pilots holding standby assignments shall be released from the Critical MAC Operation in reverse order of seniority and will return to their normal domestic assignment and critical MAC standby assignment.

H-4- Pilots holding a standby assignment who are assigned to the Critical MAC Operation for all or part of the month shall be required to state their preference under the provisions of Section 20-D of the Agreement in their domestic assignment for the following month. If more than one (1) standby pilot is assigned to the Critical MAC Operation for a portion of a given month, such standby pilots shall be assigned available lines of flying in accordance with their seniority and preference after all pilots holding regular critical MAC assignments have been awarded their schedule preference.

H-5- A standby pilot assigned to fly a Critical MAC Operation trip shall, upon completion of his assignment and return to his domicile, be entitled to not less than two (2) calendar days off if his domestic schedule does not provide such calendar days off. If providing such two (2) calendar days off does not provide him with a minimum twelve (12) calendar days off for the month, the additional calendar days off to provide such minimum will be added to the two (2) calendar days off period.

H-5-a- A critical MAC standby pilot will be considered unavailable for assignment to the Critical MAC Operation trip if such assignment occurs at a time which precludes providing him with the above required minimum twelve

(12) days off in the month involved.

H-6- A critical MAC standby pilot may vacate such assignment in the same manner as provided in Section 3-C and 3-G of this Supplemental Agreement.

H-7- A critical MAC standby pilot will vacate such assignment whenever he is activated in a domestic assignment involving a different status or equipment type than that of his critical MAC standby assignment.

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I. It is mutually agreed that regular and standby vacancies for critical MAC Captains, First Officers and Second Officers shall be posted for bid and award at the Critical MAC Operation Base(s) as designated by the Company. Such bidding and awarding, including the determination of the level of regular critical MAC vacancies, shall be in accordance with the provisions of this Section 3. It is understood that critical MAC standby vacancies may be bid prior to the time that regular vacancies are required to be bid in accordance with Section 3 and that a pilot may hold more than one Critical MAC Operation Base standby vacancy at the same time.

J. In the event there is a reduction in the number of critical MAC assignments, The Company shall give not less than thirty (30) days notice to the affected pilots and they shall return to their domestic assignment, in inverse order of seniority.

SECTION 4

COMPENSATION

In addition to the compensation as provided in Section 3 of the Basic Agreement, any pilot who flies a critical MAC trip will be paid an override of Twelve Dollars and Fifty Cents (\$12.50) for each hour flown.

SECTION 5

HOURS OF SERVICE

Due to the operational problems associated with the MAC Operation, such Flights shall be operated in accordance with the applicable provisions of the Charter Supplemental Agreement.

SECTION 6

EXPENSES

Pilots performing an international MAC assignment will be paid expenses according to Section 4-A of the Agreement, plus an additional \$.50 per hour. In addition to the expenses provided in A above, pilots on a MAC assignment shall be provided necessary lodging and related ground transportation; or, when not furnished by the Company, will be reimbursed for reasonable, actual expenses incurred for lodging and ground transportation.

C.

C-1- Transportation to and from a pilot's home domicile to the point of departure of the MAC trip shall be furnished by the Company. Transportation over the Company's routes shall be as NRPS or OMC at the pilot's option.

C-2- Transportation of the pilot on any airline other than United will be by First Class accommodations if domestic or Business Class accommodations if international, when available.

D. Should isolated cases of unusual expenses be encountered by a pilot which the expense allowance will not normally cover and which were not contemplated by the provisions of this Supplemental Agreement, the Company will reimburse the pilot for such expenses upon receipt of a documented Company expense form.

E. In the event a Critical MAC Operation Base is established, travel expenses en route for the pilot while commuting to and from the operation shall be allowed.

SECTION 7

DEATH BENEFITS

In the event of the death of any pilot while assigned to the MAC Operation or in the event of death of any pilot resulting from injury or disease received while assigned to the MAC Operation, the Company shall pay or cause to be paid, subject to the conditions of Section 10 of this Supplemental Agreement, \$150,000 to the beneficiary or beneficiaries in the order and manner named in the last Group Life Insurance certificate issued for such pilot as a Company employee. Such death benefit shall be paid either in a lump sum or in installments, as the respective pilots' may in writing direct. Such benefits shall be in addition to the benefits prescribed in the Company's Group Life Insurance and Group Accident-Sickness Insurance Program.

SECTION 8

INSURANCE AND WELFARE BENEFITS

A. Any pilot assigned to fly a MAC flight shall continue to receive full benefits as provided in each applicable Plan. Further, the war limitation will be waived and benefits will be payable in the event of claims arising out of a declared or undeclared war. Benefits under all plans shall be paid on a per capita basis with no aggregate per accident limit.

A-1- Life Insurance

A-1-a- Company Paid Life - \$80,000

A-1-b- Supplemental Life up to \$330,000 (Pilot Contributor)

A-1-c- MAC Life - \$150,000

A-2- Accidental Death and Dismemberment (AD&D)

A-2-a- Company Paid - \$4,000

A-2-b- Company Paid (Pilot) - \$35,000

A-2-c- Supplemental (24 Hour High Limit Contributory) - Up to \$300,000

A-3- MAC Death and Dismemberment - \$150,000

A-4- Special Hazards Benefits - \$100,000

A-5- Invalidated Life Benefit - \$50,000

A-6- Personal Life Insurance Protection - Up to \$1,000,000

A-7- Pilots Disability Income Benefit - 55% of Considered Compensation

A-8- To the extent they are present in the Company's insurance programs, all exclusions and limitations in coverage, such as for job-related injury and criminal acts, are waived for pilots while participating in any operation conducted under the provisions of this Letter. the limitation for self inflicted injury will remain in effect.

A-9- The Company will protect a pilot from any reduction in his personal life insurance benefits which may result from his assignment to international MAC operations at the time of his death up to a maximum of one million dollars of total personal coverage.

B. In lieu of death benefits described in Section 7 of this Supplemental Agreement, in the event of the permanent total disability of a pilot resulting from injury or disease received while assigned to the MAC Operation, the Company shall pay or cause to be paid, subject to the conditions of Section 10 of this Supplemental Agreement, compensation in the sum of \$150,000. Such compensation shall be paid either in a lump sum or in installments, as the

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respective pilots may in writing direct. The loss of, or the loss of use of, both hands, or both arms, or both feet, or both legs, or both eyes, or any two thereof, shall constitute permanent total disability for the purpose of this Section. In all other cases under this Section, permanent total disability shall be determined in accordance with the facts. Such benefit shall be in addition to the benefits prescribed in the Company's Group Life Insurance and Cooperative Group Life and Group Accident-Sickness Insurance Program.

SECTION 9

MISSING, INTERNMENT, PRISONER OF WAR - BENEFITS

A. Captains, First Officers and Second Officers who while engaged in the MAC Operation are interned or taken prisoner of war by a foreign government shall receive compensation at the salary specified in the Basic Agreement for the periods during which they are interned or held prisoner of war; provided, however, that in the absence of knowledge on the part of the Company as to whether a pilot is alive or dead, compensation in such amounts will be allowed for a period of twelve (12) months after such Captain, First Officer or Second Officer was last known to the Company to have been interned or held prisoner of war.

When after such twelve (12) month period it has still not been established whether such pilots are alive or dead, Captains, First Officers and Second Officers shall be allowed compensation at the salary specified in the Basic Agreement from and after such twelve (12) month period until death is established or until there is a sufficient presumption of death to permit payment of the death benefit provided in Section 7 of this Supplemental Agreement.

In the event such Captain, First Officer or Second Officer is later found to be alive, he shall receive retroactively the difference in pay between the total compensation (including death benefit) paid by the Company under this Section and the monthly amounts which would have been paid under Paragraph A of this Section and such monthly pay shall then be resumed for the duration of internment or imprisonment.

D. Captains, First Officers and Second Officers who while engaged in the MAC Operation become missing and whose whereabouts become unknown shall be allowed compensation at the salary specified in the Basic Agreement for a period of twelve (12) months after disappearance or until such date as death is established, whichever first occurs. If upon the expiration of the twelve (12) month period any such Captain, First Officer or Second Officer is still missing and his whereabouts are unknown, or if prior to that time his death is established, the

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Company shall pay the death benefit provided for in Section 7 of this Supplemental Agreement.

The monthly compensation allowable under this Section to pilots interned, held prisoner of war or missing shall be credited to such pilot on the books of the Company and shall be disbursed by the Company in accordance with written directions from such pilots.

F. Any payments due to any pilot under this Section which are not covered by a written direction as above required shall be held by the Company for such pilot and in the event of his death shall be paid to the legal representative of his

estate.

G. The monthly compensation allowable under this Section shall be in lieu of all compensation provided for by any law in respect to persons interned, held prisoner of war or missing and shall also be in lieu of all salary, expenses and subsistence during the period in which a pilot is interned, held prisoner of war or missing.

H. Pilots shall maintain and continue to accrue seniority and longevity for pay purposes during periods in which they are interned, held prisoner of war or missing.

SECTION 10

GENERAL CONDITIONS

The provisions for death benefits in Section 7 and for disability benefits in Section 8 are intended to apply to Captains, First Officers and Second Officers while assigned to the MAC Operation, as follows:

A-1- When outside the continental United States, in connection with or as a result of said operations irrespective of whether they are actually engaged in active duty at the time of death or injury.

A-2- When within the continental United States, only if they are actually engaged in the course of employment at the time of death or injury, except that when not actually engaged in the course of employment at the time of death or injury, Captains, First Officers and Second Officers shall receive the group insurance benefits normally in effect under the Agreement.

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The obligation of the Company to make any payment is subject to the condition that the injury or disease resulting in the permanent total or partial disability shall not have been occasioned solely by his attempted suicide.

SECTION 11

MISCELLANEOUS PROVISIONS

All provisions of the 1985 Pilot Agreement not specifically amended or excepted by this Supplemental Agreement shall remain in full force and effect and applicable to the Company's MAC Operation.

B. In the event the MAC Operation requires passports and inoculations for pilots, any actual necessary expenses shall be borne by the Company. Inoculations will be given at Company designated places.

C. Pilots will continue to fly any MAC flight deemed necessary to the national defense provided such flights are solely military in nature and carry cargo

composed entirely of military requirements even if at the time such military flights are necessary the pilots have withdrawn their airline service.

C-1- To assure the movement of a particular flight under such circumstances, the Association will require certification by an appropriate Company official designated by the Company that such flight is in accordance with specifications set forth above. This certification shall be provided prior to movement of the flight where feasible or, where not feasible, promptly thereafter.

C-2- Pilots who fly such military traffic will not lose any benefits accruing to other pilots which they would otherwise have received upon settlement of an unresolved labor dispute.

D. No pilot shall be required to move to the location of a critical MAC assignment, unless required by the government. Moving expenses will not be authorized until ninety (90) days after the date of the MAC vacancy. All moving shall be in accordance with Section 10 of the Basic Agreement.

E. This MAC Supplemental Agreement shall become effective June 15, 1985 and shall run concurrently with the 1985 Pilot Agreement.

IN WITNESS WHEREOF, the parties have signed this Supplemental Agreement this 9th day of May, 1991.

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WITNESS:

/s/ G.L. Andrews

/s/ T.A. McClone

/s/ R.W. Rosinia

WITNESS:

/s/ T.P. Austin

/s/ C.A. Rine

/s/ L.J. Balestra

/s/ H.E. Stepinsky

FOR UNITED AIR LINES, INC.

/s/ J.R. Samolis

John R. Samolis

Vice President

Employee Relations

FOR THE AIR LINE PILOTS IN THE SERVICE OF

UNITED AIR LINES, INC.

/s/ J. Randolph Babbitt

J. Randolph Babbitt, President

Air Line Pilots Association, International

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LETTER OF AGREEMENT

between

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 is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

WHEREAS, there are occasions when the Company is confronted with the cessation of work by other Company employees of indefinite duration, and WHEREAS, it is to the mutual interest of the parties to discuss and review the alternatives available and problems generated by such cessation of work. NOW, THEREFORE, it is mutually agreed that:

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The Association will be advised as events develop that could lead to a cessation of work by other employees of the Company.

The Association will be apprised of the Company's plan of action as it affects pilots in the event of such cessation of work.

The Company will afford the Association the opportunity to consult with and make recommendations as to any pilot problems associated with such cessation of work, other than those specifically agreed to in the attached Notice.

This Letter of Agreement shall be effective as of the date of signing and shall Run concurrently with the duration of the 1991 Pilot Agreement.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 9th day of May, 1991.

WITNESS:

FOR UNITED AIR LINES, INC.

/s/ G.L. Andrews

/s/ J.R. Samolis

/s/ T.A. McClone

John R. Samolis

/s/ R.W. Rosinia

Vice President

Employee Relations

WITNESS:

FOR THE AIR LINE PILOTS IN THE SERVICE OF

UNITED AIR LINES, INC.

/s/ T.P. Austin

/s/ C.A. Rine

/s/ L.J. Balestra

/s/ H.E. Stepinsky

/s/ J. Randolph Babbitt

J. Randolph Babbitt, President

Air Line Pilots Association, International

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TO: ALL FLIGHT OFFICERS AFFECTED BY TEMPORARY CESSATION OF WORK

The purpose of this notice is to outline your status with regard to compensation and benefits during this period of work cessation. You will be returned to service as soon as possible after our services have been restored and work becomes available.

If the _____ strikes, you will be continued on pay status through the _____ day after the cessation of work. This period of pay status may be extended if, after discussion with the Association, it is determined that a longer period is operationally necessary. Pilots will be returned to their home domicile or UA station nearest their home at no expense to themselves. Pilots may be required to fly crew ferries to accomplish this requirement. It is understood that a pilot who is not returned to his domicile will continue to be on pay status until he is actually returned to his domicile or on the basis of planned arrival time at this domicile, if the pilot requests to remain at an outer station for personal reasons.

1. Address and Telephone Number

You should be sure your Flight Office has your present address and telephone number and you should keep them advised of any change during this period.

2. Company and Classification Seniority

Your Company seniority, pilot seniority and pilot longevity will continue to accrue.

3. Compensation

Each pilot will be paid the portion of his salary based on the application of Section 3-C-1 and 3-C-2 of the Agreement.

4. Bids and Preferencing

Although the strike may require changes in the planned activations, activations will continue for pilots who are qualified to assume their new assignment and who possess a notice of activation which has not been cancelled. All other pilots will be retained in their equipment, status and domicile assignment as of the date of the cessation of work. For the purpose of line assignment upon resumption of service, the Company shall continue to post schedules, comprised of the Company's planned operation, for pilot preferencing during the period of the strike. Pilots will not be required to cross a picket line in order to preference

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schedules.

5. Vacation Status

All pilots who were on vacation status at the commencement of the strike will remain on that status through the duration of the scheduled vacation period. Pilots scheduled for a vacation during the work stoppage, will be certified for vacation pay as scheduled. Vacations may not be deferred.

6. Sick Leave

Our sick leave pay policy is to compensate employees for potential lost earnings due to illness during their normal working hours. If you are ill during the cessation of work, you are not entitled to either occupational or non-occupational sick leave pay. However, pilots exhausting sick leave prior to permanent grounding will continue to receive the remainder of their accrued sick leave during the cessation of work. Also, continuation of occupational or non-occupational sick leave pay for hardship cases will be considered jointly by the Company and the Association on an individual basis.

7. Insurance

7-a- United realizes that your Group Insurance protection will afford you considerable peace of mind during this emergency. Consequently, your Basic Group Life Insurance, Supplemental Contributory Life Insurance, Accidental Death and Dismemberment Insurance, the Accident-Sickness and Dental Plan and the Health Maintenance Organization Plan will remain in effect until:

7-a-1- Notice of termination of insurance is mailed to you at your last known address.

7-a-2- You resign or begin permanent active employment with a company other than United.

7-b- The contribution you would have been required to pay to maintain the Supplemental Contributory Life Insurance and 24-Hour Personal Accident Insurance protection will be deducted from your pay following your resumption of active employment.

7-c- Accident-Sickness-Dental Insurance claims can be filed in the normal manner during this emergency.

7-d- In the event you do not wish to have your insurance continued, contact your Flight Office for the form letter which you must complete, sign and return to EXOIN within ten (10) days following the date of the work stoppage.

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8. Retirement Income Plan

Participation and contributions are discontinued during any period in which no pay is received. Any monthly earnings, at less than full compensation due to the strike, will be excluded from consideration in final earnings for pension or disability benefits under the Fixed Plan. In determining the annual average of the participant's earnings, the denominator shall not include those months for which earnings have been disregarded in accordance with this provision.

9. Unemployment Compensation

You are eligible to apply for unemployment compensation. Eligibility for benefits is determined by the particular State Unemployment Compensation Bureau.

10. Credit Union

10-a- Existing Loans

Employees are expected to continue making loan repayments, unless the Credit Union declares a general suspension of loan repayments. Hardship cases are reviewable on an individual basis.

10-b- Savings

Withdrawal by mail will be permitted.

10-c- New Loans

New loans will be considered on an emergency basis only.

11. All time periods set forth in Section 6-C, 8, 17 and 18 of the Pilot Agreement will be extended to reflect the period of cessation of work, except as specified in Paragraph 5 above.

12. Return To Service

When the cessation of work is over and work again becomes available, your Flight Office or OPBCM will get in touch with you as quickly as possible. All pilots will return to service simultaneously on a date determined by the Company.

We hope for an early resumption of service.

/s/ John R. Samolis

John R. Samolis

Vice President

Employee Relations

Accepted and agreed to this

9th day of May, 1991.

/s/ F. C. Dubinsky

F. C. Dubinsky, Chairman.

UA/ALPA Master Executive Council.

UP-PAC

LETTER OF AGREEMENT

between

UNITED AIRLINES, 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 is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

It is mutually agreed:

The Company agrees to deduct a monthly contribution to the United Pilots Political Action Committee (referred to herein as "UP-PAC") from the pay of each pilot who voluntarily authorizes such contributions on the forms provided for that purpose by UP-PAC (referred to herein as "Check-Off Forms").

B. The language of those forms shall be as follows:

TO: United Air Lines, Inc.

I hereby authorize and direct the Company named above to deduct \$_____ of my gross earnings per month and to remit that amount to the United Pilots Political Action Committee, Air Line Pilots Association (UP-PAC, ALPA).

This authorization is made based on my specific understanding that:

The signing of this authorization card and the making of these voluntary contributions are not conditions of membership in the Union or of my employment by my employer;

Any guideline amount suggest by UP-PAC, ALPA or its representatives is only a suggestion and I may contribute more or less and will not be favored or disadvantaged by the Union for doing so; I may refuse to contribute without reprisal; and. UP-PAC, ALPA, which is connected with the United Pilots Master Executive Council of the Air Line Pilots Association, International, and which is affiliated with the Air Line Pilots Association Political Action Committee, may use the money it receives solely for making contributions to and expenditure for candidates for elected offices and for other political activities at the federal, state, and/or local level consistent with applicable laws relating to such activities.

This authorization shall remain in full force and effect until revoked in writing by me, pursuant to the provisions of the Agreement between United Air Lines, Inc. and the Air Line Pilots Association, International.

I further certify that I am either a United States citizen or a foreign national Lawfully admitted to the United States for permanent residence as defined by section 101(s) (20) of the Immigration and Nationality Act (8 U.S.C. 1101(s) (20)).

Name: _____

File Number: _____

Residence: _____

Address: _____

Signature: _____

Date: _____

Authorized by the United Pilots Master Executive Council of the Air Line Pilots Association, International on behalf of a fundraising effort for United Pilots Political Action Committee.

C. All Check-Off Forms will be submitted through the Chairman of the Master Executive Council of the Association who will forward the original signed copy to the Payroll Accounting Manager, Executive Offices, Chicago, Illinois. A properly executed Check-Off Form, filed before the 15th of any month, will become effective the 1st of the month following its receipt by the Payroll Section of the Accounting Department, Chicago, Illinois. Illegible or improperly executed forms will be returned to the Chairman of the Master Executive Council of the Association.

D. Any notice of revocation as set forth in the Check-Off Form must be in writing, signed by the employee, and delivered by certified mail, addressed to the Payroll Accounting Manager, United Air Lines, Inc., P. O. Box 66100, Chicago, Illinois 60666, with a copy to the Chairman of the Master Executive Council as soon as processed through Company payroll procedures. Check-Off Form and notices so received by the Company will be stamp-dated on the date received and will constitute notice to the Company of the date received and not when mailed.

E. Deduction of a pilot's contributions shall be made each month provided there is a sufficient balance due the pilot at the time after all other deductions authorized by the pilot or required by law (including money claims of the Company and the Credit Union) have been satisfied. Within a reasonable time after the second regular paycheck issued each month, the Company will remit to the UP-PAC a check in payment of contributions collected for that month pursuant to outstanding and unrevoked Check-Off Forms, together with a list of the names of those pilots for whom contributions were deducted and the amount deducted for each such pilot.

A pilot who has executed a Check-Off Form and (1) who resigns from the Company; (2) who is laid off; or is (3) otherwise terminated from the employ of the Company shall be deemed to have automatically revoked his assignment as of the date of such action and if he (1) is rehired; (2) is recalled; or (3) reemployed, further deductions of UP-PAC contributions will be made only upon execution and receipt of another Check-Off Form.

It will be the Association's responsibility to verify apparent errors in deduction of UP-PAC contributions before contacting the Company Payroll Accounting Manager.

United Air Lines, Inc. shall be held harmless and indemnified by the

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Association for any claims which may be made by the pilot or pilots by virtue of the wrongful application and misapplication of any of the terms of this Section.

The Company shall also be held harmless and indemnified by the Association for any claims, expenses, and judgements (including reasonable attorney fees) which may arise out of the use of the Company's payroll deduction process for funds transmitted to UP-PAC for making contributions to and expenditures for candidates for state and local offices.

The Association shall pay the Company the reasonable costs incurred in implementing and maintaining this Section.

J. The Association hereby certifies to the Company that:

J-1- No assignment and authorization will be transmitted to the Company hereunder which was obtained by the Association under the twice-yearly solicitation provisions of Section 441b.(b) (4) (B) of Title 2 of the United States Code;

J-2- All funds transmitted to the UP-PAC hereunder shall be used solely in connection with federal, state and local elections.

IN WITNESS WHEREOF, the parties have signed this Agreement this 9th day of May, 1991.

WITNESS: FOR UNITED AIR LINES, INC.
/s/ G.L. Andrews /s/ J.R. Samolis

/s/ T.A. McClone
/s/ R.W. Rosinia
John R. Samolis
Vice President
Employee Relations

WITNESS: FOR THE AIR LINE PILOTS IN THE SERVICE OF
UNITED AIR LINES, INC.
/s/ T.P. Austin

/s/ C.A. Rine /s/ J. Randolph Babbitt
/s/ L.J. Balestra
/s/ H.E. Stepinsky
J. Randolph Babbitt, President
Air Line Pilots Association, International

Dear Captain Dubinsky:

Because the Command/Leadership/Resource Management Seminar Training Program is a new concept in the airline industry, it is necessary to have an understanding of the application of some provisions of the Agreement. This Letter of Understanding outlines these provisions and other stipulations as they apply to pilots involved in C/L/ R seminar training.

1. Compensation - Compensation will be paid in accordance with Section 9 of the Agreement.

2. Expenses - Meal expense in accordance with Section 4-A-1 of the Agreement will be paid, minus the actual expense incurred by the Company for meals provided during the training session. Reasonable actual ground transportation expenses will be paid between the airport and the location of the C/L/R seminar training. Lodging will be provided by the Company.

3. Duty Day - In order for training to be effective, long duty days are a basic requirement for the C/L/R seminar program. The normal contractual training schedule requirements of the Basic and Supplemental Agreements will not apply. In any event, no duty day shall exceed 14:15 hours except by consent of the participants.

4. Assignment to Training - Notification and assignment to seminar training will be prior to pilot schedule preferencing whenever practical, but in no case less than seven (7) days prior to commencement of Command/Leadership/Resource Management Seminar Training. Short notice scheduling will be limited to cases where a previously scheduled pilot has had to cancel his/her training for any reason.

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5. Completion of Training - Upon completion of C/L/R seminar training, a pilot will be given not less than one (1) calendar day free of all duty at his home domicile, provided he is not scheduled for such time off in his line of flying or as a reserve. The pilot will be given pay and flight time credit for any trip(s) he must drop to provide such calendar day off.

6. Alternates for Seminars - Alternates will be scheduled for each seminar. Pilots who are designated as alternates will be scheduled for two seminars, approximately two weeks apart. Designated alternates will stand by for the first of these seminars, and if they are released to return to their domicile, will attend

and participate as a scheduled attendee in the second seminar approximately two weeks later. Alternates will be given pay and flight time credit for any trip(s) they must drop for their regularly scheduled seminar and for the preceding seminar for which they are designated as an alternate. Pilots who are scheduled but do not attend, and are replaced by an alternate, will be scheduled approximately two weeks later in the seminar for which the alternate was scheduled as a regular participant

7. Modifications to C/L/R Seminar Training - to retain ALPA support for the program, the Company and ALPA must agree on any subsequent modifications.

8. Disciplinary Action - No information resulting from a pilot's participation in a C/L/R seminar may be used in any disciplinary action nor may be used in any way to the detriment of any United pilot.

9. Record Keeping - No records of pilot performance during C/L/R seminar training will be kept by anyone inside or outside the Company.

10. Additional Phases of C/L/R Training - Development of any additional phases of C/L/R training will be with full participation by ALPA representatives and will not be implemented without review by the United MEC, or its Officers.

Sincerely,

/s/ H. A. Langer

Hart A. Langer

Senior Vice President

Flight Operations

Accepted and agreed to this

9th day of May, 1991.

/s/ F. C. Dubinsky

F. C. Dubinsky, Chairman

UA/ALPA Master Executive Council

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Dues Check-Off

AGREEMENT

between

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 AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

It is mutually agreed:

During the life of the 1991 Pilot Agreement, the Company will deduct from the pay of the members of the Association the appropriate amounts described in sub-paragraph A-1 and A-2 below provided such member of the Association voluntarily executes one of the following agreed upon forms which will be prepared and furnished by the Association as a "Check-Off Form."

A-1- ASSIGNMENT AND AUTHORIZATION FOR VOLUNTARY CHECK-OFF OF ASSOCIATION DUES

I, _____, hereby authorize and direct United Air Lines, Inc. to deduct 1.35% of my gross earnings as standard membership dues (or such standard monthly membership dues as may hereafter be established by the Association). Such amount so deducted is hereby assigned to the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL, subject to all the terms and provisions of the applicable collective bargaining agreement. This assignment and authorization may be revoked by me in writing after the expiration of one (1) year from the date hereof, or the time this is signed, whichever occurs sooner. A copy of any such revocation will be sent to the Chairman of the Master Executive Council.

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Signature of Employees _____

Street Address _____

City _____

File Number _____

Domicile _____

A-2- ASSIGNMENT AND AUTHORIZATION FOR VOLUNTARY CHECK-OFF OF PAST ASSOCIATION DUES OBLIGATIONS

I, _____, hereby authorize and direct United Air Lines, Inc. to deduct \$_____ of my monthly gross earnings up to a total dollar amount of \$_____, to pay for back dues owed to the Association. Such amount so deducted is hereby assigned to the AIR LINE PILOTS

ASSOCIATION, INTERNATIONAL, subject to all the terms and conditions of the Railway Labor Act, as amended, and the provisions of the applicable collective bargaining agreement. This assignment and authorization may be revoked by me in writing after the expiration of one (1) year from the date hereof, or upon the renewable date of the Pilots' Agreement in effect at the time this is signed, whichever occurs sooner. A copy of any such revocation will be sent to the Chairman of the Master Executive Council.

Signature of Employees _____

Street Address _____

City _____

File Number _____ Domicile _____

B. All Check-Off Forms will be submitted through the Chairman of the Master Executive Council who will forward the original signed copy to the Payroll Accounting Manager, Executive Offices, Chicago, Illinois. A properly executed Check-Off Form, filed before the 15th of any month, will become effective the 1st of the month following its receipt by the Payroll Section of the Accounting Department, Chicago, Illinois. Illegible or improperly executed forms will be returned to the Chairman of the Master Executive Council of the Association.

C. Any notice of revocation as set forth in the Check-Off Form must be in writing, signed by the employee and delivered by certified mail, addressed to the Payroll Accounting Manager, United Air Lines, Inc., P. O. Box 66100, Chicago, Illinois 60666, with a copy to the Chairman of the Master Executive Council as soon as processed through Company payroll procedures. Check-Off Form and notices so received by the Company will be stamp-dated on the date received and will constitute notice to the Company of the date received and not when mailed.

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D. Deduction of total members' total obligations shall be made from all paychecks issued each month provided there is a sufficient balance due the employee at the time after all other deductions authorized by the employee or required by law (including money claims of the Company and the Credit Union) have been satisfied. Within a reasonable time after the second regular paycheck issued each month, the Company will remit to the Association a check in payment of all dues collected for that month pursuant to outstanding and unrevoked Check-Off Forms.

E. An employee who has executed a Check-Off Form and who has been (1) transferred or promoted to a job outside of the Flight Operations Division; (2) who resigns from the Company; (3) who is laid off; or is (4) otherwise terminated from the employ of the Company shall be deemed to have automatically revoked his

assignment as of the date of such action and if he (1) transfers back or returns to a job covered by the Agreement; (2) is rehired; (3) is recalled; or (4) reemployed, further deductions of Association dues will be made only upon execution and receipt of another Check-Off Form.

F. It will be the Association's responsibility to verify apparent errors or back dues owed by an individual Association member before contacting the Company Payroll Accounting Manager or payroll deduction of such missed collections.

G. In cases where a deduction is made which duplicates a payment already made to the Association by an employee and where a deduction is not in conformity with the provisions of the Association Constitution and Bylaws, refunds to the employee will be made by the Association.

H. United Air Lines, Inc. shall be held harmless and indemnified by the Association for any claims which may be made by the employee or employees by virtue of the wrongful application and misapplication of any of the terms of this Agreement.

I. This Agreement shall become effective as of the date of signing and shall be subject to changes in the same manner as specified in Section 22 of the 1991 Pilots' Employment Agreement.

J. The terms of this Letter of Agreement 91-27 do not provide for the automatic revocation of the pilot's assignment under such circumstances. The Company will therefore make the appropriate changes to the payroll process that recognize the revocation of the pilot's dues check-off assignment only under the circumstances expressly stated in Letter of Agreement 91-27 Section A-1, Section A-2 and Section E.

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IN WITNESS WHEREOF, the parties have signed this Agreement this 9th day of May, 1991.

WITNESS:

/s/ G.L. Andrews
/s/ T.A. McClone
/s/ R.W. Rosinia

WITNESS:

/s/ T.P. Austin
/s/ C.A. Rine
/s/ L.J. Balestra

FOR UNITED AIR LINES, INC.

/s/ J.R. Samolis
John R. Samolis
Vice President
Employee Relations

FOR THE AIR LINE PILOTS IN THE SERVICE OF
UNITED AIR LINES, INC.

/s/ J. Randolph Babbitt
J. Randolph Babbitt, President

Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council.

MEC Officer displacement

LETTER OF AGREEMENT

between

UNITED AIRLINES, INC.

and

THE AIR LINE PILOTS

in the service of

UNITED AIRLINES, INC.

as represented by

THE AIR LINE PILOTS ASSOCIATION,

INTERNATIONAL

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THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of the Railway Labor Act, as amended, by and between UNITED AIRLINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIRLINES, INC., as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

NOW, THEREFORE, it is mutually agreed:

1. The MEC Officers shall be paid, at the appropriate hourly pay rates, for eighty-one (81) hours, or eighty-five (85) hours if holding an international assignment, plus the value of any legal inbound each month during their terms. During such term of office, the Company will not assign specific vacation periods to the Officers with the understanding that it is the responsibility of each MEC Officer to arrange for the vacation time off which he is due. At the beginning of each

vacation year, Officers will be provided written notification of their responsibilities under this provision. Upon returning to line flying at the end of his term of office, all vacation due to each Officer in the current and prior vacation years will be considered to have been assigned and taken. Full time National Officers also shall be subject to this vacation procedure.

2. The pilot members of the ALPA Negotiating Committee shall be displaced from their scheduled trips when meeting with the Company during the term of this Agreement. During Section 6 negotiations, or during other negotiations that are anticipated to cover a monthly bid period, the pilot members of the Negotiating Committee shall be paid, at the appropriate hourly pay rates, for eighty-one (81) hours, or eighty-five (85) hours if holding an international assignment, plus the value of any legal inbound for the duration of those negotiations.

3. When required to attend formal meetings with the Company in their capacity as MEC Committee Members, the pilot members of the System Schedule Committee, the Central Air Safety Committee, the Retirement and Insurance Committee, the Hotel Committee (not including hotel inspections) and the Employee Assistance Committee shall be displaced from their schedules in order to attend such meetings.

4. Notwithstanding the provisions of Section 20-H, any LEC Officer shall be permitted to trade a trip from his line of flying for any other trip which is in "open flying" in order to make himself available to conduct ALPA business.

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5. Any LEC Officer may request to be displaced from his trip(s) for the purpose of conducting Association business. His Flight Manager will determine if such displacement(s) is possible, based upon the availability of management pilots who have a need to perform such flying. Trips which are not covered by management pilots on a displacement basis are subject to the existing procedure covering dropped trips for Association business.

6. When pilots are removed from schedule at ALPA request, except when displacement is provided by this Letter of Agreement, the Company shall pay each such pilot as if he had performed his scheduled duties and will then bill ALPA for the amount of flight pay associated with those dropped trips, including the actual cost of fringe benefits.

7. When a special MEC meeting is held for the purpose of conducting business at the Company's request, the Company will pay all flight pay loss incurred as a result of that meeting.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this

9th day of May, 1991.

WITNESS:

FOR UNITED AIR LINES, INC.

/s/ G.L. Andrews

/s/ J.R. Samolis

/s/ T.A. McClone

John R. Samolis

Vice President

/s/ R.W. Rosinia

Employee Relations

WITNESS:

FOR THE AIR LINE PILOTS IN THE SERVICE OF

UNITED AIR LINES, INC.

/s/ T.P. Austin

/s/ J. Randolph Babbitt

/s/ C.A. Rine

J. Randolph Babbitt, President

/s/ L.J. Balestra

/s/ H.E. Stepinsky

Air Line Pilots Association, International

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Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

-

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council.

Age 59 By Pass

between
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 SUPPLEMENTAL LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

WHEREAS, the Company and the Association desire to supplement the 1991 Pilot Agreement, dated May 9, 1991, as it relates to the B-747-400, B-747, B777 and DC-10 Captain vacancies;

NOW, THEREFORE, it is mutually agreed and understood as follows:

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A. Notwithstanding the provisions of Section 8-D, any pilot who is awarded a B-747- 400, B-747, B-777 or DC-10 Captain vacancy shall not be assigned to B-747-400, B-747, B-777 or DC-10 transition training (training which, if performed as scheduled, would produce a twenty-four (24) month freeze), if the planned activation date of the vacancy is within one (1) year prior to his normal retirement date.

A-1- Such pilot shall be paid based on B-747-400, B-747, B-777 or DC-10 Captain rates of pay, as applicable, from the date he would have assumed the awarded vacancy on a "man-for-man" systemwide seniority basis, until his actual retirement, provided he continues to remain qualified in his regular assignment.

A-2- The period of entitlement for "man-for-man passover" pay to the applicable pilot shall be determined on the awarding of each affected vacancy.

Age at Planned

For Example	Activation Date	Entitlement
Captain A	59 yrs. 10 mos.	2 months
Captain B	59 yrs. 6 mos.	4 months

Captain C	59 yrs. 2 mos.	4 months
Captain D	58 yrs. 1 mo.	Trained

- B.** A pilot receiving Captain pay under the provisions of Paragraph A-1 above, may not bid and be awarded a higher paying Captain vacancy under this provision which has an advertised effective date prior to twelve (12) months following the date he commenced receiving passover pay.
- C.** The fact that a pilot is receiving DC-10, B-747 or B-747-400 pay under the provisions of Paragraph A above, does not prevent him from exercising bidding rights under Section 8-D to other than DC-10, B-747 or B-747-400 assignments.
- D.** It shall be the responsibility of a pilot who receives an "alternate" vacancy under the provisions of Paragraph A-1 and A-2 above to keep his BIDREQ updated if he wants to be considered for the awarding of subsequent pay-only vacancies.
- E.** Notwithstanding any bid restriction ("freeze") which a pilot may have incurred by the application of paragraph 8-D-6-a resulting from his bidding and being awarded a vacancy that is not subject to the provisions of this letter, the pilot shall not be restricted from bidding and being awarded an assignment for which

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he will receive by-pass pay under the terms of this Letter.

F. This Supplemental Letter of Agreement shall continue in full force and effect concurrently with Section 22-C of the Pilot Agreement.

IN WITNESS WHEREOF, the parties have signed this Supplemental Letter of Agreement this 9th day of May, 1991.

WITNESS:	FOR UNITED AIR LINES, INC.
<u>/s/ G.L. Andrews</u>	<u>/s/ J.R. Samolis</u>
<u>/s/ T.A. McClone</u>	John R. Samolis
<u>/s/ R.W. Rosinia</u>	Vice President
	Employee Relations

WITNESS:	FOR THE AIR LINE PILOTS IN THE SERVICE OF
	UNITED AIR LINES, INC.
<u>/s/ T.P. Austin</u>	<u>/s/ J. Randolph Babbitt</u>
<u>/s/ C.A. Rine</u>	J. Randolph Babbitt, President
<u>/s/ L.J. Balestra</u>	Air Line Pilots Association, International
<u>/s/ H.E. Stepinsky</u>	

Revised as of July 12, 1994.

/s/ John R. Samolis

John R. Samolis

Vice President

Employee Relations

/s/ Roger D. Hall

Roger D. Hall, Chairman

UAL/ALPA Master Executive Council

Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

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/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council

Agency Shop

SUPPLEMENTAL AGREEMENT

between

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 SUPPLEMENTAL AGREEMENT is made and entered into in accordance with the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

It is hereby mutually agreed:

A. Each pilot of the Company on the United Air Lines Pilots' System Seniority List or the Second Officer Eligibility Seniority List shall be required, as a condition of employment, beginning sixty (60) days after the completion of his probationary period: (1) to be or become a member of the Association; or (2) to pay to the Association a monthly service charge for the administration of this Agreement and representation of the pilot. Such monthly service charge shall be equal to the Association's regular monthly dues, initiation fee and periodic assessments, including MEC assessments, which would be required to be paid by such pilot if a member; provided that neither membership nor the payment of a service charge shall be required in respect to any such pilot: (a) for whom membership is not available upon the same terms and conditions generally applicable to any other member; or (b) as to whom membership was denied or terminated for any reason other than the failure to tender periodic dues, initiation fees and assessments uniformly required by the Association or the United Air Lines MEC as a condition of acquiring or retaining membership. The

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Association shall treat members and non-members alike in calculating the amounts due, in establishing the due date of payments and in determining whether a pilot's account is delinquent.

B. If any pilot of the Company on the United Air Lines Pilots' System Seniority List or the Second Officer Eligibility Seniority List who is required under this Agreement to make payment of a service charge, [and/or membership dues, and/or initiation fees, and/or periodic assessments (as defined in Paragraph A)] becomes delinquent in accordance with the Association's Constitution and By-Laws in the making of such payments, the Association shall notify such pilot by Registered Mail, Return Receipt Requested, copy to the Senior Vice President-Human Resources of the Company, his successor or designee, that he is delinquent in the payments specified above, and the total amount of money due and the period for which he is delinquent and that he is subject to discharge as an employee of the Company. Such letter shall also notify the pilot that he must remit the required payment within a period of fifteen (15) days or be discharged. The notice of delinquency required under this Paragraph shall be deemed to be received by the pilot, whether or not it is personally received by him, when mailed by the Treasurer of the Association by Registered Mail, Return Receipt Requested, postage prepaid to the pilot's last known address or to any other address which has been designated by the pilot. It shall be the duty of every pilot covered by this Agreement to notify the Association's Membership Services Department of every change in his home address or of an address

where the notice required by this paragraph can be sent and received by the pilot, if the pilot's home address is at any time unacceptable for this purpose.

C. .If, upon the expiration of the fifteen (15) day period provided in Paragraph B above, the pilot still remains delinquent, the Association shall certify in writing to the Senior Vice President - Human Resources of the Company, his successor or designee, copy to the pilot, both by Registered Mail, Return Receipt Requested, that the pilot has failed to make payment within the grace period allowed and is, therefore, to be discharged. The Senior Vice President - Human Resources, his successor or designee, shall thereupon take proper steps to discharge such pilot from the service of the Company as soon as possible and in any event within twenty-one (21) days after receipt of the notice provided for herein, shall advise the pilot of his termination.

D. A protest by a pilot who is to be discharged as the result of an interpretation or application of the provisions of this Agreement shall be subject to the following procedures:

D-1- A pilot who believes that the said provisions have not been properly interpreted or applied as they pertain to him, may submit his request for review in writing within ten (10) days after receipt of the notification from the Senior

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Vice President - Human Resources, as provided in Paragraph C above. The request must be sent by Registered Mail, Return Receipt Requested, to the Senior Vice President - Human Resources or his designee, who will review the protest and render a decision in writing, not later than ten (10) days following receipt of the protest.

D-2- The Senior Vice President - Human Resources or his designee shall forward his decision to the pilot, with a copy to the Association, both by Registered Mail, Return Receipt Requested. Said decision shall be final and binding on all interested parties, unless appealed as hereinafter provided. If the decision is not satisfactory to either the pilot or the Association, then either may appeal within ten (10) days from the receipt of the decision, by filing a notice of appeal. Such notice shall be sent to the other party and to the Company, by Registered Mail, Return Receipt Requested. Appeal shall be directed to a Neutral Referee who shall be agreed upon by the pilot and the Association within ten (10) days after receipt of the notice of appeal. In the event the parties fail to agree upon a Neutral Referee within the specified period, either the pilot or the Association may request the National Mediation Board to name such Neutral Referee. The hearing before the Neutral Referee shall be held as soon as possible and the decision of the Neutral

Referee shall be requested within thirty (30) days after the hearing. The decision of the Neutral Referee shall be final and binding on all parties to the dispute. The fees and charges of such Neutral Referee shall be borne equally by the pilot and the Association.

E. During the period a protest is being handled, as herein provided, and until final decision is rendered by the Senior Vice President - Human Resources, his designee or the Neutral Referee, the pilot shall not be discharged from the Company nor lose any seniority rights because of non-compliance with the terms and provisions herein.

F. A pilot discharged by the Company under the provisions herein shall be deemed to have been "discharged for cause" within the meaning of the terms and provisions of the Pilot Employment Agreement.

G. The Company shall be held harmless and indemnified by the Association for any and all claims, awards or judgments, including court costs, which may result from action by any pilot or pilots by virtue of the wrongful application or misinterpretation of any of the terms of this Agreement.

H. It is understood that the requirements of Paragraph A above shall not apply to any pilot during periods of time he holds a management position.

I. This Supplemental Agreement shall become effective as of the date of signing

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and shall be subject to changes in the same manner as specified in Section 22 of the Pilots Employment Agreement.

IN WITNESS WHEREOF, the parties have signed this Supplemental Agreement this 9th day of May, 1991.

WITNESS:

/s/ G.L. Andrews

/s/ T.A. McClone

/s/ R.W. Rosinia

WITNESS:

/s/ T.P. Austin

/s/ C.A. Rine

/s/ L.J. Balestra

/s/ H.E. Stepinsky

FOR UNITED AIR LINES, INC.

/s/ J.R. Samolis

John R. Samolis

Vice President

Employee Relations

FOR THE AIR LINE PILOTS IN THE SERVICE OF

UNITED AIR LINES, INC.

/s/ J. Randolph Babbitt

J. Randolph Babbitt, President

Air Line Pilots Association, International

UNITED AIRLINES

May 9, 1991

Captain F. C. Dubinsky, Chairman

UA/ALPA Master Executive Council

Air Line Pilots Association, International

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Captain Dubinsky:

During the current negotiations pursuant to Section 6 of the Railway Labor Act, the parties agreed to execute this Agreement and immediately implement the following provisions in conjunction with the Company announced opening of a new B-737-300 equipment domicile at LAX.

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Effective upon the opening of the LAX B-737-300 equipment domicile the SNA and LGB airports shall be considered "airports serving" the LAX domicile only for LAX B-737- 300 pilots. The following stations and times are to be considered as added to Section 5-G-1-b-(3) of the Agreement and shall only be applicable in the scheduling of LAX B-737-300 pilots:

LAX - SNA	2:00
LAX - LGB	1:00
BUR - SNA	2:15
BUR - LGB	1:30
ONT - SNA	2:00
ONT - LGB	2:00
LGB - SNA	1:00

It is further agreed that the provisions of Section 4-D-3 of the Agreement shall apply to LAX B-737-300 pilots scheduled in and out of LGB or SNA.

Additionally, for the scheduling of LAX based B-757/767 pilots the SNA airport shall be considered as an airport "serving" the LAX B-757/767 equipment domicile. The following station and time are to be considered as added to Section 5-G-1-b-(3) of the Agreement and shall be applicable in the scheduling of LAX B-757/767 pilots:

LAX - SNA	2:00
LAX - LGB	1:00
BUR - SNA	2:15
BUR - LGB	1:30

ONT - SNA 2:00
ONT - LGB 2:00
LGB - SNA 1:00

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The provisions of Section 4-D-3 of the Agreement shall apply to LAX B-757/767 pilots scheduled into and out of SNA. B-757/767 pilots assigned to domiciles other than LAX shall not be scheduled to cross-town between SNA and L.A. basin airports.

Sincerely,

/s/ J. R. Samolis

John R. Samolis

Vice President

Employee Relations

Accepted and agreed to this

9th day of May, 1991.

/s/ F. C. Dubinsky

Captain F. C. Dubinsky, Chairman

UAL/ALPA Master Executive Council

Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council

Company Personnel Policies

UNITED AIRLINES

May 9, 1991

Captain T. P. Austin, Chairman
UA/ALPA Negotiating Committee
Air Line Pilots Association, Int'l.
6400 Shafer Court, Suite 700
Rosemont, IL 60018

Dear Captain Austin:

During the negotiations leading to the 1991 Agreement, the Company committed that company personnel policy which affect pilots would not be changed without giving advance notice to the Association and affording them the opportunity to comment.

Further, no change will be made to any Company personnel policy which is contrary to any of the terms of the collective bargaining agreement between the parties.

Sincerely,

/s/ J. R. Samolis

John R. Samolis

Vice President

Employee Relations

Notice of Pending Furlough

SUPPLEMENTAL
LETTER OF AGREEMENT

between

UNITED AIRLINES, INC.

and

THE AIR LINE PILOTS

in the service of

UNITED AIR LINES, INC.

as represented by

THE AIR LINE PILOTS ASSOCIATION,

THIS SUPPLEMENTAL LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL.

WITNESSETH:

WHEREAS, there are occasions when the Company may find it necessary to implement the provisions of Section 7, Reduction in Personnel, of the Agreement, and

WHEREAS, it is mutually beneficial to discuss creative and mutually advantageous solutions to meet the above circumstances.

NOW, THEREFORE, it is mutually agreed:

- 1. The Association will be advised of a pending furlough.
- 2. The parties will attempt to achieve solutions consistent with the Company's needs and the interest of the pilot group.
- 3. Should these efforts fail to produce results, the provisions of the Agreement shall prevail.

IN WITNESS WHEREOF, the parties have signed this Supplemental Letter of Agreement this 9th day of May, 1991.

WITNESS: FOR UNITED AIR LINES, INC.

/s/ G.L. Andrews

/s/ J.R. Samolis

/s/ T.A. McClone

John R. Samolis
Vice President

/s/ R.W. Rosinia

Employee Relations

WITNESS:

FOR THE AIR LINE PILOTS IN THE SERVICE OF
UNITED AIR LINES, INC.

/s/ T.P. Austin

/s/ J. Randolph Babbitt

/s/ C.A. Rine

J. Randolph Babbitt, President

/s/ L.J. Balestra

/s/ H.E. Stepinsky

Air Line Pilots Association, International

Captain F.C. Dubinsky, Chairman

UAL-ALPA Master Executive Council

Air Line Pilots Association, International

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Rick:

As a result of a recent grievance, the parties were made aware that it would be useful to have a mutually agreed-to definition of the activation date of a pilot who changes equipment and/or status. In discussions between the ALPA and Company Negotiating Committees, it has been agreed that, for all purposes related to the administration of the Collective Bargaining Agreement, a pilot shall be considered activated in his new assignment at the beginning of the first segment of his IOE. It is recognized that the pilot's pay may be changed prior to activation as the result of the application of other provisions of the Agreement.

If the pilot's activation is delayed and he becomes entitled to a bump, his entitlement to bump shall expire if his bump is not received by the Company prior to his first segment of IOE. In the event the pilot does not successfully complete his IOE, his activation shall be cancelled; however any expired bump entitlement will not be reinstated.

Sincerely,

/s/ G. L. Andrews

Gerald L. Andrews

Director of

Employee Relations - Flight

Accepted and agreed to this

6th day of November, 1991.

/s/ F. C. Dubinsky

F. C. Dubinsky, Chairman

UAL/ALPA Master Executive Council

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PAA Retiree Medical

UNITED AIRLINES

May 14, 1992

Mr. Roger D. Hall

UAL/MEC Chairman

Air Line Pilots Association
6400 Shafer Court, Suite 700
Rosemont, IL 60018

Dear Roger:

This is to confirm the agreement reached between United Airlines, Inc. ("United") and the Air Line Pilots Association, International (the "Association") regarding post-retirement medical insurance for former Pan American World Airways ("Pan Am") pilots hired in connection with the Pacific and London route acquisitions, including such pilots who have already retired (the "Former Pan Am Pilots"). In lieu of any contrary provisions in the purchase agreements between United and Pan Am or in other agreements between United and the Association, the following rules shall apply to the Former Pan Am Pilots effective as of date of signing.

1. Former Pan Am Pilots who have or had ten or more years of active service with United at the time of actual retirement shall be eligible for retiree medical insurance coverage in the same manner as all other United pilots who have also satisfied the normal ten year service requirement, provided that, for the sole purpose of determining the percentage of annual cost to be paid by the retiree, as set forth in Letter 91-1 at paragraph A-2-I, such Former Pan Am Pilots will be deemed to have length of service equal to their combined Pan Am and United active service.

2. Former Pan Am Pilots who have or had less than ten years of active service with United at the time of actual retirement shall be eligible to purchase retiree medical insurance coverage at the actual cost of the insurance, as determined by United's average cost of providing the same benefit to other pilots who have satisfied the service requirement.

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Kindly indicate your agreement with the foregoing by signing in the space
Provided below.

Sincerely,

/s/ J. R. Samolis

John R. Samolis
Vice President

Employee Relations

Accepted and agreed to this

20th day of May, 1992.

/s/ R. D. Hall

Roger D. Hall, Chairman

UA/ALPA Master Executive Council

REVISED MIAMI "GRANDFATHER" FLIGHT OFFICERS

SEN						
#				CLS		
CAP				COD		FUTURE
T	SPN	NAME	FILE#	E	CURRENT ASGN	ASGN
						RETIRE 3/31/
95	228	CARTER, JK	89705	MD	ORD B727 CAP	92
	116	SMITH,JJ	61360		MIA B727CAP (AGE 60)	
						JFK747S/O
						SFO747S/
					ORD B727CAP (AGE 60 2/	O (ACT 7/
122	267	WHEELER, EF	89796		6/92)	92)
	198	GROSJEA N, JW	89640	IL	MIA B727 CAP(AGE 60)	
	221	VANKLEEF,J	89694		MIA B727 CAP (AGE 60)	
	234	BAKLEY, CJ	89716	MD	MIA B727 CAP (AGE 60)	
						RETIRE 9/30/
150	310	FOSS,RG	89827		DCA B727 CAP(400P)	92
290	459	LIVINGWAY,PA	89885		ORD DC10 CAP	
312	481	LLEWLLYNTE	02194	MD		

409	578	PALMER JT	14666		JFK B747 CAP	
628	802	MCCRAY,WF	19611		ORD B727 CAP	
						RETIRE
705	881	LADD,JR	20403	SL	DCA B727 CAP	92
851	1034	GOOD- NIGHT, CA	21569		JFK B747 CAP	
108						
0	1270	WILEY,RW	24267		DCA B767 CAP	
						SFO 747
108						CAP
8	1278	PETROVICH, EA	25523		ORD DC10 CAP	(ACT 7/92)
109						
2	1282	LEWIS,TA	24744		DCA B767 CAP	
130						
1	1496	YON,TP	64089		DCA B767 CAP	
137						
1	1568	HUBBS, DW	31016		DCA B767 CAP	
140						
9	1606	MOYES,JM	61051		DCA B767 CAP	
141						
7	1614	HITT,RA	31020		DCA B767 CAP	
142						
9	1626	PEARSON,DA	31400		ORD DC10 CAP	

REVISED MIAMI "GRANDFATHER" FLIGHT OFFICERS

SEN				CLS	CURRENT	FUTURE
CAPT	SPN	NAME	FILE #	CODE	ASGN	ASGN
23	1106	SPRINGER, WA	22370	MD		
						OFF LIST 4/30/
559	1772	LONG,RS	33917		ORD B727 CAP	92
933	2167	DUNNE,PA	32907		ORD B727	
						F/O JFK 767
						CAP (ACT 6/
474	2716	HEIN,RN	51820		JFK B747 F/O	92)
031	3274	OSTRANDER, JH	64017	MD		
215	3458	BURLEIGH,RK	03877		ORD B727 CAP	
461	3704	EKHOLM, RA	05119		LAX B400 F/O	
695	3938	LANGVIN, RE	19049		ORD B727 CAP	
748	3993	WALLACE, JD	28242		DCA B737 CAP	
843	4088	VOGT, DL	35560		DCA B737 CAP	
930	4175	KURT, DL	36272		ORD B727 CAP	
997	4242	FARMER, RC	49618		DCA B300 CAP	
194	4439	RODRIGUEZ, RM	22091		JFK B747 F/O	
405	4650	HAGAN, JO	60576		ORD B727 F/O	
463	4708	KLUKOFISKY, HE	21639		JFK B747 F/O	
464	4709	MANY,JF	21669		SFO B400 F/O	

REVISED MIAMI "GRANDFATHER" FLIGHT OFFICERS

SEN*				CLS	CURRENT	FUTURE
CAPT	SPN	NAME	FILE #	CODE	ASGN	ASGN
122	3365	MARRON, RH	74707	MD		OFFLIST 3/1/92
568	3811	STEELE, EH	05526		JFK B747 IRP	
630	3873	PAULSON, DL	18816		DCA B727 F/O	
549	4794	POULIN, AR	21915		JFK B747 F/O	
571	4816	WOODS,PA	20771		DCA B727 F/O	
						JFK747 F/O
640	4887	WYATT,WW	19637		DEN B727 F/O	(ACT 8/92
664	4911	BOKLAN, WA	19800		LAX DC10 F/O	
913	5160	HUTCHINS,WT	53095		JFK B747 S/O	
235	5482	WARDE,MA	40791		ORD B727 F/O	
526	5781	PERERA, NB	79997		DCA B300 F/O	
661	5916	RATHGEB, PM	99940		JFK B767 F/O	
674	5929	MUSSER, DJ	99959		JFK B767 F/O	
						DCA 767
724	5979	RAMDIAL, PA	10826		JFK B727 F/O	F/O

857	6112	BAHR, WR	77158		ORD B727 F/O	(ACT 8/92)
						Failedtrng.
						functioning
						As ORD 727
984	6239	FIGUEROA, CH	83195		ORD B727 F/O	S/O
154	6409	WEITHERS, CO	104606		DCA B767 F/O	JFK 767 F/O
186	6441	DIAZ, WR	104623		JFK B767 F/O	FAILED TRNG JFK 727 S/O
187	6442	LAVORE, JM	104634		DCA B767 F/O	
219	6474	REGELMANN, K	104644		ORD B727 F/O	
341	6596	HARRISON,SW	106492		DCA B737 F/O	

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Grievance Mediation

LETTER OF AGREEMENT
between
UNITED AIR LINES, INC.
and
THE AIR LINE PILOTS

Letter 92-5 Page 70

Letter 92-5

Grievance Mediation

LETTER OF AGREEMENT
Between
UNITED AIR LINES, IN
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 is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between

UNITED AIRLINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIRLINES, INC., as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

WHEREAS, there currently exists a substantial backlog of grievances pending a hearing before the Five Member System Board of Adjustment, pursuant to Section 18 of the current Basic Pilot Agreement, and;

WHEREAS, the Association and the Company are desirous of implementing an alternate method of dispute resolution which will afford the parties an opportunity to more expeditiously and efficiently resolve pending grievances;

NOW THEREFORE, it is mutually agreed that voluntary grievance mediation, as An alternate method of dispute resolution, will be established on the following basis:

1. The grievance mediation process, hereinafter referred to as the "Mediation Conference" will be scheduled by mutual agreement of parties. The "Mediation Conference" will be scheduled for three consecutive days of a single week.
2. The Association of the Company agree that only grievances which have been submitted to the System Board of Adjustment in accordance with Section 18 of the Basic Pilot Agreement, will be scheduled for a Mediation Conference.

Grievances will be selected for mediation only on a voluntary and mutual basis between the representatives of both parties.

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3. The grievant shall have the right to be present at the Mediation Conference. Attendance at the Mediation Conference will be limited to those people actually involved in the Mediation Conference.

4. The Company and the Association shall each appoint a principal spokesperson, who may be an attorney, for the Mediation Conference.

5. The representative of the parties will, no later than five days prior to the scheduled date of Mediation Conference, present the mediator with a brief written statement of the facts, the issue, and the arguments in support of their position. If such a statement is not presented in written form, it may be presented orally at the beginning of the Mediation Conference. However, such oral statements will be limited to twenty (20) minutes in duration.

6. Proceeding before the mediator will be informal in nature and the rules of evidence will not apply. The presentation of evidence will not be limited to that which was presented at the prior stages of the grievance procedure.

7. No record of the Mediation Conference will be made. Any written material that is presented to the mediator will be returned to the party presenting that material

at the termination of the Mediation Conference.

8. The mediator will have the authority to meet separately with either the Association or the Company in the Mediation Conference, but will not have the authority to compel the resolution of the grievance.

9. If no settlement is reached during the Mediation Conference, the mediator will provide the parties with an immediate oral advisory decision, unless the Association and the Company mutually agree that no decision will be provided. When rendering an oral advisory decision, the mediator will state the grounds for such decision.

10. Grievances settled during a Mediation Conference will not constitute a precedent, unless the Association and the Company otherwise mutually agree; in which case the parties will document the precedents understanding.

11. If no settlement is reached during the Mediation Conference, the grievance may be heard by the System Board of Adjustment pursuant to Section 18 of the Basic Pilot Agreement and in the normal course of the System Board's schedule.

12. In the event a grievance which has been the subject of a Mediation Conference, is subsequently heard before the System Board of Adjustment, no

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mediator may serve as the arbitrator. During the System Board proceeding on such a grievance, no reference will be made to the fact that the grievance was the subject of a Mediation Conference; nor will there be any reference to statements made, documents provided, or actions taken by either the mediator or the participants during the course of a Mediation Conference, unless the party offering such statements, documents or actions would have had access or entitlement to them outside of the Mediation Conference.

13. The Association and the Company agree to schedule no more than three grievances for Mediation Conference per day. The mediation day will commence at 9:30 a.m. and it is anticipated that each mediation conference will last no more than two and one-half hours.

14. The selection of the mediator will be by mutual agreement between parties. The fee and expenses for the mediator and conference facilities will be shared equally by the Association and the Company.

15. This Letter of Agreement will become effective as of the date of signing and will remain in full force and effect and shall run concurrently with the Agreement signed May 9, 1991.

IN WITNESSETH WHEREOF, the parties have signed this Letter of Agreement this 12th day of August, 1992.

WITNESS: FOR UNITED AIR LINES, INC.

/s/ G. L. Andrews /s/ J. R. Samolis

/s/ Richard Rosinia John R. Samolis

/s/ Peter R. Davis Vice President

Employee Relations

WITNESS: FOR THE AIR LINE PILOTS IN THE

/S/ C. R. Waxlax SERVICE OF UNITED AIR LINES, INC.

/s/ J. S. Smith

/s/ R. D. Hall /s/ J. R. Babbitt

/s/ Hal Stepinsky J. Randolph Babbitt, President

Air Line Pilots Association, International.

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Letter 92-7

Reserve Standby Lines

UNITED AIRLINES

Captain Roger D. Hall

UAL-MEC Chairman

Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Roger,

The Company and the Association engaged in a cooperative experiment to find a way to assign field standby assignments more often to the reserve pilots who desired such assignments. The parties have now successfully concluded that experiment and herein agree to the following provisions to formalize the process.

1. Reserve standby lines will be identified and posted at the regular preferencing time, showing day on / day off patterns (minimum 12 days off). The number of standby lines will be determined by the Company and may be between zero and a maximum of three for each status, equipment and domicile. The standby lines will not be counted as part of the number of reserve lines referred to in 5-G-1-e.

2. Awards to standby lines will be strictly voluntary and will occur after all other preferencing activity. Reserves who are available for the full month will have priority, by seniority, for standby lines. Volunteer reserve pilots with absences will be awarded an unfilled standby reserve line for the period of the month for

which they are available. The portion of the standby reserve line for which the reserve is unavailable due to his absence will remain unassigned.

3. A scheduled standby assignment will be subject to the provisions of 5-G-5 and shall be treated as a scheduled reserve day for the purpose of absence accounting; specifically:

3-a- Five hours actual time and pay credit will be credited, if no trip is assigned.

3-b- If a standby pilot is assigned a trip, the actual flight time of the completed trip will be credited.

3-c- Four hours ten minutes (4:10) will be reduced from the pilot's available monthly maximum flight time for each scheduled standby day for which the pilot is absent (sick, vacation, military, etc.)

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Letter 92-7

4. Standby times following a day off will start at 16:00 local time. Standby times for the day preceding a scheduled day off will be at 07:00, except if legalities require a later start time. If the pilot cannot start before 12:00, he will be free from duty for that last day.

5. Standby reserves can be "converted" to regular reserves if no other reserve is available for an assignment. The Company can make a trip assignment which begins prior to a field standby period with pilot concurrence. The Company has the right to make an assignment which begins later than the scheduled field standby period, if the pilot is contacted prior to reporting for the standby period.

6. Fourteen hours will be scheduled between standby assignments. A twelve hour minimum from block in to standby report time will be provided in the actual operation. If one flight assignment makes a pilot illegal for the next scheduled field standby assignment, that next standby time can be delayed to provide a legal rest.

7. Up to five days of open flying can be added to each standby line after preferencing on scheduled standby days only. Such assignments will be offered in seniority order, taking into consideration each pilot's available standby days. Preassigned open flying under this paragraph will normally be conducted during the first period of available days in the month and no standby pilot will be required to perform a preassigned trip which departs prior to 16:00 on his first scheduled available day of the month.

8. The assignment of open flying under 7, above, and the publication of the field standby times will be completed by the 28th of the prior month. The CMS "DSPREC" display will not indicate times for field standbys until the 28th of the prior month.

9. A standby reserve assignment can be converted into an additional day off,

provided the Company provides notice to the pilot at or prior to the end of the immediately preceding assignment. At the end of each assignment, each pilot will be obligated to check his "CALREC" display to determine if he has been released from his next standby assignment.

10. Regular reserves can continue to be called out at any time for standby assignments, as provided by the Agreement.

11. If this letter is ratified prior to November 1, 1992, it is anticipated that this system can be implemented as part of the regular preferencing system by January, 1993, for the schedule month of February, 1993.

Letter 92-7

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If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ J. R. Samolis

John R. Samolis

Vice President

Employee Relations

Accepted and agreed to this

21st day of September, 1992.

/s/ R. D. Hall

Roger D. Hall, Chairman.

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UAL-ALPA Master Executive Council.

Letter 93-2 Page 78

Trip Trade with Open Flying

UNITED AIRLINES

Captain Roger D. Hall

UAL-MEC Chairman

Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Roger,

As a result of discussions between the ALPA and Company Negotiating Committees, it has been agreed that a pilot will be permitted to trade trips from his awarded schedule with trips which are in "open flying", as follows:

1. A pilot will be permitted to trade a trip(s), for which he is available in his awarded schedule, with a trip(s) from open flying once per month. That single trade transaction can include a single trip or multiple trip pairings from his line, so long as they are contiguous (i.e., include no intervening days off). He may trade that trip or series of "back-to-back" trips from his line with open flying for a single trip or multiple trips.
2. A pilot will not be permitted to trade for a trip which would create an illegality in his remaining scheduled line in any month for which the schedule has been awarded. Further, a trade will not be permitted if it projects a pilot above 81/83/85 actual flight hours (whichever is applicable to him under the Agreement) or above 85 pay credit hours, unless he is already projected above 85 pay credit hours due to the month-end operation of a legal inbound trip from

the prior month. If the pilot is projected for more than 85 pay credit hours, he may make a trade which will also project him to that established higher value.

3. Automated trades can be processed through any Unimatic terminal or through Unimatic access by home computers. Automated trades will be accepted only for transactions which are outside of the "current period", i.e., for trips which are scheduled to depart more than 28 hours in the future.

4. Automated trades will be accepted or rejected by the CMS system at the time the request is made and, if accepted, the pilot will be considered to be on notice that his schedule has been changed and he has accepted responsibility for his revised schedule.

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5. A pilot will not be permitted to trade out of any trip in his awarded line (1) which is scheduled to depart within the first five days of the schedule month or, (2) which is scheduled to operate during any of the holidays recognized by the Agreement or, (3) which is scheduled to operate during any of the other days which may be "embargoed" by the Company. Embargoes may be declared by the Company for specific days by status, domicile and equipment type and notice of such embargoes will be noted on designated CMS "Display Pages". As coverage availability changes during the operating month, embargo changes may also be made by the Company - both to impose additional embargoes and to lift existing embargoes. None of the restrictions in this paragraph 5 will limit which trips, scheduled on an embargoed day, a pilot will be permitted to trade into.

6. A pilot will not be permitted to trade out of any trip in his OE line, nor out of any trip on which he is scheduled for an en route check or for any training.

7. A "first come, first served" trip trade process, described in Paragraph 3 & 4 above will be implemented no later than September 1, 1993. This "first come, first served" system will cease when the "Seniority Concept" trip trade system is implemented.

The Company will, immediately upon MEC ratification of this Agreement, begin the computer programming necessary to implement the ALPA "Seniority Concept". This seniority based trip trade process, described in alternate paragraphs paragraph 3 & 4 below, will be implemented no later than February 1, 1994 (at which time paragraph 3 and 4 above, will cease).

3. Trade requests will be processed through any Unimatic terminal or through

Unimatic access by home computers. Trades will be accepted only for

Transactions which affect trips that are scheduled to depart more than 48 hours after the next daily "rundown" is conducted. A pilot will not be permitted to trade out of a trip which is scheduled to depart less than 48 hours after the next daily "rundown" is conducted.

4.a. A "rundown" is the daily process during which trip trades on file are programmatically processed. A "rundown" of trade requests will be conducted daily at a fixed time; currently planned to be 1300 Central Time. All trade requests not awarded will remain in the computer until awarded or removed by the pilot.

Letter 93-2 Page 79

4.b. Trade requests must include the specific I.D.(s) and date(s) the pilot wishes to trade out of. Requests may include any of the following criteria for I.D.(s) the pilot wishes to trade into:

"Any" available I.D. on a specific date.

A specified I.D. on a specific date.

Any legal I.D. on any date.

4.c. Pilots must use "VERID" within 23 hours after the "rundown" time to confirm knowledge of the trade and to "lock" it in. If a pilot fails to "VERID", the trade will be canceled and that pilot's single trade transaction will be considered used for that month. When a pilot transmits "VERID" the I.D. he is trading out of will

immediately be listed in "OPNID". Each pilot who requests a trade will bear full responsibility for knowing his/her schedule.

8. This letter shall become effective for the schedule month of September, 1993. It will remain in effect for the duration of the 1991 Agreement. This letter may be suspended or cancelled with 30 days notice by either party. If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ John R. Samolis

John R. Samolis

Vice President

Employee Relations

Accepted and agreed to this

29th day of April, 1993.

/s/ R. D. Hall

R. D. Hall, Chairman

UAL/ALPA Master Executive Council.

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Non-Disclosure Letter

UNITED AIRLINES

August 23, 1993

Captain Roger D. Hall

UAL-MEC Chairman

Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Re: Non-Disclosure Letter

Dear Roger:

By this letter ("Non-Disclosure Letter"), United and ALPA hereby agree that any information provided to ALPA ("Confidential Insider Information"), pursuant to Paragraph 4 (a) of Letter 91-14, shall be treated, for all purposes and at all times, as confidential, and shall not be disclosed or communicated except in accordance with the terms hereof. Said Confidential Insider Information includes, but shall not be limited to, all information regarding plans, schedules, and decisions concerning flying by United or United Express carriers on particular routes, and all economic data or other data which explains, reveals, describes or substantiates any and all such plans, schedules, and decisions.

As a precondition to receiving Confidential Information pursuant to Paragraph 4 of Letter 91-14, a pilot designed by ALPA in accordance with Paragraph 4 (a) of Letter 91-14 (a "Designated Pilot"), shall sign a confidentiality statement in the form attached hereto. A designated Pilot may disclose the Confidential Insider Information only to the elected officers and members of the United Airlines-ALPA Master Executive Council and to legal and financial advisors who need to know the Confidential Insider Information for purposes of providing professional advise to ALPA with respect to the subject of the Confidential Insider Information ("Recipients"); prior to such disclosure, the Recipients shall also be required to sign the confidentiality statement

attached hereto. ALPA shall not be required to treat as confidential any information or data which (i) is or becomes generally available to the public other than as a result of disclosure by ALPA or its representatives in violation of this Non-Disclosure Letter, or (ii) was available to ALPA or any of its representatives on a non-confidential basis prior to its disclosure to them by United, or (iii) is or becomes known or available to ALPA or its representatives on a non-confidential basis from a source (other than United) who, insofar as is

Letter 93-4 Page 81

known to ALPA or its representatives after due inquiry (including to the Senior Vice President - Human Resources at United), is not prohibited from transmitting the information to ALPA or its representatives by a contractual, legal or fiduciary duty.

If ALPA, a Designated Pilot, or any Recipient is served with a subpoena or other process requiring the production or disclosure of Confidential Insider Information, before complying with such subpoena or other process, ALPA, the Designated Pilot, or the Recipient shall immediately notify United of same in writing and permit United a reasonable period of time to intervene and contest disclosure or production. The duration of this Non-Disclosure Letter shall run concurrently with the 1994 United-ALPA collective bargaining agreement.

Please indicate your agreement with each and every term of this letter by signing in the space provided below.

Sincerely,

/s/ J. R. Samolis

John R. Samolis

Vice President Employee Relations

Accepted and agreed to this

23th day of August, 1993.

/s/ R. D. Hall

Roger D. Hall,

UAL-MEC Chairman

Air Line Pilots Association, International.

CONFIDENTIALITY STATEMENT

1. I have read and am familiar with the terms of the Non-Disclosure Letter between United and the Air Line Pilots Association, International ("ALPA"), a copy of which is attached hereto and incorporated herein by reference.

2. I agreed to be bound by and to comply with all provisions contained in such Non-Disclosure Letter.

3. In particular, without limiting the generality of the foregoing, I agree that I shall not disclose Confidential Insider Information to anyone who is not authorized to receive such information by the terms of the Non-Disclosure Letter and who has not himself/herself signed a Confidential Statement

Signature

Dated: _

Print Name

Address

Telephone

Job Security Protection

**UAL CORP.
UNITED AIRLINES**

July 12, 1994

J. Randolph Babbitt, President

Air Line Pilots Association

1625 Massachusetts Avenue, N.W.

Washington, D. C. 20036

Re: Job Security Protection

Dear Captain Babbitt:

We write to confirm the following agreement made between the Air Line Pilots Association, International ("ALPA") and the UAL Corporation ("UAL") and Between ALPA and United Air Lines, Inc. ("United") in the negotiations leading to the 1994 ALPA-United collective bargaining agreement (the "Agreement").

Unless otherwise specified, all capitalized terms in this letter are defined in Section 1 of the Agreement.

UAL agrees that it is an Affiliate of United and that it is bound by Section 1 of the Agreement in the same manner as United so that every reference to the

"Company" in Section 1 expressly refers to and binds UAL. United and UAL further agree that they will not conclude, facilitate or permit any agreement or arrangement that establishes any Affiliate, other than a Feeder Carrier, that is, Controls or is under the Control of an air carrier unless the Affiliate agrees in writing to be bound by Section 1 of the Agreement in the same manner as UAL and United.

Any disputes among ALPA, United and/or UAL that arise out of grievances or that concern the interpretation or application of this letter or Section 1 of the

Agreement will be determined through final and binding arbitration before the ALPA-United System Board of Adjustment pursuant to Section 1-K of the Agreement. UAL expressly agrees to be subject to Section 1-K in all respects.

Very truly yours,
UAL CORP.

/s/ P. G. George
Paul G. George
Senior Vice President
Human Resources
UNITED AIR LINES, INC.
/s/ J. R. Samolis
John P. Samolis
Vice President
Employee Relations

Accepted and agreed to this
12th day of July, 1994.

/s/ J. R. Babbitt
J. Randolph Babbitt, President
Air Line Pilots Association, International

/s/ R. D. Hall
Roger D. Hall, Chairman
UAL/ALPA Master Executive Council

Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood
William P. Hobgood
Senior Vice President

People
/s/ F.C. Dubinsky
Captain F.C. Dubinsky

Chairman
UAL/ALPA Master Executive Council

UNITED AIRLINES

July 12, 1994

J. Randolph Babbitt, President

Air Line Pilots Association

1625 Massachusetts Avenue, N. W.

Washington, D. C. 20036

Dear Captain Babbitt:

I write to confirm the following agreement made between the Air Line Pilots Association, International ("ALPA") and United Air Lines, Inc. ("United") in the negotiations leading to the 1994 ALPA-United collective bargaining agreement (the "Agreement"). Unless otherwise specified, all capitalized terms in this letter are defined in Section 1 of the Agreement.

1. Subject to the corporate governance provisions established in the Company's Charter and By-Laws, a process or means will be established that will permit ALPA and the new management to resolve issues creating disharmony between pilots and management on a basis that will not reduce the value of the pilot investment in the 1994 Employee Stock Ownership Transaction.

2. Subject to other legal obligations, the Company will make reasonable efforts to fill pilot vacancies with the individuals who satisfy United's hiring standards, who have, previously worked for carriers represented by ALPA, and who are no longer working for those carriers for economic reasons such as lay-offs or the shutdown of that carrier.

Very truly yours,

UNITED AIR LINES, INC.

/s/ J. R. Samolis

John R. Samolis

Vice President

Employee Relations

Accepted and agreed to this

12th day of July, 1994.

/s/ J. R. Babbitt

J. Randolph Babbitt, President

Air Line Pilots Association, International.

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Shuttle

LETTER OF AGREEMENT

between

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 is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as the "Association").

W I T N E S S E T H:

NOW, THEREFORE, it is mutually agreed that the Company may conduct a separate Shuttle-type operation subject to the following terms and conditions:

The Company is authorized to establish the Shuttle Operation, and it may, at the Company's option, operate Shuttle as a distinct corporate division of United Airlines provided that the Company, including both the Shuttle Operation and the Company's other ("Mainline") operations, remains a single carrier for all purposes of both the Federal Aviation Act and the Railway Labor Act.

2. All pilots who perform services in the Shuttle Operation will be United pilot employees pursuant to Section 2-A or 2-X of the Agreement and will be represented by the Association as part of a single craft or class of United flight crew members that includes all United pilots.

3. All pilots in the employ of the Company, including pilots in the Shuttle Operation, shall be included on the Pilots' Eligibility Seniority List and/or the Second Officer Eligibility Seniority List pursuant to the applicable seniority provisions of the Agreement.

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4. All pilots who hold or are awarded Shuttle assignments pursuant to Section 8 of the Agreement will receive the same benefits as pilots in the Mainline Operation (including without limitation the same retirement (A-Plan and PDAP), medical/dental, insurance, long-term disability, sick leave, vacation accrual, workers compensation and other welfare benefits) and will be governed by the Agreement in all respects except as the Agreement is specifically modified in

this Shuttle Supplement.

5. The Company may operate the aircraft identified in Paragraph 11 below in both shuttle and non-shuttle-type operations.

5-a- Those aircraft utilized in a shuttle-type operation will be operated in a SWA type style, which may include but is not limited to quick turns, high frequency, high aircraft utilization, few crew changes, minimal aircraft changes, and pairings that keep the pilots and flight attendants together.

5-b- The operation of all other aircraft not utilized in a shuttle-type operation shall be referred to herein as Mainline.

6. The monthly schedule and actual caps for shuttle pilots shall be the same as the Mainline caps.

7. Mainline bank concepts shall apply to the shuttle fleet(s).

8. There will be separate bid positions for Captains and First Officers in the shuttle operation. All pilots holding shuttle bids will receive enculturization training in the shuttle-type operation prior to operating on the shuttle.

9. The shuttle and Mainline minimum guarantee will be the same.

10. Work rules for the shuttle operation shall be as follows:

10-a- Schedules shall contain a minimum of five and one-half (1/2) hours of flight time credit, averaged, for each on-duty period in multiple duty period trip sequences or five and one-half (5 1/2) hours for one (1) duty period.

10-b- Each schedule line for a full month that is submitted for the schedule selection procedure, as provided in Section 20-B and 20-C shall contain a minimum of fourteen (14) days free of all duty at the home domicile.

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10-c- Pilots functioning as reserves shall be scheduled for a minimum of fourteen (14) calendar days free of duty with the Company each month.

10-d- Reserve pilots who are awarded shuttle bid positions may be assigned to fly trips in Mainline operations and vice-versa. Mainline reserves may be assigned to fly shuttle trips only if there are no shuttle reserves available and they have received the appropriate enculturization training. If a Shuttle trip would be canceled because there is no reserve available who has received enculturization training, the reserve will receive an interim enculturization briefing prior to departure.

11. Rules for determining shuttle DSL quality are as follows:

11-a- The pairings will be ranked on a scale of 1 to 4 as described below. Not more than 30% of the pairings at any shuttle domicile, weighted on a duty period/month basis, can be ranked as 3 or 4. Not more than 25% of the pairings on the

shuttle system, weighted on a duty period/month basis, can be ranked as 3 or 4.

Not more than 10% of the pairings at any shuttle domicile, weighted on a duty period/month basis, can be ranked 4.

11-b- At least 30% of the system pairings, on an occurrence/month basis will be composed of 1 and 2 duty periods, unless this obligation prevents compliance with this paragraph 11 and/or Paragraph 12 below.

11-c- Pairings will be ranked from 1 - 4 based on the following:

A pairing having no deficiencies will be ranked a 1,

A pairing having 1 deficiency will be ranked a 2,

A pairing having 2 deficiencies will be ranked a 3, and

A pairing having 3 or more deficiencies will be ranked a 4.

11-d- The deficiencies will be cumulative and each occurrence will count as a deficiency.

11-e- The following items are deficiencies for the purpose of ranking the pairings.

11-e-1- Cross-town (Arriving at an airport different from the departure airport at the end of a pairing or following a layover).

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11-e-2- Deadhead.

11-e-3- A layover of more than 22 hours.

11-e-4- Any break of more than 2 hours, or more than one break of more than 1 hour in a single duty period.

11-e-5- An aircraft change during a duty period

11-e-6- A field layover before or after a duty period of 7:00 actual or greater.

11-e-7- A duty period in excess of 12:00 on duty.

12. Rules for shuttle line construction.

The following rules shall govern the construction of the monthly lines of flying for shuttle pilots.

12-a- All lines will be constructed on a 7 day pattern, i.e. the base pairing will originate on the same day(s) of the week. The lines will have the same days off each week to the extent possible.

12-b- Filler pairings will be tacked to the base pairing. The filler pairings should be arranged to make a 5 day work pattern to the maximum extent possible.

13. Shuttle lines will not be published for preferencing in any domicile if they are not in compliance with the provisions of Paragraph 11 and Paragraph 12 above.

14. The Company will construct secondary lines in the shuttle operation to the extent possible.

15. Trip Trade With Open Flying on the Shuttle will be conducted under the same

rules as Trip Trade With Open Flying on the Mainline. Notwithstanding the foregoing, on a domicile basis, three (3) additional trades each day Monday through Thursday and one (1) additional trade each day Friday through Sunday will be allowed.

16. The Company is authorized to utilize A-320 "family" aircraft or smaller in the shuttle operation. The Company may operate such aircraft as a separate shuttle fleet(s) or as part of the Mainline fleet. Any fleet operated in the shuttle will be a separate bid position. No aircraft will be operated in shuttle unless at least ten

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(10) such aircraft are so utilized. Prior to the Company initiating use of a new fleet in shuttle operations, the parties will agree upon procedures for transition staffing.

17. Shuttle IOE

Shuttle IOE will be conducted in accordance with the following provisions:

17-a- OE lines will not be designated in the Shuttle operation. The following rules for initial pilots will apply:

17-a-1- A pilot can bid and be awarded a line of flying using his own seniority. A F/O may have a potential line denied if it is already held by an initial or transition captain.

17-a-2- An initial or transition pilot will be prevented from trading into flying that is already assigned to another initial or transition pilot.

17-a-3- An initial pilot who is not senior enough to hold a line will be assigned trips as a reserve and always be placed at the top of the FIFO list after returning from a trip or days off. Such pilot shall receive 15 hours free of duty after each assignment, unless the pilot is the only reserve available, in which case the normal provisions of the Agreement shall apply. If multiple initial pilots are on reserve, they will return to the top of the FIFO list in FIFO order. A pilot may be passed over on the FIFO list to avoid an assignment with another initial or transition crew member.

17-b- A pilot holding a Captain or a First Officer Shuttle bid will initially be assigned to a Mainline trip(s) in order to accomplish the majority of his IOE; however, in no case will a Shuttle pilot receive less than 7 Shuttle landings during his IOE. A pilot holding a Captain or a First Officer Mainline bid will never be assigned to a Shuttle trip(s) for IOE.

17-c- A Shuttle pilot's IOE shall consist of no less than twenty-five (25) hard hours except for transitioning B737-200 pilots who will require a minimum of segments.

17-d- When a Shuttle pilot's IOE is completed prior to the conclusion of a

multi-day duty period trip, the pilot may be removed from the I.D. only at the end of a duty period.

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17-e- A pilot who is qualified as a B737-300/500 or A320/319 LCA may perform IOE for Shuttle pilots on both the Mainline and Shuttle.

17-f- In order to provide maximum continuity for a Shuttle pilot during his IOE, the Company will make every reasonable effort to keep the same LCA with the pilot during his entire IOE, including both the Mainline and Shuttle portions of the IOE. It is recognized that it may become necessary to substitute LCA's during an IOE, but in no case will a Shuttle pilot have more than two LCA's for the duration of an IOE, without the concurrence of the ALPA Training Committee.

17-g- Shuttle IOE will be performed by LCA's no less qualified than current LCA's providing IOE for Mainline pilots. Additionally, Shuttle IOE will be performed predominately by line LCA's.

17-h- The Company will solicit LCAs in an effort to maintain a balance between Shuttle and Mainline LCAs consistent with the forecast activations in each category on a semi annual basis. Shuttle LCAs will be permitted to perform Mainline IOE if no Mainline LCA is available, up to a maximum of one Mainline IOE per month per Shuttle LCA.

18. The Company will conduct a new analysis of the value of a Shuttle vacation day. The value determined by this analysis will be applied to the Preferential Bidding System.

19. The Company may operate all other aircraft types on markets served by shuttle.

20. The Company will maintain a Shuttle specific crew desk.

21. The Company and ALPA will maintain and update the Shuttle play book.

22. Except as otherwise provided, Mainline contract provisions apply to Shuttle operations.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 19th day of August, 1994.

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WITNESS: /s/ J.R. Samolis

/s/ G.L. Andrews John R. Samolis

/s/ Joyce A. Craven Vice President

WITNESS:

/s/ Joyce A. Craven

FOR THE AIR LINE PILOTS IN THE SERVICE

WITNESS:

Stephen Smith OF UNITED AIR LINES, INC.

WITNESS: /S/ J.R. Babbitt

J. Randolph Babbitt, President

Air Line Pilots Association, International.

/s/ M.J. Severson

/s/ Larry D. Schulte

/s/ W.J. Arscott

/s/ H.E. Stepinsky

/s/ Harlow B. Osteboe

Revised as of this 26th day of October, 2000

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council

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Flight/Data Recorders

LETTER OF AGREEMENT

between

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 is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as "the Company" or "United" and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as "the Association" or "ALPA").

WITNESSETH:

WHEREAS technological advancements in the aircraft data collection systems present new problems and concerns for both ALPA and the Company, NOW, THEREFORE, it is mutually agreed that the 1994 AGREEMENT between 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 is amended as follows:

DEFINITIONS:

- A. "Flight data recorder" shall include any device, equipment or system which transmits and/or records and/or collects inflight data, whether installed to monitor pilot, aircraft component, or aircraft performance.
- B. "Cockpit voice recorder" shall include any device, equipment or system which monitors or records a pilot's voice while he is on an aircraft.
- C. "Information" shall include any data transmitted, recorded or collected by using a flight data recorder, cockpit voice recorder or any other recording device. The term "information" shall further include tapes, transcripts, reports, papers, memos, statements, studies, charts, graphs or any other description, analysis or compilation of data collected by a cockpit voice recorder or flight data recorder.

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II. COCKPIT VOICE RECORDERS

- A. Cockpit voice recorder information will not be used for any purpose except accident/incident investigation and only in those instances where the legal criteria of an NTSB definable accident/incident have been met.
- B. No later than twenty-four hours after removal, the Company will notify the flight crew involved or, if unable, an MEC officer that the voice recorder was removed for analysis by the Company, a government agency or other third party.
- C. The pilot shall be allowed to review a cockpit voice recording removed from his trip which is in the possession of the Company after a formal request has

been filed with the Director of Safety and Security.

D. Voice recordings which have been removed from the aircraft and transcriptions thereof shall not be retained in an identifiable form for more than seven days unless (1) required by statute, (2) by mutual consent of the parties or (3) an active safety investigation is in progress.

E. Only the Senior Vice President Flight Operations, Vice President of Flight Standards and Training, Director of Flight Domicile Operations or, if a pilot, the Director of Corporate Safety and Security may authorize the removal and/or review of the cockpit voice recorder.

F. The Company will not provide copies of transcripts or actual cockpit recorder Audio recordings to the Association, its members or any third parties, except as required by law or by mutual consent of (1) the Director of Corporate Safety and Security (if a pilot) or the Senior Vice President of Flight Operations, (2) the MEC Chairman and (3) all pilots directly involved in the incident.

III. DIGITAL FLIGHT DATA RECORDERS

A. Operational data recorded or transmitted during flight operations shall be used strictly (1) for engineering analysis, (2) in conjunction with an accident or incident investigation or (3) as authorized by the Flight Operations Quality Assurance Agreement.

B. Digital flight data recorder information may only be collected at the direction of the Senior Vice President of Flight Operations, the Vice President of Flight Standards and Training, the Director of Flight Domicile Operations, the Director

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of Corporate Safety and Security (if a pilot), or for engineering analysis at the direction of a Vice President of Maintenance or General Manager of Engineering. The authority to authorize the collection of data shall not be delegated.

C. The Company will notify the Captain involved or, if he is unavailable, an MEC officer within forty-eight hours, if flight data recorder information has been retrieved from his flight for any reason diner man routine engineering analysis or as part of a Flight Operations Quality Assurance Program.

D. A pilot, and/or his representative, if desired, shall be allowed to review data retrieved by the Company from his flight unless restricted by statute. The Company shall provide a Flight Safety staff member with appropriate expertise to explain the meaning of the recorded data.

E. Flight data information retrieved will not be used in favor of or against a pilot in the grievance process or a system board hearing if the pilot has filed a detailed Flight Safety Awareness Report of the incident within twenty-four hours after the

completion of the pilot's ID in which the event occurred and the event was not the result of a deliberate violation of FAR or negligent disregard of Standard Operating Procedure.

F. All flight data information retrieved for engineering analysis or investigation will be de-identified or destroyed within seven days unless prohibited by statute, mutual agreement of the parties, or part of a current safety investigation.

IV. GENERAL

A. The Company shall notify the Association within 90 days of the signing of this letter of all known data acquisition and recording devices presently known to be installed in their aircraft and no later than 90 days prior to any future installations.

B. Except as required by foreign, federal or state government regulation, neither the Company nor the Association shall release any information derived from flight data or cockpit voice acquisition units to a third party without the express written consent of the other party.

C. Information obtained from a flight data recorder or cockpit voice recorder shall not be used for individual Pilot Enroute Checks.

D. All protective provisions of this agreement shall apply to all data collection devices installed in Flight Simulators.

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E. This letter shall become effective and will be applicable to all United aircraft upon tentative agreement by the parties to adopt a mutually agreeable "Flight Operations Quality Assurance Program" developed by the Air Line Pilots Association and the Company. Upon implementation, this letter will run concurrent with the 1994 Agreement.

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IN WITNESS WHEREOF, the parties have signed this Agreement this 1st day of
November, 1994.

/s/ G. L. Andrews

/s/ John R. Samolis

/s/ Richard Rosinia

John R. Samolis

/s/ Joyce Craven

Vice President Labor Relations

FOR THE AIR LINE PILOTS IN THE
SERVICE OF UNITED AIR LINES, INC.

WITNESS:

/s/ J. Stephen Smith

/s/ H. E. Stepinsky

/s/ J. R. Babbitt

/s/ Harlow B. Ostebboe

J. Randolph Babbitt, President

Air Line Pilots Association, International

Revised as of this 26th day of October, 2000

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council

WITNESS:

Month End Absence Rule

UNITED AIRLINES

Hal Stepinsky

Contract Administrator

UAL/MEC

Air Line Pilots Association

6400 Shafer Court - Suite 700

Rosemont, Illinois 60018

Dear Hal,

Attached is a document that the parties have agreed accurately explains the November 22, 1994 Letter of Agreement regarding the "Month-End Absence Rule."

In accordance with our mutual commitment to give wide distribution to this information, it will be included with the Letters of Agreement to be published as an addendum to the current Collective Bargaining Agreement booklet.

Sincerely,

/s/ G. L. Andrews

Gerald L. Andrews

Director of

Flight Contract Administration

Month-End Absence Rule

Since the 1981 Agreement, the Company has had the right to unilaterally adjust pilot schedules in order to make them legal from month to month. Once this

month end adjustment is made, any absence over the month end that develops thereafter is paid on the basis of the adjusted, legal schedules, as they occur in both months. Shortly after this provision became effective with the 1981 Agreement, ALPA and the Company agreed to an interpretation of this provision Intended to deal with concerns both parties had about schedule repairs that might be made under the new provision when the affected pilot was planned to be absent (vacation, training, etc.) at the beginning of a month. In order to avoid having changes occur to an absent pilot's schedule that he couldn't control and might not even have an opportunity to know about (e.g.; in the case of long term sick leave), it was decided that for most planned absences in a pilot's schedule that spanned a month-end or began on the first of a month, the pay for both the old month (month "A") and new month (month "B") would be based entirely

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on what the pilot's published schedule included in these two months, as awarded, without giving any consideration to the usual effect of month-end carry overs or conflicts - if and when any conflicts existed. This means that the pay for any carry-over trip from month "A" to month "B" is cut off at midnight at month end; however, all trips at the beginning of month "B" are paid, even if the carry-over trip normally would have been in conflict.

The basic rule is: If, at the time the Company reconciles month-end schedule conflicts created by carryover trips from the current month (month "A"), a pilot has a known absence either over the upcoming month end or beginning on the first day of the following month (month "B", then the Company will not repair that pilot's month end schedule conflict, if one exists. In this case, the pilot's pay for both months will be based on the pay value of the trips or portions of trips which appear in his awarded schedules as published for both months. All that is necessary for this rule to apply is for there to be a qualifying absence when month-end conflicts are being worked on; when there is, this process always will be followed and the pay will be split at midnight at month end, whether or not the two months' schedules would have been in conflict. Some special cases:

- a. This above general rule also applies when the absence in month "B" does not begin on the very first day of the month, provided the carry-over trip from month "A" projects into the absence.
- b. It is possible, though rare, for a very long trip at the end of month "A" to satisfy the circumstances described in "a", above, and also to entirely transcend a shorter trip at the beginning of month "B" that does not touch the absence. (E.g., an 8 day trip beginning on the 31st of month "A", a 4 day trip beginning on the 1st of month "B" and a vacation beginning on the 6th of month "B".) In this case,

this month-end pay rule continues to apply, however the pilot would be legal, in position and expected to fly the 4 day trip on the 1st.

c. Another variation on "a.", above that bears mentioning is created when the carryover trip from month "A" does not project into the absence, but the carryover trip conflicts with a trip at the beginning of month "B" that does project into the absence. (E.g., a 3 day trip beginning on the 31st of month "A", a 4 day trip beginning on the 2nd of month "B" and a vacation beginning on the 5th of month "B".) This is not really a special case; since, in this situation, there is no application of this month-end absence rule because neither of the required conditions is met: There is no absence beginning on the first of month "B" nor does the carry-over trip project into the vacation period. In this case, the carryover trip and the first trip in the pilots line for month "B" require regular month-end repair since the pilot will fly the carryover trip and cannot also get

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paid for the conflicting trip in month "B"- even though he would not have flown the trip in month "B" because it projects into the absence.

d. In the event a pilot is on sick leave at the beginning of an outbound trip at the end of month "A" that qualified him for the application of this "month-end absence rule" due to having a vacation beginning early in month "B" the pay for the outbound portion of any carryover trip that appears in month "A" that projects into the vacation shall be paid as vacation instead of sick leave.

e. This "month-end absence" rule will not be applied to pilots whose planned absences are due to an ALPA drop (such as attendance at a System Schedule Committee meeting) or to a Company business drop (such as a special assignment). For those two types of planned absences only, month-end conflict resolution will take place as if the pilot were expected to perform the month-end flying.

3. The Association will co-sponsor the distribution of the above rules, acknowledging ALPA's agreement with this month-end application and, thereafter, both ALPA and the Company will continue to publicize these rules so that pilots with month-end absences

will have accurate information about how to preference schedules when they have such absences. The Company will include a reminder with each month's schedule preferencing package to alert pilots to these special month end absence rules.

EXAMPLES

"Month-End Absence Rule"

The following illustrations are intended to provide additional examples of the situations cited in the attached Settlement Letter. The first two examples below

illustrate the "normal" application of the "Month-End Absence Rule". Thereafter, the small letters "a" through "e", correspond to the letters which identify each "special case" situation. For some of these situations, more than one example is provided, as noted. (For further reference, all examples in this document are numbered consecutively.)

Example #1 (Normal application)

Month "A"-----><-----Month "B" -----											
28	29	30	31	1	2	3	4	5	6	7	8
		ID X	>>>>	>>>> ID Y	>>>>	>>>>	ID Y	>>>>			
<-----vacation-----											

In the above case, the pilot is paid for the value of ID "X" only for the 30th and 31st of Month "A" (not for the carry-over value in Month "B") and for all of ID on the 1st, 2nd and 3rd of Month "B".

Example #2 (Normal application)

Month "A"-----><-----Month "B" -----											
28	29	30	31	1	2	3	4	5	6	7	8
		ID X	>>>>	>>>>	>>>>		ID Y	>>>>	>>>>		
<-----VACATION-----											

Even though the above pilot could have legally flown all of ID "X" on the 30th, 31st, 1st and 2nd (were he not on vacation), the pay works the same as in Example 1; i.e., the "Month-End Absence rule still applies. Specifically, the pilot is paid for the value of ID "X" only for the 30th and 31st of Month "A", (not the carry-over value) and for all of ID "Y" on the 4th, 5th and 6th of Month "B".

Example #3 (Special Case "a".)

Month "A"-----><-----Month "B" -----											
28	29	30	31	1	2	3	4	5	6	7	8
		ID X	>>>>	>>>>	>>>>		ID Y	>>>>	>>>>		
<-----vacation-----											

Here, again, the "Month-End Absence Rule" applies because the carry-over pairing projects into the absence, even though the absence does not begin on the 1st of Month "B".

Example #4 (Variation on Special Case "a".)

Month "A"-----><-----Month "B" -----											
28	29	30	31	1	2	3	4	5	6	7	8
		ID X	>>>>	>>>>	>>>>		ID Y	>>>>	>>>>		
<-----vacation-----											

In the above case, the "Month-End Absence Rule" does not apply because the carry-over trip does not project into the absence. The pilot would fly and be paid for ID "X" since it does not project into his vacation. ID "Y" would be dropped because of a normal month-end conflict with ID "X". (ID "Y" would not be paid as overlap because, even in a vacation, a pilot cannot be paid for a trip that his schedule shows he wouldn't have been legal to fly.)

Example #5 (Special Case "b".)

Month "A"-----><-----Month "B" -----											
28	29	30	31	1	2	3	4	5	6	7	8
		ID X	>>>>	>>>>	>>>>		ID Y	>>>>	>>>>		
<-----vacation-----											

In the above case, the carryover trip projects into the vacation, which makes it subject to the "Month-End Absence Rule"; that is, ID "X" is paid only for the 30th and 31st of Month "A". Also, in this case, the pilot is legal and in position to fly ID "Y" on the 1st of Month "B"

Example #6 (Special Case "b".)

Month "A"-----><-----Month "B" -----											
28	29	30	31	1	2	3	4	5	6	7	8

		ID X	>>>>	>>>>	>>>>	>>>>	>>>>				
				ID Y	>>>>	>>>>					

<-----vacation-----

The difference between Example #6 and Example #5 is that, in Example #6, both ID "X" and ID "Y" project into the vacation. In this situation, the "Month-End Absence Rule" applies to ID "X" so that it is paid only for the 30th and 31st of Month "A", however ID "Y" is dropped for vacation overlap and is paid as vacation.

Example #7 (Special Case "c.")

Month "A"-----><-----Month "B" -----

										7	8
28	29	30	31	1	2	3	4	5	6		
		ID X	>>>>	>>>>	>>>>	>>>>	>>>>				
				ID Y	>>>>						

<-----vacation-----

In the above case, there is no application of the "Month-End Absence Rule" because there is no month-end absence nor is there a carry-over trip that protects into an absence. In this situation, a regular month-end conflict exists and is subject to normal repair. The pilot would fly ID "X" and drop ID "Y" due to the conflict.

Example #8 (Special Case "d.")

Month "A"-----><-----Month "B" -----

										7	8
28	29	30	31	1	2	3	4	5	6		
		ID X	>>>>	>>>>	>>>>	>>>>	>>>>				
				ID Y	>>>>						

Long Term Sick Leave-----><-----vacation-----

The above is another variation on Example #1, showing the effect of two "end-to-end", absences. There is no difference from Example #1 in the amount of pay. here is, however, a difference in accounting, since in this case the pilot's pay for ID "X" on the 30th and 31st of Month "A" is paid as vacation time and is not charged as sick leave. This is an example of the only new application, which is being implemented as a result of this settlement.

Example #9 (Special Case "e.")

Month "A"-----><-----Month "B" -----											
28	29	30	31	1	2	3	4	5	6	7	8
		ID X	>>>>	>>>> ID Y	>>>>	>>>>					

<SSC Meeting----->

In the above situation, although there is a month-end absence, this is one of the exceptions to which wPPE have agreed the "Month-End Absence Rule" does not apply. In this case, the lines would be repaired just as if the pilot were expected to fly all trips in both months.

Page

Letter 94-18

Contributions to DAP

LETTER OF AGREEMENT

between

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 is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC., as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to

as the "Association")

WITNESSETH:

WHEREAS, the Internal Revenue Code places limits on the amounts which may be contributed annually to the qualified defined contribution plans maintained by the Company on behalf of the pilots; and WHEREAS, these limits apply to the sum of the Company's contributions to the UAL Corporation Employee Stock Ownership Plan (hereinafter referred to as the "ESOP"), the Company's contributions to the United Air Lines, Inc. Pilots' Directed Account Retirement Income Plan (hereinafter referred to as the "DAP"), and the pilots' pre-tax and after-tax contributions to the DAP; and

WHEREAS, the Company's consultants have advised the Company that, due to these limits, in 1995 it is likely that most pilots will be allowed to make pre-tax contributions up to the federal limit of \$9,240); and

WHEREAS, after the additional ESOP tranche purchase to be made in July of each year during the Wage Investment Period, the Company's consultants will be able to make a more precise projection of the pilots/ability to make pre-tax and aftertax contributions during that year; and

WHEREAS, the Company and the Association wish to state the agreement they have reached regarding the ability of pilots to make pre- tax and after-tax contributions to the DAP during the Wage Investment Period of the ESOP;

Letter 94-18

NOW, THEREFORE, it is mutually agreed as follows:

1. The ability of participants in the DAP to make after-tax contributions to the **DAP during 1995 is suspended effective January 1, 1995. (The ability of** participants in the DAP to make pre-tax contributions to the DAP during 1995 is not affected as of January 1, 1995, but will be reviewed, as provided in paragraph 2 below, in August 1995.)
2. After the ESOP tranche purchase occurring in July 1995, the Company will obtain the advice of its consultants regarding the DAP participants' ability to make both pre-tax and after-tax contributions to the DAP during 1995, up to the limits permitted under the Internal Revenue Code. The Company will provide the Association with a report covering the advice received from its consultants. The Company and the Association will meet during August 1995 to determine jointly, based on the consultants' advice; (a) whether or not to revoke the suspension of after-tax contributions effective January 1, 1995 in whole or in part, for the remainder of 1995, with respect to some or all of the participants in the DAP; and (b) whether or not to refund, in whole or in part, pre-tax contributions already

made in 1995, and earnings thereon as required by law; and (c) whether to suspend pre-tax contributions in whole or in part for the remainder of 1995.

Based upon the consultants' advice, any such actions may apply to some or all participants. If the Company and the Association are unable to make such a joint determination, then the Company shall take such action consistent with the terms of the DAP and applicable law as the Company determines in good faith is necessary to maintain the tax-qualified status of the DAP and to avoid penalties imposed upon the Company.

3. By November of each year after 1994 during the Wage Investment Period, the Company will obtain the advice of its consultants regarding the DAP participants' ability to make both pre-tax and after-tax contributions to the DAP in the following

year, up to the limits permitted under the Internal Revenue Code. The Company will provide the Association with a report covering the advice received from its

consultants. The Company and the Association will meet during each such November to determine jointly, based on the consultants' advice, whether or no to impose a suspension of the DAP participants' ability to make pre-tax and/or after-tax contributions to the DAP to be effective January 1 of the following year.

Based on the consultants/advice, any such suspension may be partial or total, and may apply to some or all participants. If the Company and the Association are unable to make such a joint determination, then the Company shall take such action consistent with the terms of the DAP and applicable law as the Company determines in good faith is necessary to maintain the tax-qualified status of the DAP and to avoid penalties (including loss of tax deductions) which

Letter 94-18

might otherwise be imposed upon the Company.

4. After the ESOP tranche purchase occurring in July of each year during the Wage Investment Period after 1995, the Company will obtain the advice of its consultants regarding the contributions to the DAP during that year, up to the limits permitted under the Internal Revenue Code. The Company will provide the Association with a report covering the advice received from its consultants. The Company and the Association will meet during August of each such year to determine jointly, based on the consultants' advice; (a) whether or not to modify or revoke their decision (of the. previous November) regarding the DAP participants' ability to make pre-tax and/or after-tax contributions during that year, and (b) whether or not to refund contributions already made during such year, and earnings thereon, as required by law. Based on the consultants' advice, any such modification or revocation may be partial or total, and may apply to some or all participants. If the Company and the Association are unable

to make such a joint determination, then the Company shall take such action consistent with the terms of the DAP and applicable law as the Company determines in good faith is necessary to maintain the tax-qualified status of the DAP and to avoid penalties (including loss of tax deductions) which might otherwise be imposed upon the Company.

5. Unless otherwise explicitly modified in this Letter of Agreement, the agreement between the Company and the Association regarding the pilots' ability to make pretax and after-tax contributions to the DAP remains unchanged.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 15th day of December 1994.

WITNESS: FOR UNITED AIRLINES, INC.

/s/ G. L. Andrews /s/ John R. Samolis

/s/ J. A. Craven John R. Samolis

Vice President

Labor Relations

WITNESS: FOR THE AIR LINE PILOTS IN THE
SERVICE OF UNITED AIR LINES, INC.

/s/ J. Stephen Smith

/s/ M. J. Severson /s/ J. R. Babbitt

/s/ W. J. Arscott J. Randolph Babbitt, President

/s/ Larry D. Schulte Air Line Pilots Association, International.

/s/ H. E. Stepinsky

ESOP Revisions

UNITED AIRLINES

December 22, 1994

Captain Harlow B. Osteboe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Captain Osteboe:

It is agreed that United will cause UAL Corporation to amend the ESOP and Supplemental ESOP in accordance with our discussions, including the following revisions:

1. Notwithstanding the fact that ALPA does not represent student flight officers, those students will be included in the ALPA Employee Group under these plans.
2. Compensation included in a participants first and second regular January (or May, 2000) paychecks which relates to services performed in the prior year will be included in ESOP compensation for the prior year.

If the terms of this settlement are acceptable, please sign and date the original and return for our files.

Sincerely,

/s/ John R. Samolis

John R. Samolis

Vice President

Labor Relations

Accepted and agreed to this

23rd day of December, 1994.

/s/ Harlow B. Osteboe

Captain Harlow B. Osteboe, Chairman

UAL-MEC Air Line Pilots Association.

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Letter 9-10

Letter 9-10

75 Hour FAR

UNITED AIRLINES

Captain Harlow Osteboe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Harlow,

The parties have mutually agreed to the following provisions as an addition to Section 20-E of the Agreement in order to accommodate the effect of the new FAR that imposes new limitations on crew composition involving Captains and First Officers who have less than seventy-five (75) flight hours of PIC or SIC time in that equipment type after completing transition training. The following provisions apply only to Captains and First Officers who are not "initial" Captains and First Officers; the provisions of Section 20-E continue to apply to "operating experience" for initial Captains and First Officers.

Notwithstanding the provisions of Section 6-A-2 and Section 20-B-1-f, Captains and First Officers shall be subject to the following schedule and reserve assignment provisions if, at the time the line or trip assignment is made, the Captain or First Officer has not yet performed seventy-five (75) hours of flying as Pilot in Command or as Second in Command in his current aircraft type.

1.

1-a- If a Captain is senior enough to be awarded a primary line of flying through preferencing upon his activation into his new Captain assignment, and if he does preference and is awarded such a line, that line shall become his "OE" line.

1-b- If a First Officer is senior enough to be awarded a primary line of flying

through preferencing upon his activation into a new First Officer assignment, and if he does preference and is awarded such a line, that line shall become his "OE" line providing that the Captain holding the same line has completed seventy-five (75) hours as PIC or SIC in that equipment type at the time the monthly schedule assignment is being made. In the event the First Officers preference would normally result in his being awarded a line with a Captain who has not fulfilled the above seventy five (75) hour requirement, the First Officer will be awarded the next available line, according to his preference, to which the assigned Captain has satisfied the seventy five (75) hour requirement.

2. Lineholder Captains and First Officers who have not accumulated seventy-five (75) hours in their current assignment shall not be eligible to trip trade into an assignment which does not comply with the above requirement, nor into an assignment in which the other pilot position is "open".

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3. If the newly transitioned Captain or First Officer does not have sufficient seniority to be awarded a line of flying under "1.", above, the Captain or First Officer will be awarded the reserve line to which his seniority entitles him.

4. Newly transitioned Captains and First Officers who have not accumulated seventy-five (75) hours as PIC or SIC in their current type at the time the assignment is made will not be eligible to be awarded secondary lines.

5. A newly transitioned Captain or First Officer who is a reserve and who has not

accumulated seventy-five (75) hours in his current equipment type may be bypassed in the FIFO assignment rotation in order to be assigned flying which does not violate the seventy-five (75) hour requirement. Further, such Captain or First Officer may, at his request, be placed at the top of the FIFO list until he has acquired seventy-five (75) hours in his current assignment. Each pilot who requests to be placed at the top of the list will be placed just below all other pilots who previously requested such placement.

6. Newly transitioned Captains and First Officers who have not accumulated seventy-five (75) hours in their current equipment type and who do not have a line or reserve assignment for the current month at the time they complete JOE, may be assigned to reserve or to an existing partial line or to a partial line created for them from open flying that does not violate the seventy-five (75) hour requirement. All trip pairings assigned to pilots who have not completed the seventy-five (75) hour requirement must, at the time of assignment, fall into one of the following groups: (1) a complete DSL published sequence, (2) a portion of a single published sequence or (3) any sequence to which a complete crew is assigned as a unit.

If this accurately reflects our understanding, please sign and return 2 copies our files.

Sincerely,

/s/ John R. Samolis

John R. Samolis

Vice President

Labor Relations

Accepted and agreed to this

24th day of July, 1995.

Harlow Osteboe, Chairman

UAL-MEC Air Line Pilots Association.

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Letter 9-1

Letter 9-1

Schedule Flexibility

UNITED AIRLINES

Captain Michael H. Glawe

UAL-MEC Chairman

Air Line Pilots Association

6400 Shafer Court Suite 700

Rosemont, IL 60018

Dear Mike,

As a result of the recommendations that were compiled by the Dependability Task Team, the parties have agreed to consider modifying the Agreement to allow pilots to have greater control over their schedules. Since most of the following modifications require considerable computer support in order to be administered reliably and some of the concepts are untried and intended to be experimental, this Letter of Agreement constitutes a mutual commitment to pursue development of the necessary processes and computer support in order to initiate trials of the concepts listed below and then to implement each provision when the parties agree that appropriate computer support is in place. Once implemented, any or all of these provisions can be discontinued by notice being given to the other party at least 90 days prior to the month in which the provision is to be discontinued.

1. Unlimited Trip Trading with Open Flying

Automated trip trading with open flying will include the following concepts:

1-a- The automated open flying trip trade system will use (1) a single monthly "run down", prior to the beginning of the subject month, during which trades will be awarded based on relative seniority and (2) an ongoing "first come, first served" system; both similar to the current Shuttle system.

1-b- No pilot will be permitted to drop a trip if it reduces the projected value of his line below fifty (50) credit hours, without Company concurrence.

1-c- Rules for establishing blackout and embargo days will be published and available to pilots. It is intended that these two identifiers will be applied and removed on a dynamic basis as coverage circumstances change; as such, it is important that each pilot be aware of the factors that may cause his trading/dropping opportunities to change as time passes.

1-d- New mutually agreed upon rules will be established and published to clearly define the opportunities regarding a trade that touches an embargo day or that departs on a blackout day. These rules will provide greater access than provided by the current Trip Trade Letter (93-2).

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1-e- Depending upon the size of the domicile, up to 3% of the credit time in any equipment, status and domicile may be left as open time to facilitate trip trading with open flying.

1-f- A pilot will be permitted to trip trade with or pick up open flying which results in his projection exceeding the applicable actual flight time limit by up to two (2)

hours, if the trade involves flying on a blackout or embargo day. Once a pilot

becomes projected above the normal monthly flight time limit as a result of this

provision, he will not be required to drop a trip or portion of a trip if he later

becomes further over projected for any reason, unless he becomes projected more than one hour above the projection he had just prior to the assignment that

produced the additional hour.

1-g- A pilot may trip trade with another pilot as long as the resulting trade is legal under the provisions of Section 5.

2. Overprojection Protection

The provisions of Section 5-B-2-a, 5-B-3 and the related provisions of the

International Supplement shall be modified as follows:

2-a- If a pilot initially becomes projected over the actual limit applicable to him under Section 5-B-2-a (and related provisions of the International Supplement) and such overprojection is entirely (1) the result of flying a carryover trip from the prior month or (2) the result of his flying trips that did not project him to exceed the applicable limit at the time the assignment was made (including trips assigned under the provisions of Section Section 20-H or 20-I); then such pilot may, at his discretion, fly the remainder of his schedule without being required to drop any flying in order to comply with the 5-B-2-a limits.

2-b- A pilot may indicate his willingness to fly his complete schedule under this provision even if his projection should exceed the allowable actual monthly flight time due to month-end carry overs or operational increases in flight time. A mainline pilot may make this election at any time including during the line award process, in which case any adjustment made necessary by an inbound carry-over conflict can be repaired up to 83 actual flight hours (85 actual hours for international lines). A pilot may contact OPBCM via phone or computer during the operating month to rescind his willingness to further exceed his actual projection. The Company will then be required to make the appropriate adjustment to prevent the pilot's actual projection from exceeding by more than one hour his actual projection at the time he contacted OPBCM.

2-c- If a pilot initially acquired a high flight time projection under the provisions of "2-a." above, he shall not be required to drop a trip due to funkier overprojection, except under the conditions described in "1-f", above,

3. Make Up of Sick Leave

The provisions of Section 7-D of the International Supplement (voluntary makeup of sick leave) shall apply to all pilots, including Shuttle pilots as follows:

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3-a- Such pilot shall be eligible to restore all or part of his accrued sick leave used for the illness absence on an actual hour for actual hour basis.

3-b- Restoration of sick leave accrual shall be accomplished by picking up open time under the provisions of Section 20-H-5 of the Agreement.

3-c- Pick up under this provision shall be limited to the month in which the absence occurs.

4. Language Conflicts

It is understood that, should there be language within the Agreement that appeal to be in conflict with the provisions of this Letter, this Letter shall prevail. If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ John R. Samolis

John R. Samolis

Vice President Labor

Relations

Accepted and agreed to this

12th day of February, 1996.

/s/ Michael H. Glawe

Michael H. Glawe, Chairman

UAL-ALPA Master Executive Council

Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council.

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Letter 96-10

International Training

UNITED AIRLINES

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018-7180

Dear Michael,

As a result of the new requirement that some newly trained Captains on equipment that performs international flying be assigned only domestic flying before receiving additional international training, the parties have agreed to the following:

1. Any pilot who is awaiting international training and/or who requires domestic flying due to the application of the "International Training Matrix" will be paid the value of his awarded line or the value of the flying he actually performs, whichever is greater.

2. In those domiciles where both international and domestic flying are available, a

pilot awaiting international training who is awarded a line with international flying in the line will be removed from those international trips and be available to be assigned to domestic flying on the days he was originally scheduled to fly. He will be considered to be at the top of the FIFO list for this provision.

3. In those domiciles where no or insufficient domestic flying is scheduled, a pilot

requiring domestic flying may, at his option, choose to be sent TDY, if TDY is

available at a domestic domicile. Such TDY assignments will be made in seniority order from those pilots who volunteer for TDY. Otherwise, these pilots will be eligible to be assigned individual domestic trip pairing originating from domestic domiciles. Such assignments will be constructed by incorporating legal deadhead segments at the start and end of the pairings; however, these pairings are not subject to the provisions of Section 8-L-6. Pilots eligible for single trip domestic assignments will be considered to be at the top of the FIFO list for this purpose.

If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ John R. Samolis

John R. Samolis

Vice President

Labor Relations

/s/ Michael H. Glawe

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association.

Letter 97-4

Allocation of Flying Protocol

UAL-ALPA

AGREEMENT ON A PROTOCOL

FOR A CONSULTATIVE PROCESS

FOR ALLOCATION OF FLYING ISSUES

BACKGROUND

The 1963 Pilot Agreement was the first to contain the provision which subsequently caused more System Board disputes between the Company and ALPA than any other provision of the contract. The provision appears in Section 20, titled allocation, assignment and scheduling of flying, and reads:

It is the intent of the parties to this Agreement that this System Scheduling

Committee shall provide pilots with the opportunity to consult with and make

recommendations to the Company on the allocation of flying, assignment and

reduction of flying to pilot domiciles in accordance with the "equipment to seniority" concept:

"Equipment to seniority" shall mean that within the limits of flying hours available to a domicile by equipment type, the more senior pilots shall be given the opportunity to fly equipment in the following order:...

The System Board heard grievances submitted by ALPA alleging the Company was not complying with these provisions in 1967, 1970, 1971, 1973, 1984 and 1993. Each System Board decision, in addition to determining the contractual rights of the parties, stands for the proposition that the Company and ALPA have had significant difficulty determining how to effectively implement ALPA's opportunity to consult with and make recommendations to the Company on the allocation of flying, assignment and reduction of flying to pilot domiciles in accordance with the equipment to seniority concept.

Each System Board decision permitted the Company to make the final decision on allocation of flying issues. In these disputes, ALPA consistently maintained the Company failed to provide a meaningful opportunity to consult or that the Company failed to comply with the equipment to seniority concept. In making decisions on allocating, assigning and scheduling of flying, the Company maintained that it could modify a literal application of seniority due to various factors, such as:

HUMAN/CONTRACTUAL FACTORS

- Relative seniority of the equipment domicile
- Current equipment domicile size
- Other equipment types at the domicile
- Number of pilots with future bids
- Domicile stability.

- Impact of additional commuters

ECONOMIC FACTORS

- Best flown flight time credit
- FTC with and w/o domicile
- Impact on other domiciles
- Efficient line construction
- Varied ID's EOM conflicts
- Stability
- Future of equipment type
- Training impact - retaining vs. closing base
- Adequate reserve utilization
- Administrative costs

Pursuant to the ESOP established in 1994, the parties adopted a Statement of

Principles which defined the basic ESOP expectations of the Company and ALPA. Two of those principles are:

It shall be our goal to encourage and embrace employee input into the decision making process in order to stimulate a feeling of personal ownership.

and

We will recognize and respect the managerial and representational roles and responsibilities of each organization.

The parties have noted that the allocation of flying provision of the contract and these two Statements of Principle are remarkably consistent with each other. The parties also recognize their recent experience with the DC10 equipment domicile closing demonstrates continuing difficulties with implementing the provisions of Section 20-A-2

Therefore, the parties desire to establish a protocol which recognizes, respects and implements both the Contract and the Statement of Principles regarding this most vital element of the Company - Pilot relationship, that is, the allocation of flying, assignment and reduction of flying in accordance with the equipment to seniority concept.

To that end, the Company must recognize its responsibility to give ALPA the

opportunity to provide meaningful input to the allocation and assignment of flying

process and ALPA must be confident that it has been given a legitimate opportunity to be consulted and to make recommendations before Company decisions are made on allocation of flying issues. The parties believe that ALPA's seat on the Board of Directors, its Officers' regularly scheduled monthly meetings with the CEO and President, and the SSC's participation in the Company's strategic planning process significantly enhance this level of confidence. Accordingly, the following protocol,

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which is intended to assist the Director of Flight Crew Resources and the System

Scheduling Committee, establishes the rights and obligations of each party whenever the Company must extend to ALPA the right to be consulted and to make recommendations on allocation and assignment of flying issues.

PROTOCOL FOR CONSULTATIVE PROCESS

1. The Parties agree that the following subject matters are within the concept of allocation, assignment and scheduling of flying as described in Section 20 of the Pilot Agreement:

1-a- opening new or closing existing domiciles,

1-b- opening new equipment domiciles or closing equipment domiciles,

1-c- changing the size of domiciles in accordance with standards to be agreed upon.

2. When the need for a decision on an above referenced subject is identified, the Director of Flight Crew Resources (the Director) has the responsibility to give ALPA notice that it will be given the opportunity to be consulted and to make recommendations prior to the time the Company makes its decision. The Director will give this notice by issuing to the System Scheduling Committee (SSC) a Notice of Proposed Decision Making (NPDM). The Director has a good faith responsibility to issue the NPDM as soon as possible after the need arises to allow ALPA as much time as possible to respond.

3. The NPDM shall contain:

3-a- a statement of the issue the Company needs to decide,

3-b- an estimate of the time frame within which the Company must make a decision,

3-c- specific information, if any, the Company may require from ALPA, and

3-d- the date by which ALPA's recommendations are required to be submitted to the Director.

4. The NPDM shall be delivered to the System Schedule Committee members by US Mail or by a more expeditious method, such as hand delivered or by FAX, except that it shall also be sent certified mail to the ALPA Master Chairman.

5. The SSC will respond to the NPDM by certified mail as quickly as possible given the time frame within which a decision must be made. The response to the Director shall indicate the following:

5-a- whether the SSC wishes to be consulted and given the opportunity to make a recommendation on the issue, and if it does, its initial impression about how and when it wants to address the issue, such as by conference call, at an immediate meeting or at the next SSC meeting,

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5-b- any preliminary information it desires for its preparation and evaluation of the issue prior to discussions with the Company,

5-c- an initial estimate of the time period the SSC believes will be required before it can make recommendations.

6. The Director will provide all requested pertinent information in accordance with

Section 20-A-2-f of the Pilot Agreement. If the Director is unable to provide the requested information, the Director will inform ALPA of the reasons therefore.

7. When the parties discuss the issue, they will endeavor to identify the options

available to them at each stage of the decision making process and whether additional information or time is required to evaluate the options. The parties will consider, evaluate and apply the human, contractual and economic factors applicable to allocation of flying issues as appropriate to each stage of the decision making process. When the SSC is satisfied that the parties have fully explored their reasonable options, the SSC will advise the Director when the SSC will be able to make its recommendations to the Company. The SSC acknowledges that its recommendations must be submitted within the Company's time frame for decision.

8. ALPA's internal protocol will identify the process by which the SSC will develop its recommendations before they are submitted to the Company.

9. The SSC will submit its recommendation(s) in writing to the Director within the time limits specified in the NPDM, unless the parties have mutually agreed to a different deadline.

10. If the SSC is unable to comply with the time limits, it may request additional time from the Director. The Director will advise the SSC whether additional time can be granted, and if not, the reasons therefore. If additional time cannot be granted, the Director will advise the SSC when the decision will be made and when it will be announced.

11. Before making his decision, the Director will consider and evaluate the

recommendations made by the SSC, if any, and will communicate in writing to the SSC the reasons for accepting or rejecting their recommendations.

12. The SSC and the Director will provide feedback to each other on how well the

consultative process worked on each issue covered by a NPDM and the

improvements, if any, which they believe should be made to the process before the next NPDM is issued.

The parties agree this 24th day of February, 1997.

/s/ Michael H. Glawe

Captain Michael H. Glawe, Chairman
UAL-MEC Air Line Pilots Association

/s/ Hart A. Langer

Hart A. Langer, Senior Vice President
Flight Operations, United Airlines.

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Letter 97-8

777 Crew Rest

UNITED AIRLINES

Captain Michael H. Glawe, Chairman
UAL-MEC Air Line Pilots Association
6400 Shafer Court, Suite 700
Rosemont, IL 60018

Dear Michael,

All B-777 aircraft serving international destinations will be re-equipped with the
"Genesis" first class seat system. On all B-777 international flights of twelve (12)

hours scheduled flight time or less, one such seat will be reserved as a dedicated pilot rest facility. Until the "Genesis" seat installation process is completed, however, ALPA and Company negotiating committees have agreed to the following changes in the B-777 crew rest policy.

1. Seat 1E is the exclusive crew rest seat on all B-777 aircraft, and Seat 1F is to be assigned or occupied only if it is the last available seat in the first class cabin.
2. Both Seat 1E and Seat 1F shall be marked with appropriate seat coverings which identify the seats as reserved for crew rest. Additionally, a Customer Service Representative must advise the Captain of the status of Seat 1F at the time of departure and hand the Captain the seat cover if it was necessary to assign Seat 1F.
3. A Customer Service Representative will under no circumstances solicit the Captain or other crew members to relinquish Seat 1E.
4. Provisions 1 through 3 above shall be incorporated into the Flight Attendant

Handbook and the Flight Operations Manual.

5. A letter from John Edwardson which discusses provisions 1 through 3 above shall be sent to all Customer Service Representatives.

6. The Company agrees it will discuss with the Association all future planned changes to the "Genesis" first class seating configuration prior to their implementation.

If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ Chuck Vanderheiden

Chuck Vanderheiden

Director - Labor Relations

Flight Employees

Accepted and agreed to this.

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Letter 97-8

2nd day of May, 1997.

/s/ Michael H. Glawe

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association.

Letter 97-9

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Letter 97-9

Open Flying for Flight Management

UNITED AIRLINES

Captain Michael H. Glawe

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018-7180

Dear Michael,

As a result of changes made to the open flying pick-up procedures for line pilots by the "trip-trade with open flying" Letter of Agreement, the parties have agreed to add the following companion changes to the pick up process for flight-qualified management:

Flight qualified managers may use the "zero trade" provision of the trip trade with

open flying process to pick up open flying, with the following limitations:

The availability of trips which are eligible for pick up by a manager will be limited to those trips that have been placed into open flying as a result of a line pilot having already performed a trade with open flying; except that a manager may pick up any trip that has been listed in open flying and available for pick up for at least 6 hours, or after 12 noon, local domicile time, whichever is later.

If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ Chuck Vanderheiden

Chuck Vanderheiden

Director - Labor Relations

Flight Employees

Accepted and agreed to this

16th day of May, 1997.

/s/ Michael H. Glawe

Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association.

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FOQA Update

LETTER OF AGREEMENT

between

UNITED AIR LINES, INC.

and

THE AIR LINE PILOTS

in the service of

UNITED AIR LINES

as represented by

THE AIR LINE PILOTS ASSOCIATION,

INTERNATIONAL

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title 11 of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as "the Company" or "United") and the AIR LINE PILOTS in the service of UNITED AIRLINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as "the Association" or "ALPA").

WITNESSETH:

WHEREAS, it is the intent of the parties to implement a Flight Operations Quality

Assurance Program (FOQA) to analyze data for the sole purpose of enhancing safety and efficiency of flight operations,

WHEREAS, a Flight Operations Quality Assurance Program (FOQA) requires specific pilot protective provisions which are not currently included in the FAR's, and the Company and ALPA agree that the implementation of any Flight Operations Quality Assurance Program (FOQA) will be held in abeyance until the required FAR protective provisions are effective or a waiver to United Air Lines is granted from the FM providing these protective provisions,

WHEREAS, the parties have successfully implemented a FOQA program per the

Letter of Agreement dated November 10, 1994,

WHEREAS, the Letter of Agreement was subsequently modified by an amendment.

Now, therefore, it is mutually agreed that this FOQA Letter of Agreement,

incorporating the changes per the Amendment, replace the FOQA Letter of Agreement dated November 10, 1994 contained within the 1994 Agreement between 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 is amended as follows:

A. DEFINITIONS:.

A-1- "FOQA Program" - A program designed to enhance flight safety through controlled analysis of recorded flight data information.

A-2- "Identifying Data" is any data or combination of data which allows collected data to be associated with a specific crew member.

A-3- "Identified Data" is any collected data prior to removal of all identifying data.

A-4- "Flight Data Recorder" is any device, equipment or system which collects, transmits or records in-flight data, whether installed to monitor pilot, aircraft component, or aircraft performance, or as consequence of performance of some other function.

A-5- "Cockpit voice recorder" is any device, equipment or system which monitors or records a pilot's voice while he or she is on an aircraft.

A-6- "Information," is any data transmitted, recorded or collected by use of a flight data recorder, cockpit voice recorder or any other recording device. The term "Information" shall further include tapes, transcripts, reports, papers, memos, statements, studies, charts, graphs or any other description, analysis or compilation of data collected by any such equipment.

A-7- "FOQA Monitoring Team" - A committee of three management pilots

appointed by the company: one from Safety, one from Domicile Operation and one from the Flight Center and three ALPA pilots selected by the MEC.

A-8- "Operational Excedence Event"- An event described by recorded data values indicating the aircraft was outside the normal operation envelope.

A-9- "Operational Routine Event"- An event in routine operation of statistical

interest such as time into operation when flaps are retracted.

A-10- "Designated Excedence Guidance Team Member" - a designated member of the ALPA Excedence Guidance Team who is conducting a specific event resolution and has the capability, if required, to identify the crew or crew members associated with collected data. This ALPA Excedence Guidance Team member will be the only person capable of identifying the flight crew associated with this collected data.

A-11- "ALPA Excedence Guidance Team" - MEC appointed pilots, designated to analyze operational events, and if necessary, identify, interview, exchange information with and provide guidance to the pilots involved. The Excedence Guidance Team members are the only persons capable of identifying a crew associated with the event.

B. FOQA PROGRAM:

B-1- The design, implementation, and operation of a FOQA program shall be by mutual agreement between the Company and the Air Line Pilots' Association. Any variation from the agreed upon FOQA program shall require the mutual agreement of the parties prior to implementation.

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B-2- The FOQA Monitoring Team shall oversee the day to day operations of the FOQA Program and establish necessary policies and procedures to ensure compliance with the provisions of this agreement.

B-3- The design of the FOQA program shall ensure the initial confidentiality and ultimate anonymity of individual crew members

B-4- Flight data collected from any recording device installed on a Flight simulator will be an integral part of the FOQA program and be administered by the FOQA program personnel. This data will be considered FOQA data and comply with all the provisions of the FOQA Agreement.

B-5- The letter of Agreement dated 11/11/94, regarding aircraft data collection systems, is incorporated herein by reference.

B-6- Any violation of the requirements of this agreed-upon FOQA program, or the terms herein, shall cause the FOQA program to be held in abeyance until the infraction is resolved to the mutual satisfaction of both parties.

C. SCOPE:

C-1- Sufficient de-identified data shall be maintained to fulfill the requirements of the agreed-upon FOQA program. All de-identified data, and analyses of such data, shall be made available to the parties.

C-2- There shall be continual evaluation of excedence values by the parties.

C-3- Any special studies or evaluations require mutual agreement by Company and Association members of the FOQA Monitoring Team.

C-4- Government agencies may be given access to de-identified data on

Company property with approval of the FOQA Monitoring team.

D. DATA RETENTION:

D-1- Identifying data shall be removed from identified data as soon as possible, but no later than seven (7) days from the date of acquisition of the data by the Company.

D-2- Any employee/agent who has contact with any identified data used in a

FOQA program shall be prohibited from divulging any identifying data to any

individual other than an ALPA FOQA Monitoring Team member representative except as prescribed by statute or regulation.

E. DATA USE:

E-1- The sole contact with any flight crew member associated with a specific

excedence event shall be the "ALPA Excedence Guidance ream." (See diagram attached)

E-2- Only the specific designated FOQA Excedence Guidance Team member shall be able to identify the individual crew members associated with any specific data. (See amended diagram attached).

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E-3- Any notes, memoranda, or other documents used by the designated "ALPA Excedence Guidance Team" in any contact with any flight crew member concerning a specific FOQA event shall be considered "identified data" for purposes of this agreement and shall be "de-identified" in accordance with paragraph D-1 above.

E-4- At a minimum, the FOQA program may be used for evaluation of the

following areas:

Aircraft performance

Aircraft system performance

Crew performance

Company procedures

Training programs

Training effectiveness

Aircraft design

ATC system

Airport issues

Meteorological issues

Any additional areas of evaluation which the parties may desire to include in the FOQA program must be mutually agreed upon by the Company and the

Association prior to implementation.

F. DATA USE FOR TRAINING;

F-1- Collected FOQA data may be used to enhance individual training when the Technological capabilities are available. The FOQA Monitoring Team must approve procedures and use of FOQA data for this purpose.

F-2- Collected data may be used by an instructor, Standards Captain or Line

Check Airman to enhance the training.

F-3- Collected data used for individualized training must be reviewed at the

completion of the training period, either simulator or aircraft, and destroyed after such review.

F-4- Collected data cannot be used to evaluate the individual performance of the Pilot, the Instructor, the Line Check Airman or the Standards Captain.

F-5- Provisions must be incorporated assuring that aircraft or simulator data used to enhance training is incorporated in the de-identified FOQA trend data.

G. The pilot representatives involved in the Flight Operations Quality Assurance

(FOQA) Program shall be displaced from all or a portion of their scheduled trips in a cost effective manner while functioning in this capacity.

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IN WITNESS WHEREOF, the parties have signed this Agreement this 24th day of September, 1997.

WITNESS:

FOR UNITED AIR LINES, INC.

/s/ E.L. Soliday

E. L. Soliday, Vice President

Corporate Safety & Security

WITNESS:

FOR THE AIR LINE PILOTS IN THE SERVICE OF UNITED AIR LINES, INC.

/s/ J. R. Babbitt

J. Randolph Babbitt, President

Air Line Pilots Association, International

FOR THE UNITED AIRLINES MASTER EXECUTIVE COUNCIL

/s/ Michael H. Glawe

Michael H. Glawe, Chairman UAL-MEC

Ratified by the UAL -MEC 10/17/97.

Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council

Letter 9-1

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Letter 9-1

DENTK Contract Training

UNITED AIRLINES

January 6, 1998

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Mike:

The purpose of this letter is to inform you of how the Company will address some

specific issues relative to how contract training is conducted and to the use of revenue sharing simulators.

1. Contract Training

There are seven key areas that need to be properly managed: instruction, programs, simulator maintenance, facilities, scheduling, customer service and sales and marketing. The responsibility of each of these areas falls on either Flight Operations, UAL Services (Flight Training Services), or both as set forth below:

Instruction is the responsibility of Flight Operations "Wet" contract training for aircraft types United operates will be accomplished by Pilot Instructors on the UAL Pilot Seniority List in accordance with the Pilot Instructor Letter of Agreement (89-2) and under virtually identical working conditions.

Necessary training will be provided to Pilot Instructors when required to conduct non-UAL syllabus programs.

Program development is the responsibility of Flight Operations with coordination support provided by FTS.

Simulator maintenance is the responsibility of Flight Operations.

Facilities provision and maintenance is the responsibility of Flight Operations.

Scheduling is the responsibility of Flight Operations. FTS has responsibility for scheduling of contract customers and to demonstrate "operational control" in accordance with FAR Part 142 certification.

Customer Service is the primary responsibility of FTS, but is also the responsibility of all United personnel who support contract training. FTS must coordinate each customer's entire training experience including: travel, hotel, scheduling, contracts, payment, and changes to training, while accommodating cultural differences and any other special circumstances that may arise.

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Sales and marketing is the responsibility of FTS. It is the responsibility of FTS to sell excess simulator and training capacity for United Airlines.

2. Revenue Share Simulators/Flight Training Devices

The Company is very supportive of the revenue share concept to the extent that it improves our flexibility to provide United pilot training and can generate revenues and profits for United Airlines when excess training capacity is available or sale by United. Therefore, we would like to see its successful implementation by the following:

2-a- Revenue Share simulators and flight training devices will be configured to meet existing UAL standards and maintained to those standards.

2-b- The contract agreement with the revenue share partner states, among other things, that United Airlines can purchase the device at any time from the

commencement of the contract and has first right to purchase if the partner elects to remove the simulator

2-c- United Airlines will purchase a revenue share device when it can be justified in accordance with corporate capital budgeting processes.

2-d- In the event that United's pilot training needs exceed existing United owned or leased simulator capacity, United's pilot group will be given first priority when planning training times in the revenue share simulators.

Recognizing that this is a new concept, the Company will maintain a collaborative relationship with ALPA in further developing these opportunities.

Sincerely,

/s/ Hart A. Langer

Hart Langer

Senior Vice President

Flight Operations

Stephan G. Regulinski

President

Services.

Letter 9-2

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Letter 9-2

Standards Captain Job Share

U NITED AIRLINES

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Mike:

The parties have agreed to the establishment of a voluntary Standards Captain Job Share program in which two pilots who hold a Captain bid on the same equipment, in the same domicile, will share the duties of a Standards Captain and a line pilot. ALPA and the Company have jointly defined the procedures to administer this program as described in a letter to Captain Michael Glawe dated January 20, 1998. Additionally, the following provisions will apply to volunteers while participating in this program:

1. During the months in which the pilot is functioning in his line assignment, he may volunteer to perform LCA duties if he so desires. There is no implied obligation. If the pilot does volunteer, he will be governed by the provisions of Section 9.
2. For the month in which he will be functioning as a line pilot, the Job Share Special Assignment (JS) pilot will participate in the preferencing and awarding process at his domicile in order to have a line and/or reserve assignment.
3. ESOP contributions and the allocation of ESOP stock will be governed by the appropriate ESOP documents.
4. Month End Conflicts
 - 4-a- Pilots shall have the option to fly their inbound during the first days of special assignment at DENTK. The Company may request the pilot be removed from any portion of the inbound in order to be in position to begin his Standard Captain's duties and he will be pay protected for the portion of the trip in the outbound month. All contractual rest provisions will be applied prior to the pilot beginning his Standard Captain's duties at DENTK.
 - 4-b- Pilots shall have the option to continue the DENTK duties of the JS pilot into the following month, the "line month". The Company may request the pilot be removed from any portion of his initial trip in the following month, if necessary, in order to continue Standard Captain's duties and he will be pay protected for the portion of the trip in the following month. If, as a result of performing Standard Captain activities in the following month, "the line month", the pilot has less days off than originally scheduled in his awarded line, these lost days will be restored to him in a following month in which he is assigned to DENTK or given to him as vacation credit days with his concurrence. All contractual rest provisions will be applied prior to the pilot beginning his line and/or reserve assignment.

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5. Vacation

5-a- Each volunteer pilot functioning as a Job Share Standards Captain will

maintain any annual vacation awarded to him for the 1998/99 vacation year. If the awarded vacation split is scheduled for a month in which the pilot is on special assignment as a Job Share Standards Captain to the Fleet at DENTK, the appropriate vacation day adjustment described in the Letter to Captain Michael Glawe dated January 20, 1998, will be applied. Remaining unawarded vacation may be taken by the Job Share Standards Captain either while functioning on the line or DENTK depending on where he is assigned for the particular month. This monthly vacation will be awarded under Section 11-E of the Pilot Agreement or UAL Series 15 policy as appropriate. The above procedures will apply prospectively to any pilot who enters the Standards Captains Job Share program after the awarding of the annual vacation.

5-b- Beginning with the next full vacation year (1999/2000), volunteer pilots on special assignment functioning as Job Share Standards Captains, will have half of their accrued vacation allocated to be taken while flying their line assignment and the remaining half adjusted, per the Letter to Captain Glawe dated January 20, 1998, to be taken while performing as a Job Share Standards Captain at DENTK. The appropriate provisions of Section 11 of the Pilot Agreement will apply for the bidding and awarding of annual and monthly vacation while the pilot is flying his line assignment at the domicile and UAL. Series 15 policy will apply to the bidding and awarding of both annual and monthly vacation while the pilot is on special assignment as a volunteer Standards Captain at DENTK.

If this properly represents our understanding, please sign and return (2) copies of this letter for our files.

Sincerely,

/s/ Charles H. Vanderheiden

Charles H. Vanderheiden

Director Labor Relations, Flight Employees

Accepted and agreed to this

23rd day of January 1998.

/s/ Michael H. Glawe

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association.

Letter 9-3

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Letter 9-3

Management Pilot Definition

UNITED AIRLINES

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Re: Standards Captain Job Share Special Assignment Agreement

Dear Mike:

This letter will confirm our agreement that during any period when a pilot is in fact

functioning for United as a Standards Captain under the terms of Letter of Agreement 9-2, he is, insofar as pay, working conditions, performance of his actual job duties and the responsibilities relating thereto, a management employee. Accordingly, ALPA shall have no representational rights or obligations to any such pilot with respect to any issue relating to that pilot's employment as a Standards Captain. ALPA will continue, of course, to represent any such pilot as to other matters governed by the terms of the Agreement and for all purposes during those periods when the pilot is functioning as a line pilot.

If this properly represents our understanding, please sign and return (2) copies of this letter for our files.

Sincerely,

/s/ Hart A. Langer Captain

Hart A. Langer

Senior Vice President

Flight Operations

Accepted and agreed to this

23rd day of January 1998.

/s/ Michael H. Glawe

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association.

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Letter 9-6

Letter 9-6

Domicile Swap Enhancement

UNITED AIRLINES

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018-7180

Dear Michael,

As it is not the intent of the Company or the Association to limit a pilot to one domicile trade in his probationary year, the parties agree that this letter shall amend and replace Letter of Agreement 91-22.

Effective February 1, 1998, any pilot in his probationary year, while occupying the

assignment which he received upon initial employment as a pilot, shall be eligible to enter into voluntary domicile trades, as follows:

1. Any pilot desiring to change domiciles under this provision must locate another

eligible pilot at the desired domicile with whom to trade. To be eligible to enter into a domicile trade, both pilots must hold assignments in the same status and equipment that they were initially trained for at DENTK as described above.

2. Both pilots involved must approve the trade. All pilots on the Pilot Eligibility

Seniority List whose seniority falls between these two pilots have thirty (30) days from posting of the notice to object to such trade. The Association will collect and maintain the necessary records of approvals.

3. Upon written notification to the Company by the Association that a trade has been agreed upon, without objection as provided under 2 above, the mutual transfer will be made effective on the first day of the next month for which schedules have not been posted for preferencing.

4. Pilots who make domicile changes under this provision will not receive Company paid moves nor be covered by any of the other provisions of Section 10. Such pilots will also accomplish necessary travel on their own time and will not receive Company paid time off for "travel days".

5. Bidding restrictions ("freezes") already in place will be unaffected by a domicile trade. A trade will not generate a new freeze nor add to an existing one.

6. Any awarded vacation will be unaffected by a domicile trade.

7. There will not be a limit on the number of domicile trades, as long as the pilots involved meet all of the requirements of this Letter. If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ Charles H. Vanderheiden

Charles H. Vanderheiden

Director Labor Relations - Flight

Employees

Accepted and agreed to this

2nd day of February 1998.

/s/ Michael H. Glawe

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association.

Letter 9-8

Simulator Scheduling Protocol

UNITED AIRLINES

April 30, 1998

United Airlines DENTK Simulator Scheduling Protocol

The attached Scheduling Protocol document has been developed in a cooperative spirit by representatives of ALPA, Flight Operations, and UAL Services (Flight Training Services). The purpose of this document is to provide a protocol to all trainees (United Airlines and Contract), instructors (United Airlines and Contract), management employees, and customers as to the use and prioritization of assets at the Flight Center.

It is the intent of all responsible parties to provide a quality training environment for all trainees who come to the Flight Center. To that end, the Scheduling Protocol document contains language which addresses the scheduling of simulators (and other flight training devices), classrooms, and instructors. The document also addresses the use of Revenue Sharing simulators, sale of guarantee simulator times, and prioritization of assets during operational changes.

This document is intended to be a living document which will be reviewed and

modified by mutual agreement to reflect the needs of all trainees who come to the Flight Center. By signing this document each party gives their support to abide by and support the implementation of the scheduling protocols.

/s/ Michael H. Glawe

Michael H. Glawe

Chairman, UAL-MEC Air

Line Pilots Association

/s/ Hart A. Langer

Hart A. Langer

Sr. Vice-President Flight

Operations

/s/ Andy Studdert

Andrew R Studdert

Sr. Vice-President Fleet.

DENTK SIMULATOR SCHEDULING PROTOCOL

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Prologue

The purpose of accurate planning/scheduling for Flight Center activities is to ensure adequate resources are available to accomplish UAL training on the scheduled day as planned. There are three timelines in scheduling training events: Long-range Sale of Guaranteed Simulator Time, Long-range Planning and Scheduling Phase, and the Daily Planning and Scheduling Phase. This Protocol only applies to the current UAL Fleets.

Chapter 1: Definitions

1. **C.B.A.:** Collective Bargaining Agreement between United Airlines and the Air line Pilots Association.
2. **Daily Planning and Scheduling Phase:** from the 16th of the month prior to the Operational Month throughout the Operational Day.
3. **Dry Contract Training:** Contract Training that is sold only with a Simulator (or FBS).
4. **FBS:** A Fixed Base Simulator which has no motion or visual capability. Also referred to as FMAST or CPT.
5. **Fleet Captain:** Fleet Captain or his designee.
6. **FTS:** Flight Training Services, a business unit of UAL Services which is charged with the sale and marketing of Wet and Dry Contract Training.
7. **Guaranteed Simulator Time:** Simulator (or FBS) time that is sold to an FTS customer (Wet or Dry) that cannot be canceled or changed without incurring a financial cancellation penalty for United Airlines. This guarantee implies day of week or time of day.
8. **Long-range Planning and Scheduling Phase:** any time period prior to the 16th of the month prior to the Operational Month.
9. **MRI Team:** Mutual Resolutions of Issues Team consisting of FTS, UAL Flight Operations, and ALPA participants.

10. **Nonguaranteed Simulator Time:** Simulator (or FBS) time that is sold to an FTS customer (Wet or Dry) that can be canceled or moved any time (except as listed in this Protocol).
11. **Off Campus Training:** Simulator Training that is performed at a non-United Airlines Facility.
12. **Operational Month:** (as defined in Section 2-O of C.B.A.) The Scheduling Month (for example, the Operational Month of February is defined as the 31st January through 1 March).

13. **Operational Day:** For Simulator periods starting at 06:00 on the date till 05:59 Local Time the next day (for example, the Operational Day of the 2nd of March runs from 06:00 the 2nd until 05:59 of the 3rd).

14. **Overflow Training:** All planned training that exceeds available UAL simulator time (approximately 80% of the Planned Capacity) in an Operational Month, in a given Fleet.

15. **Planned Capacity:** Total Simulator Time available for use from 06:00 to 02:00.

16. **Reserve Buffer:** a block of Simulator (or FSS) time in a given Fleet that is allocated in the Long-range Planning and Scheduling Phase to be used during unplanned events.

17. **Reserve "M" Buffer:** Maintenance time from 02:00 to 06:00 that can potentially be used, with Simulator Services, Fleet Captain, Instructor, and FTS crew concurrence, as a Reserve Buffer for FTS activities.

18. **Revenue Sharing Simulator:** a Simulator owned by a Simulator Manufacturer and used at DENTK for increased flexibility, Overflow Training, and additional revenue.

19. **Simulator Services:** A Flight Operations division which performs maintenance for Simulators and FBS's.

20. **Sold Simulator Time:** Simulator (or FBS) time in a given Fleet that has been sold to a FTS customer (Wet or Dry) for the purpose of a planned (new) activity, as compared to recouping lost Simulator time due to maintenance problems, UAL higher priority requirements, and/or FTS crew additional training requirements.

21. **Surplus Capacity:** All Simulator time leftover for sale, after UAL Flight Operations, Maintenance needs, and Reserve Buffers are planned for in the Long-range Planning and Scheduling Phase.

22. **UAL Simulator:** a Simulator owned or leased by UAL Flight Operations.

23. **Wet Contract Training:** Contract Training that is sold with a Simulator (or FBS) and a United Airlines instructor.

Chapter 2: Sale of Guaranteed Simulator Time

1. FTS may guarantee Surplus Capacity simulator time on a day specific basis, with exceptions only to be approved by the Fleet Captain, with the following restrictions:

1-a- Based upon the latest Training Plan supplied by WHQ, historical data,

DENTK Scheduling, Fleet planning, and Simulator Services, the Fleet Captain will determine the total amount of Surplus Capacity in his Fleet. The Fleet Captain, with input from FTS, will determine the amount of simulator time, in that Fleet, that can be sold as Guaranteed Simulator Time.

1-b- In a Fleet with a Revenue Sharing Simulator, the Fleet Captain and FTS, in a collaborative fashion, will determine the amount of simulator time that can be sold as Guaranteed Simulator Time.

2. Guaranteed Simulator time can be sold no further out than 90 days from the Operational Day, with the exception to be approved by the Fleet Captain and the MRI Team.

3. **AFTER** UAL scheduling needs in a particular Fleet are met, FTS can schedule

Guaranteed Simulator Time for a specific time of day after approximately the 1st of the month prior to the Operational Month. For example: the 1st of March for the Operational Month of April.

4. In **NO** case will the sale of Guaranteed Simulator Time generate the need for UAL pilots in training to go Off Campus for flight training.

5. In **NO** case will the sale of Guaranteed Simulator Time impact the ability for Simulator Services to be able to perform routine and non- routing Simulator Maintenance.

Chapter 3: Revenue Sharing Simulator Access & Scheduling

1. **TRIGGER 1:** The Revenue Sharing Simulators will be utilized when Overflow Training, in a given Fleet, is projected during an Operational Month. UAI Flight

Operations will have first priority in scheduling this Overflow Training into the

Revenue Sharing Simulator.

2. TRIGGER 2: During the Long-range Planning and Scheduling Phase, if UAL Flight Operations needs are projected to use 25% or more of the 24:00 to 02:00 time slot in an Operational Month in a given Fleet, those incremental UAL crews will then be scheduled into the Revenue Sharing Simulator. Every effort will be made to sell enough simulator time to make this a cost neutral transaction.

3. During the Daily Planning and Scheduling Phase, if a Scheduling Disruption occurs, the Revenue Sharing Simulators should be used to accommodate crews according to Chapter 5: Daily Planning and Scheduling Phase of this Protocol

4. In NO case will the sale of Revenue Sharing Simulator Time by FTS, generate the need for UAL pilots in training to go Off Campus for flight training.

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5. United Airlines will purchase all Simulator Time scheduled in a Revenue Sharing Simulator at the agreed upon rate.

Chapter 4: Long-range Planning and Scheduling Phase

The purpose of accurate planning is to ensure that United Airlines personnel are given first choice to meet their training and maintenance requirements in accordance with the C.B.A. The Long-range Planning Phase has many key events which require coordination between the Fleets, Simulator Services, Scheduling, and Flight Training Services.

1. Priority of scheduling resources (Simulators, flight training devices, classrooms, Learning Center, etc.) for training and Simulator maintenance will be given to all UAL Flight Operations requirements. Classes will be built for all known UAL training requirements including:

1-a- Proficiency Checks

1-b- Initial, Transition, Upgrade, Requalification courses, and other Specialty courses

1-c- Instructor/Evaluator training courses

1-d- Fleet development projects (as determined by the Fleet Captain)

2. Simulator maintenance will be scheduled in a manner which best accommodates the needs of the Fleet and Simulator Services, as determined by the Fleet Captain. This need can also include FTS. For example: in order to sell a particular FTS Contract, a simulator might require a modification or update.

3. Adequate Reserve Buffers (for UAL Flight Operations, Wet and Dry Contract Training) will be established to provide reasonable unplanned capacity to

accommodate schedule disruptions which occur after the Long-range Planning Phase, including the following parameters:

3-a- Unplanned Simulator Maintenance

3-b- Additional training requirements

3-c- Rechecks

3-d- Any other subjective buffers deemed prudent (i.e. weather, holiday etc.) as determined by the Fleet Captain.

4. The scheduling for UAL pilots in training for the most desirable time will be as provided in the C.B.A. Section 9-G-9.

5. After completion of the Long-range Planning process (UAL Flight Operations

training and Maintenance requirements and all Reserve Buffers have been planned) all remaining Surplus Capacity can be released for sale by FTS.

6. NO Reserve Buffer time will be sold by FTS without Fleet Captain approval, and then only on a "non-guaranteed" basis.

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7. **NO** Reserve "M" Buffer will be sold by FTS without Fleet Captain and Simulator Services approval, and then only on a "non-guaranteed" basis.

8. Surplus Capacity that has been released to FTS, but has not been sold, may be reclaimed by Flight Operations, if needed, as determined by the Fleet Captain

Chapter 5: Daily Planning and Scheduling Phase

The purpose of Daily Planning and Scheduling is to administer the Long-range Plan and make adjustments as necessary to minimize disruptions and establish a priority system when disruptions occur.

1. Reserve Buffers will be allocated on a priority basis, as needed. The scheduling for UAL pilots in training for the most desirable time will be as provided in the C.B.A. Section 9-G-9.

2. **NO** Reserve Buffer time will be sold by FTS without Fleet Captain approval, and then only on a "non-guaranteed" basis.

3. **NO** Reserve "M" Buffer will be sold by FTS without Fleet Captain and Simulator Services approval, and then only on a "nonguaranteed" basis.

4. Once ANY actual Simulator/FBS training session has started (not including the

briefing), the training session shall not be canceled and/or delayed substantially

without permission from the Instructor involved unless the Fleet Captain, with

appropriate coordination, authorizes the interruption (the session will still have to end at its regular scheduled time period, as per priority 7 below).

5. In the event that a UAL crew's training period is disrupted and in the judgment of the Instructor involved that training is negatively impacted, then the training event will be rescheduled in its entirety and the period that was disrupted will not count toward the completion of that course.

6. If the Reserve "M" Buffer is needed in the Daily Planning and Scheduling Phase, and Simulator Services approval is given, the following priority will be adhered to:

6-a- All priority will be given to moving Dry Contract Training in that time slot.

6-b- If no Dry Contract Training can be moved into the Reserve "M" Buffer, and extra simulator time is still needed, FTS will attempt to delay the Wet Contract Class to the next possible slot, probably the next day.

6-c- If no other alternatives are viable, Wet Contract Training can be moved into the Reserve "M" Buffer, with Instructor and Crew concurrence. The rest and duty requirements for the PI's associated with these assignments are addressed separately by the Company and ALPA in the PI Guidelines.

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7. For the Operational Day during a disruption with no sufficient Reserve Buffers

available, the following priority list indicates the highest to the lowest priority. Events A, B, C, and D are expected to complete their full scheduled event, all other events should reduce their Simulator time to get back on schedule. When a training event needs to be canceled or moved, the priority list will be applied in reverse order:

7-a- Any UAL Operational Currency event (i.e. Landing Currency)

7-b- UAL PC's & CQP Day 1, 2, & 3 (Annual Training Events)

7-c- UAL and FTS (Wet or Dry) Transition course check rides, LOE's, and

Validations

7-d- UAL Transition training periods within two periods of a Check or LOE, and within one period of a Validation event

7-e- Any UAL Scheduled Training

7-f- Fleet Projects, as determined by the Fleet Captain

7-g- Any Guaranteed FTS Scheduled Events

7-h- Any nonguaranteed FTS previously Scheduled Events

7-i- FTS Events (i.e. sold Reserve Buffer time)

7-j- All other events

8. If a UAL and FTS event fall within the same priority category, UAL events will take priority over FTS events.

9. The Daily Scheduler must manage the schedule disruptions so as to minimize the effects of that disruption on as few crews as is possible. In the event of a mechanical disruption and/or a Simulator period running over its normally scheduled time, the next scheduled period will normally absorb the overage, as determined by the priority list above, unless the Daily Scheduler, in conjunction with the Fleet Captain, and if possible, the involved Instructors, determines an alternative plan would be more advantageous.

Chapter 6: General

1. Because of the unique nature of the Simulator Scheduling Protocol, the MRI Team will on a monthly basis review, monitor, report, and if necessary, make

recommendations and changes in the following areas:

1-a- The sale of Guaranteed Simulator Time.

1-b- The use of the Revenue Sharing Simulators. A periodic study will be performed on the entire Revenue Sharing Simulator concept, including the potential purchase.

1-c- The concept of Reserve Buffers, utilizing such measures as:

1-c-1- All Planned versus Actually used Reserve Buffer time slots in the previous month.

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1-c-2- What kind of activity was scheduled and who used the Reserve Buffers

1-d- A Simulator (or FBS) usage report of the Reserve "M" Buffers. A study will be performed anytime the usage of the Reserve "M" Buffer exceeds 5% per month in a given fleet. The report of this study will include the following:

1-d-1- Reasons for the high Reserve "M" Buffer usage

1-d-2- If this is just an anomaly or whether this is an upward trend

1-d-3- Necessary Reserve Buffer adjustments

1-d-4- Additional simulator capacity justification

1-d-5- Other relevant facts, as determined by the MRI Team

1-e- Long-range and Daily Planning and Scheduling Phase.

1-f- Other relevant facts, as determined by the MRI Team.

2. In either case, approximately 6 months after the start of the full implementation of the Simulator Scheduling Protocol, all appropriate parties involved will perform a thorough review and publish a report.

3. In case of a dispute over access to any UAL Simulator or Device, the Fleet Captain will make the final determination.

4. In case of dispute over access to a Revenue Sharing Simulator, the Fleet Captain and FTS, in a collaborative fashion, will make the final determination. In the event no satisfactory resolution can be reached in a timely fashion, the Fleet Captain will make the final determination.

5. In keeping with the spirit of cooperation between the Company and ALPA, all current and future matters regarding the DENTK Simulator Scheduling Protocol topic will be resolved in a collaborative fashion.

Chapter 7: Some examples

Example (A):

The Long-range Schedule reflects the following in Simulator 1:

- FTS Transition Check ride from 06:00 to 10:00

- UAL PC Day 3 from 10:00 to 14:00

- UAL PC Day 2 from 14:00 to 18:00
- UAL Transition Period 3 from 18:00 to 22:00
- FTS "Dry" Transition Period 8 from 22:00 to 02:00

The Simulator is running 1 hour late due to mechanical problems. The Schedule will now reflect the minimizing of scheduling disruptions, with no Reserve Buffers available, on the Operational Day:

- FTS Transition Check ride from 07:00 to 11:00
- UAL PC Day 3 from 11:00 to 15:00
- UAL PC Day 2 from 15:00 to 19:00.

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- UAL Transition Period 3 from 19:00 to 22:00 (this crew "eats" it) **
- FTS "Dry" Transition Period 8 from 22:00 to 02:00

* *unless the Daily Scheduler determines it would be more feasible for the UAL crew to continue

Example (B):

The Long-range Schedule reflects the following in Simulator 1:

- FTS Transition Check ride from 06:00 to 10:00
- UAL PC Day 3 from 10:00 to 14:00
- UAL Transition Period 6 from 14:00 to 18:00
- Reserve Buffer from 18:00 to 20:00
- UAL Transition Period 3 from 20:00 to 00:00

The Simulator is running 1 hour late due to mechanical problems. The Schedule will now reflect the minimizing of scheduling disruptions, with Reserve Buffers available, on the Operational Day:

- FTS Transition Check ride from 07:00 to 11:00
- UAL PC Day 3 from 11:00 to 15:00
- UAL Transition Period 6 from 15:00 to 19:00 (this crew does not have to eat it)
- Reserve Buffer from 19:00 to 20:00
- UAL Transition Period 3 from 20:00 to 00:00

Example (C):

The Long-range Schedule reflects the following in Simulator 1:

- FTS Guaranteed Dry Transition Period 6 from 06:00 to 10:00
- UAL PC Day 3 from 10:00 to 14:00
- UAL PC Day 2 from 14:00 to 18:00
- UAL Transition Period 7 from 18:00 to 22:00
- FTS Nonguaranteed Transition Period 3 from 22:00 to 02:00

UAL needs one additional simulator period for a Check ride, and no Reserve Buffer is available:

- FTS Guaranteed Dry Transition Period 6 from 06:00 to 07:00 **

- UAL Transition Check ride from 07:00 to 10:00
- UAL PC Day 3 from 10:00 to 14:00
- UAL PC Day 2 from 14:00 to 18:00
- UAL Transition Period 7 from 18:00 to 22:00.

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- FTS Nonguaranteed Transition Period 3 from 22:00 to 02:00

** If Reserve "M" Buffer available, this FTS simulator period could possibly move up earlier

Example (D):

The Long-range Schedule reflects the following in Simulator 1:

- UAL Transition Period 3 from 06:00 to 10:00
- UAL Transition Period 8 from 10:00 to 14:00
- FTS Transition Period 8 from 14:00 to 18:00
- UAL PC Day 1 from 18:00 to 20:00
- FTS Transition Period 3 from 20:00 to 00:00
- Maintenance upgrade from 00:00 to 06:00

UAL Transition Period 8 experiences a mechanical problem and is now 2 hours late. The Schedule will now reflect the minimizing of scheduling disruptions on the Operational Day:

- UAL Transition Period 3 from 06:00 to 10:00
- UAL Transition Period 8 from 10:00 to 16:00 FTS
- Transition Period 8 from 16:00 to 18:00 (this crew "eats" it)
- UAL PC Day 1 from 18:00 to 20:00 FTS
- Transition Period 3 from 20:00 to 00:00
- Maintenance upgrade from 00:00 to 06:00.

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777 Crew Rest

UNITED AIRLINES

Captain Michael H. Glawe, Chairman
 UAL-MEC Air Line Pilots Association
 6400 Shafer Court, Suite 700
 Rosemont, IL 60018

Dear Mike:

The Company has indicated a desire to introduce the B777 model aircraft into the Pacific operation. This strategy will likely prevent market fragmentation and sustain the efficient operation of current routes that no longer support the use of the B747- 400. Additionally, the introduction of the B777-B model aircraft on such routes will provide long-term growth opportunities including

increased B747-400 operations into the Pacific. Therefore, to facilitate the Company's operation of Pacific ETOPS flight segments with B777 model aircraft, the parties have agreed to install an ALPA approved rest facility as follows:

1. The Company will equip all current and future B777-B model aircraft with a crew bunk facility similar to the B747-400 aircraft. Until the crew bunk facility is installed on B777-B model aircraft, the Genesis seat will serve as the pilot crew rest facility. The Company will retrofit all current B777-B model aircraft with a crew bunk according to the agreed upon schedule, provided all of the variables pertaining to the retrofit occur as planned.

2. The Company will retrofit all three class B777-B and B777-A model aircraft with a Genesis seat. The Company will complete the installation of Genesis seats on all B777-B and B777-A model aircraft according to the agreed upon schedules, provided all of the variables pertaining to this retrofit occur as planned. The Company, however, is not obligated to equip B777 model aircraft dedicated to the domestic operation with crew bunks or Genesis seats and these aircraft will not be scheduled nor substituted into the international operation.

3. A joint committee comprised of Company and ALPA representatives will monitor the development and installation of the crew bunk facility and the Genesis seat to ensure compliance with this agreement.

4. Prior to the installation of the crew bunks on the B777-B model aircraft, the

Company may only schedule Pacific ETOPS flight segments with aircraft equipped with the Genesis seat. The Company may, however, substitute a B777 model aircraft equipped without Genesis seats to avoid a cancellation. This substitution provision will remain in effect until March 1, 2000, or until 12 B777 model aircraft are equipped with the Genesis seat, whichever occurs first. Additionally, the Company will provide the Association with documentation indicating the flight segments on which any.

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substitution was necessary and the reasons for the substitution. Completion of the installation of crew bunks and Genesis seats as set forth above resolves the crew rest issue on the B777 model aircraft utilized in the international operation and, thereafter, the Company may continue to operate such aircraft in accordance with the terms of the Agreement.

5. The Company will not operate augmented B767 flying in the Pacific until such aircraft are fitted with an ALPA approved crew rest facility.

If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ William P. Hobgood

William P. Hobgood

Sr. Vice President- People

Accepted and agreed to this

18th day of December, 1998.

/s/ Michael H. Glawe

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association.

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UNITED AIRLINES

LETTER OF AGREEMENT

Between

UNITED AIRLINES, INC.

And
THE AIR LINE PILOTS
in the service of
UNITED AIRLINES, INC.
as represented by
THE AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act by and between UNITED AIRLINES, INC. (hereinafter referred to as "United" or the "Company"), and the AIR LINE PILOTS in the service of UNITED AIRLINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as "ALPA" or the "Association").

W I T N E S S E T H:

It is hereby mutually agreed:

1. The current Honolulu domicile established during the term of the 1991 Agreement will be limited to the B-747 except that short range equipment such as the B-737 and/or B-727 may also be introduced for inter-island service only. Such inter-island equipment domicile may be established as either a permanent or TDY domicile. The Company will consult with the Association prior to establishing such inter-island Honolulu domicile. Additionally, the Company agrees to use Letter of Agreement 97-4 (Allocation of Flying Protocol) prior to the introduction of any other equipment in the Honolulu domicile.
2. As long as the B-747 flying supporting the Honolulu domicile is sufficient to maintain a minimum line level, the domicile will remain open. As the system-wide B-747 flying is reduced due to the phasing out of the equipment, the reduction will be accomplished under the provisions of Section 8 of the Agreement. The Company and the SSC shall monitor the B-747 flying on a monthly basis to assure compliance with this provision.
3. In construction of DSL pairings for the Honolulu B-747 equipment domicile, the Company will observe the scheduling philosophies required by Letter 91-7 (Scheduling Practices Letter). All Section 20 scheduling dispute resolution procedures will be available to address any problems associated with these pairings, up to and including a review by the Senior Vice-President, Flight Operations.
4. A paid move from the Hawaiian Islands to any point in the contiguous 48 states will be available to any pilot who (1) retires (including early or medical retirement) while based in Honolulu and (2) who has an established residence in Hawaii. Notwithstanding the provisions of Section 10-C-3 of the Agreement, this move entitlement shall apply only to a move from the Hawaiian Islands to the Mainland.
5. Bid but unfilled vacancies in Honolulu shall not be subject to involuntary assignment under the provisions of Section 8-F of the Agreement, except the Honolulu assignments may be given as initial assignments to newly hired pilots. In the event the Company is unable to fill vacancies at Honolulu, required manpower may be filled through the use of temporary duty under the provisions of Section 8-L of the Agreement. For this purpose and notwithstanding the provisions of Section 8-L-3-b, a pilot may be involuntarily assigned up to 60 days of TDY per year, in addition to any voluntary TDY which he also may have performed. Further, notwithstanding the provisions of Section 8-L-3-c, the normal minimum TDY assignment on Honolulu will be for a full schedule month.
6. This Letter of Agreement shall become effective upon signing and run concurrently with Section 22 of the 1994 Pilot Agreement. The parties have signed this Letter of Agreement this 18th day of December, 1998.

FOR THE AIR LINE PILOTS

IN THE SERVICE OF

UNITED AIRLINES, INC.

/s/ Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association

FOR UNITED AIRLINES, INC.

/s/ William P. Hobgood

Senior Vice President

People Division

B747-400 Currency

UNITED AIRLINES

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Captain Glawe:

The Association and the Company have jointly agreed to review the staffing and the currency requirements for augmented flying. This review has been separated into two distinct parts. One discusses temporary modifications to address currency requirements. The other studies various methods of staffing augmented flights. The following procedures will apply until the staffing study is completed:

The B747-400 crews will, in addition to the PC/CQP, be scheduled for a PT as follows:

The PT will be scheduled in the same manner as a PC/CQP, using a base six (6)

months from the PC/CQP base month. The PT will comply with the PC/CQP scheduling rules of the Agreement. Travel to and from a PT will be the same as the PC/CQP.

In addition to the present landing currency requirements, all B747-400 first officers will be required to accomplish one (1) landing and take off in the aircraft within 180 consecutive days.

A new training opportunity will be implemented, an Operating Experience Refresher ("OER"). The OER will consist of at least two (2) segments in the aircraft. A minimum of one (1) segment will be flown with the pilot receiving the OER as the pilot flying ("PF"). A check airman will conduct the OER. The check airman may extend the OER beyond the minimum two (2) legs if

necessary. The Company may assign an OER to a pilot during his last 30 calendar days of availability prior to the expiration of the 180-day landing/takeoff currency limit. During any time other than this last 30 calendar day period, the Company may assign an OER only with pilot concurrence.

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Lineholders who are subject to an OER as described in the above paragraph may be assigned up to the actual domestic limits of FAR 121.471. With pilot concurrence, The OER may be scheduled on days off in conjunction with

vacation. If the pilot refuses an OER on his vacation days off, any flying lost due to not qualified status ("NQ") will be pay protected to the 78-hour guarantee.

A first officer requiring an OER may be assigned an open flying ID or displace a first officer in a flying ID.

Letter 91-28 will apply to OER's for reserve pilots in the same manner as IOE's.

Over-projection protection contained within Letter of Agreement 9-1 will apply to OER assignments. Consistent with 3-B-4-c-2, the pilot will be paid his line value or his line value after the OER modification, whichever is greater.

The following modifications will be implemented for the B747-400 schedules.

Commencing with the March 1999 schedule, lines of flying will be constructed to

include a combination of flying and non-flying ID's when possible. Specifically, one (1) flying ID will be traded for a non-flying ID provided it has the same schedule legs and pay value. First officer ID's with all domestic flying may be redistributed to relief pilot lines' whenever possible.

First officers who have repeated two (2) training/checking events within twenty-four (24) months, or first officers with less than 75 hours in the aircraft, will not be

permitted to bid a line or be assigned an ID with a captain who has repeated two

(2) training/checking events within twenty-four (24) months or a captain with less

than 75 hours in the aircraft. If a first officer is paired with a captain who has not fulfilled the initial requirement of ten (10) landings, OPBCM may provide other flying that would maintain the first officer's landing currency. This modification will require the first officer's concurrence. If the replacement flying is of a lesser value, the first officer will be pay protected for the greater. With his concurrence, a flight officer that could lapse landing currency may be removed from an ID and assigned other flying to maintain his currency. If the replacement flying is of a lesser value, the flight officer will be pay protected for the greater.

Pilots will be prohibited from trading out of a flying ID when they have exceeded 120 days without an actual landing and take off in the aircraft by freezing the ID.

Once a pilot has been assigned an OER, all flying ID's will no longer be frozen.

OPBCM may effect the trade, providing the pilot is attempting to trade into another flying ID and allowing the trade will not negatively influence the outcome of the pilot's currency.

The following flight assignment restrictions will apply to the B747-400: A first officer who is not landing/take off current (180 day currency) in the aircraft

can only be given an OER assignment to regain currency. OPBCM may alter FIFO order to make a flying ID assignment to a captain or first officer who is within 30 days of lapsing currency. The parties encourage pilots to assist in maintaining currency requirements by exchanging roles within an ID whenever possible.

A "Safety Awareness" program will be scheduled and all pilots will be required to

attend a presentation of this program or revert to NQ, non-pay status. This program will be approximately one (1) hour long. The pilot will receive one (1) hour of pay for attending in addition to all other pay for the month. A schedule will be posted of the viewing times available at each domicile and DENTK for the entire presentation period. A pilot may view the Safety Awareness program at any location.

The provisions contained within this Letter will initially apply to the B747-400 fleet but may be expanded to other augmented fleets. The parties agree to monitor the results of the above provisions and will immediately meet to address any necessary modifications. The provisions of this Letter will remain in effect until the completion and implementation of the Augmentation Study or December 1, 1999, whichever occurs first, unless both parties agree to an extension.

This Letter of understanding reflects the changes necessary to comply with the FAA requirements in place for the time period required to complete the Augmentation Study. Provisions contained within this Letter are non-precedent setting and will not be cited by either party in any manner.

If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

/s/ Hart A. Langer.

Captain Hart A. Langer

Senior Vice President

Flight Operations

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Accepted and agreed to this 31st day of March, 1999.

/s/ Michael H. Glawe

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association.

Letter 99-7

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LCA Work Rules and Compensation

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Mike,

The parties have agreed to the following work rules and compensation for those line pilots functioning as Line Check Airmen:

1. Line Check Airmen (LCAs) will be limited to no more than ten (10) duty periods per month, unless more periods are necessary to complete an OE. In no event will an LCA exceed 83 hours actual (75/81 hours actual for reserves in accordance with Section 5-B-2-b) projected domestically, or 85 hours actual (75/81 hours actual for reserves in accordance with Section 5-B-2-b) projected internationally. Paragraph 2 (Overprojection Protection) of Letter of Agreement 9-1 will apply to these monthly limitations.
2. When a pilot's ID is utilized to Accommodate an OE construction, the following priorities shall be preferred for displacement:
 - a) Complete ID's.
 - b) Turn arounds at the beginning or end of an ID.
 - c) Segments as necessary within an ID.
3. An LCA who holds a higher paying bid may be retained by the Company in his current equipment for up to 180 days after his pay is triggered in the new assignment with the LCA's concurrence.
4. Initial Operating Experience (IOE) for Captains and First Officers may be conducted by designated Captain Line Check Airmen functioning on their assigned trips. In any month that the Check Airman is utilized in this capacity, he shall receive his normal salary plus a Four Hundred Dollar (\$400.00) override to cover up to three (3) duty periods in which he so functions. For each subsequent duty period in such capacity, he shall receive an additional One Hundred Dollars (\$100.00) override. In no case will his pay as an LCA be less than nine percent (9%) of his hourly pay for the monthly hours performed as an LCA..

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5. Initial Operating Experience (IOE) for Second Officers may be conducted by designated Second Officer Check Airmen functioning on their assigned trips. In any month that the Check Airman is utilized in this capacity, he shall receive his normal salary plus a Three Hundred Dollar (\$300.00) override to cover up to three (3) duty periods in which he so functions. For each subsequent duty period in such capacity, he shall receive an additional Seventy-five (\$75.00) override. In no case will his pay as an LCA be less than nine percent (9%) of his hourly pay for the monthly hours performed as an LCA.
6. An LCA will be paid for his highest projection for the month, unless a lower projection results from loss of flying due to operational irregularities or the LCA's actions.
7. All the required forms necessary for a line pilot to apply for the position of Line Check Airman (LCA) along with the agreed to LCA Guidelines will be available in the Flight Office at each domicile.
8. This agreement shall become effective May 1, 1999. Until automation is completed, computation and payment of the nine percent (9%) as set forth in paragraph 4 and 5 above will be made on a retroactive basis. If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

/s/ Hart A. Langer

Captain Hart A. Langer

Senior Vice President

Flight Operations

Accepted and agreed to this 27th day of April, 1999.

/s/ Michael H. Glawe

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association

Revised as of this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky.

Captain F.C. Dubinsky

Chairman

UAL/ALPA Master Executive Council.

Wide-Body New-Hire

UNITED AIRLINES

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Captain Glawe:

On March 29, 1999, we discussed our previously unwritten agreement of not assigning new-hire pilots for their initial assignment to wide-body First Officer positions in an international operation. Flight Operations agrees this is a wise approach in helping maintain the highest safety standards in our international operation.

To this end, I am reaffirming my direction to Flight Crew Resources and to the Denver Flight Center to continue this policy and ensure that all new-hire pilots receiving their initial assignment not be assigned to any wide-body First Officer position in an international operation. If this accurately reflects our discussion and our agreement, please sign and return two (2) copies to me for our files.

Sincerely,

/s/ Hart A. Langer

Captain Hart A. Langer

Senior Vice President

Flight Operations

Accepted and agreed to this 27th day of April, 1999.

/s/ Michael H. Glawe

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association.

UNITED AIRLINES

June 30, 1999

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court. Suite 700

Rosemont, Il. 60018-7180

Dear Mike,

This letter is to inform you of a change to the Job Share Standards Captain

guidelines. Based on the recommendations of a team studying the issue, effective July 1, 1999, the Company will alter the manner in which it pays Job Share Standards Captains. The following provision will replace the pay paragraph in the original letter of January 20, 1999, as well as the addendum dated March 19, 1999:

PAY. During a month in which the pilot is assigned to DENTK, the Company will

pay the pilot at the individual's current rate for the greater of 81 hours or the

individual's awarded line value. In addition to this monthly rate, the Company will pay the pilot \$100 for each day the individual performs Standards Captain duties at DENTK.

Please advise if the Association has any questions regarding this process change.

Sincerely,

/s/ Steve

Captain Steve Forte.

Captain Development Course

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Letter 99-10

UNITED AIRLINES

July 28, 1999

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018-7180

Dear Michael,

As a result of discussions between the ALPA and Company Negotiating Committees, the parties have agreed that the following provisions will apply to the recently developed Captain Development Course (CDC):

1. Attendance - CDC training is mandatory.
2. Compensation - Compensation will be paid in accordance with Section 9 of the Agreement.
3. Expenses - Meals, lodging, and ground transportation will be provided by the Company during all CDC seminars. Any other expenses incurred by a pilot will be reimbursed on a reasonable and actual basis.
4. Scheduled Classroom Time - In order to enhance the quality of training and to maximize the benefits to the pilot, and notwithstanding the provisions of Section 9-F-2-f of the Agreement, a pilot may be scheduled up to a maximum of eight (8) hours of classroom instruction per day.
5. Notification and Assignment to Training - Notification and assignment to seminar training will be made after pilot schedule preferencing but in no case less than fifteen (15) days prior to the start of the CDC seminar training without pilot concurrence. Pilots eligible for assignment to a CDC seminar may request "holy days" in accordance with Section 9-B-1-b of the Agreement (For the purposes of this provision the phrase "...cause him to lose his qualification" shall mean "...cause him to lose the opportunity to be scheduled within the scheduling windows contained in Paragraph 6 of this Letter").
6. Scheduling Windows - Scheduling windows for CDC seminars will be as follows:
 - Flying the Line Seminar is required prior to initial Captain technical training at DENTK. Before 1/1/00 exceptions to this provision will require approval from the Vice President - Flight Standards and Training. After 1/1/00 exceptions will not be permitted. The Company will make every effort to schedule pilots for Flying the Line as soon as practicable after their final bid awards.

Letter 99-10

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- Command Seminar will be conducted ASAP after "consolidation" as Captain (i.e. 100 hours) but not later than the end of the fourth month after completion of initial Captain OE.
 - Home Base will be conducted not earlier than the beginning of the fifth month and not later than the end of the eighth month after completion of initial Captain OE.
7. Initial Captain OE - Report time for initial Captains on the first day of the first OE ID will be two (2) hours prior to scheduled trip departure instead of the normal one (1) hour report time. The scheduled duty time for the first day of the published ID to be used for the initial Captain's first OE ID shall be limited to the Section 5-G-1-a-(1) limitations less one (1) hour.

8. Pilot Performance and Conduct - Pilot performance and conduct during attendance at any CDC seminar will not be used as a basis for evaluating or grading the attendee during, or at any time following, the event. Additionally, no information resulting from a pilot's curriculum participation in a CDC seminar may be used in any disciplinary action nor may be used in any way to the detriment of any United pilot.
9. Record Keeping - No records of pilot performance during CDC seminar training will be kept by anyone inside or outside the Company.
10. Modifications to CDC Seminar Training - To retain ALPA support for the program, the Company and ALPA must agree on any subsequent modifications.
11. Additional Phases of CDC Training - Development of any additional phases of CDC training will be with full participation by ALPA representatives and will not be implemented without approval by the United MEC, or its officers .

If the above accurately reflects our understanding, please sign and return three (3) copies for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 16th day of August, 1999

/s/ Michael H. Glawe

Captain Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association.

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Letter 99-11

Protection of Strategic Interests in Canada

UNITED AIRLINES

LETTER OF AGREEMENT

Between

UNITED AIR LINES, INC.,

UAL CORPORATION

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 is entered in accordance with the Railway Labor Act by and between UNITED AIR LINES, INC., UAL CORPORATION (together "United" or the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL ("ALPA" or the "Association").

WITNESSETH:

WHEREAS the Company is a member of an international alliance, the Star

Alliance, which includes significant Canadian code-share relationships that provide important marketing benefits to the Company, and

WHEREAS the Company has advised the Association that its strategic interests in these Canadian code sharing alliance relationships have been threatened by international financial developments, and

WHEREAS the Company has advised the Association that in response to these developments it is considering a proposed transaction (the "Transaction") in which a limited partnership formed pursuant to a partnership agreement (the "Partnership Agreement") between the Company and Deutsche Lufthansa AG, a corporation organized under the laws of Germany ("L") with L as a general partner (the "Joint Venture"), would purchase preferred stock of Air Canada, Inc. ("C"), that is convertible into nonvoting common stock of C (the "Preferred Stock"), and.

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WHEREAS, the Partnership Agreement provides that the purposes of the Joint Venture are to acquire, hold, convert and exchange the Preferred Stock and securities issuable upon conversion thereof and to engage in certain activities related thereto;

WHEREAS, the Company has further advised the Association that (1) according to the terms of the Partnership Agreement, the Company would have a 40 percent interest in the Joint Venture, which itself would conduct no flight operations of any sort whatsoever; (2) as it relates to the issue of whether the Joint Venture is an "Affiliate", in the Partnership Agreement the Company would expressly disavow the right or power to conduct those activities that are set forth in the pilot collective bargaining agreement (the "Agreement") as constituting "Control"; (3) as part of the Transaction, the Company would also acquire interests as a lessor or equity holder in an aircraft sale-leaseback and as the provider of a guarantee of certain indebtedness of C; however, the sale/leaseback lease will contain a provision which prohibits C from using such aircraft to provide or receive passenger feed from the Company pursuant to an agreement or an arrangement with the Company or an Affiliate other than an industry standard interline agreement; and (4) the Transaction may provide that each investor in the Joint Venture will have the right at any time after December 31, 2001 to require the Joint Venture to (i) make a distribution to such investor of Preferred Stock or (ii) sell Preferred Stock on behalf of such investor and to distribute the proceeds from such sale to such investor, subject to certain limitations, but in such event the Company will agree in such Transaction to exercise the right under clause (i), above, only with the consent of the Association or if such exercise is no longer prohibited by the Agreement, and

WHEREAS, while the Association believes that the potential Transaction could violate Section 1-B and related sections of the Agreement, the Company has advised the Association that it believes that the proposed Transaction would not violate the Agreement and is not seeking the Association's approval, and

WHEREAS the Association has determined, in light of the strategic importance of the Canadian aviation relationship, that it does not wish to object at this time to the Transaction as it presently understands the Company's plans, and

WHEREAS the Company has advised the Association that it is developing plans for additional Company flying to the Canadian market and will brief the Association on such plans no later than the regularly scheduled January 2000 UAL-MEC meeting, and

WHEREAS, the Company acknowledges the Association's desire to reserve its rights under the Agreement while the Company proceeds with the potential

transaction,

Page 430

Letter 99-11

NOW, THEREFORE, the Company and the Association hereby agree as follows:

1. Reservation of Rights. The Association hereby advises the Company that it does not intend to object to the proposed Transaction at this time based on its present understanding of the Transaction. Nonetheless, the Association reserves the right to object to the Transaction in the future under Section 1-B or any other relevant provision of the Agreement. Nothing in this letter shall constitute or be construed as an endorsement or approval of the Transaction by the Association.

2. Tolling Agreement and Time Limits. A grievance under Section 1-J of the Agreement objecting to the Transaction will be considered timely if filed by the

Association within one year following the date of the initial public announcement of the Transaction (the "Public Announcement"). Commencing six months following the Public Announcement, if the Association becomes aware of material facts regarding the Transaction (i) that were not previously known by it and (ii) of which it could not reasonably have had knowledge, a grievance under Section 1-J of the Agreement objecting to the Transaction based on these material facts will be timely if filed by the Association within the contractual time limits established in Section 17 of the Agreement.

3. Non-prejudice. Except as limited by Paragraph 2, above, neither this Letter of Agreement, nor any decision by the Association not to object to the Transaction, will act in any way to prejudice the right of the Association to object to the Transaction or to any other future action by the Company with respect to investment in aviation. The Association agrees that neither this Letter of Agreement nor the Company's decision to pursue the Transaction as described, to pursue it in another form, or to withdraw from pursuing it, will act in any way to prejudice the Company's rights with respect to this or other such transactions.

4. Duration. This Letter of Agreement will take effect upon its execution by the parties and will remain in effect concurrent with the Agreement.

Letter 99-11

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IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 22nd day October, 1999.

FOR UNITED AIR LINES, INC.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President, People

FOR UAL CORPORATION

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

FOR THE AIR LINE PILOTS

ASSOCIATION, INTERNATIONAL

/s/ Duane E. Woerth

Duane E. Woerth, President

Air Line Pilots Association, International

/s/ Michael H. Glawe

Michael H. Glawe, Chairman

UAL-ALPA Master Executive Council.

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Letter 99-12

PWM Downtown Hotel

UNITED AIRLINES

October 21, 1999

Captain Michael H. Glawe, Chairman

UAI,-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018-7180

Re: ALPA Case No.: 98-U-MEC-38R/99-4

Dear Mike:

As it is the parties intent to address the lack of a downtown layover hotel in Portland, Maine, the above captioned grievance is settled on the following terms which will be effective upon signing.

1. At Company expense, pilots on layovers in Portland, Maine, may secure a taxicab ride to downtown Portland and back to the layover hotel. One such cab ride is approved per pilot per calendar day of the layover.
2. The Company will contract with an approved Cab company to provide the above transportation on a voucher system. Vouchers for crew members will be available from the taxi driver.
3. This agreement will remain in effect until a suitable Portland downtown layover

hotel is secured. Acceptance of this agreement does not prejudice the Association's position with respect to downtown layover hotels. The parties will continue effort to secure a downtown hotel in Portland, Maine.

4. This agreement arises from the unique circumstances identified in the grievance. This agreement is non-precedental and will not be cited by either party other than to enforce the terms herein. If this accurately reflects our understanding, please sign and return original for our files.

Sincerely,

/s/ Ed Del Genio

Ed Del Genio

Director People Services.

Flight Operations

Letter 99-12

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Accepted and agreed to this 15th day of November, 1999.

/s/ Michael H. Glawe

Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association.

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Letter 99-13

Crew Meal Expense Clarification

Captain Michael Glawe, Chairman

UAL-MEC Air Line Pilot's Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Captain Glawe:

The parties agree to modify the November 10, 1999 letter regarding the treatment of meal expenses incurred by pilots in line operations as follows:

1. If an on board crew meal is unavailable, reimbursement of reasonable actual expenses associated with obtaining a meal will be paid to the pilot upon submission of a company expense form and receipt.
2. If the unavailable crew meal was ALPA requested, the reimbursement will be offset by the meal cost specified in Section 4-A-2 of the Agreement, which will be charged to the pilot. If the pilot obtains no meal, or requests no reimbursement, the meal cost specified in Section 4-A-2 will not be charged to the pilot.
3. A meal is "unavailable" if it is not on board the aircraft, incomplete, or spoiled.
4. "Unavailable" does not include meals that meet the SPCMEL request but are deemed not appetizing or tasty.
5. If this Letter of Understanding accurately reflects our agreement, please sign and return two (2) copies for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 10th day of December, 1999.

/s/ Michael H. Glawe

Captain Michael Glawe, Chairman

Letter 99-13

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UA/ALPA Master Executive Council.

P.I. Compensation and Days Off

United Airlines

Captain Michael H. Glawe

UAL-MEC System Schedule Committee

6400 Shafer Court, Suite 700

Rosemont, IL 60018-7180

Dear Mike,

As a result of discussions between the ALPA and Company Negotiating Committees, the parties have agreed to make the following adjustments to the Pilot Instructor Letter of Agreement (89-2):

1. Modify Paragraph 5 of Letter of Agreement 89-2 to read as follows:

"The rate of pay for a pilot who is permanently assigned as a Pilot Instructor shall be not less than the 81 hour salary for the line assignment which he holds plus 15%. However, the monthly Pilot Instructor rate of pay shall not exceed the 85 hour salary for a B747-400 First Officer at the sixth year longevity plus 7%."

2. Modify Paragraph 6 of Letter 89-2 to read as follows: "Pilot Instructor schedules shall have a minimum of twelve (12) calendar days free of duty per month. For trainee/instructor continuity, Pilot Instructors shall be allowed, at

their option, to trade their days off. Additionally, Pilot Instructor's may volunteer to

work up to two (2) additional days per month. The Pilot Instructor will make his

willingness to volunteer known prior to the closing date for instructor "days off"

requests. Pilot Instructors will be selected in seniority order within each fleet to work additional days. The pay for the additional days of work will be over and above all other monthly compensation (not limited to the monthly cap) and will be calculated by dividing the Pilot Instructor's monthly salary by eighteen (18) to determine the daily value."

3. The modifications of Letter of Agreement 89-2 in paragraphs 1 and 2 above shall take effect on November 1, 1999, and shall remain in effect for a period of twelve (12) months. During this twelve month period, a committee of management and ALPA representatives will jointly develop a comprehensive proposal setting forth a plan for the permanent restructuring of the instructor workforce at DENTK with a time line for implementation. If the parties are successful in developing a restructuring plan, the twelve (12) month period referenced above may be extended for up to an additional six (6) months to complete the transition of instructors at DENTK.

Letter 99-14

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If this accurately reflects our understanding, please sign and return two copies for our files.

Sincerely,

/s/ Ed Del Genio

Ed Del Genio

Director-Labor Relations

Flight Employees

ACCEPTED and AGREED to this 29th day of December, 1999.

/s/ Michael H. Glawe

Michael H. Glawe, Chairman

UAL-MEC Air Line Pilots Association.

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Letter -1

Natural Disaster Absence Policy

UNITED AIRLINES

January 7, 2000

Captain F.C. Dubinsky

UAL MEC Chairman

AIR LINE PILOTS ASSOCIATION

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Rick,

The following policy will apply to pilots who are unable to report to work due to a "natural disaster", i.e., weather or other event as determined by the Chief Pilot or Flight Manager.

- Pilots will be placed on a "without pay" (ANP) status for the pairing(s) missed, according to the normal UAL "no work, no pay" policy.

- Pilots holding a line and placed on "without pay" status may make up lost

credit time through the trip trade system or requesting to be placed on the 20-H-3 list for assignment to open time.

- For reserve pilots, Chief Pilots or Flight Managers may, with the concurrence of the pilot, move remaining RDO's to cover the absence.

- If there is insufficient time remaining in the month to make up lost credit time or if the pilot so chooses, the pilot may request that his/her Chief Pilot or Flight Manager restore pay up to the original value of the pilot's line from any unassigned future or current vacation due to the pilot, without splitting any covered pairings. Note that using future or current vacation to cover the missed pairing(s) may result in reducing the number of "splits" available to the pilot in that vacation year. In the event the "natural disaster" prevents a significant number of United employees from reporting to work, the COO will determine whether that time will be treated as paid time off.

Best regards,

/s/ Rick Maloney

Captain Rick Maloney

Senior Vice President

Flight Operations.

Letter 00-2

Page 439

Pay for ORD DC-10 Freighter/HazMat Training

United Airlines

Captain F.C. Dubinsky, Chairman

UAL-MEC

6400 Shafer Court, Suite 700

Rosemont, Illinois 60018

Dear Captain Dubinsky,

This is to confirm that due to unique circumstances the parties have agreed that the Company will provide (1) training credit day to all ORD baed DC10 Captains and First Officers who attend the combined DC10 Freighter and Hazardous Material training. The training is specific to ORD DC10 pilots who had not received it in transition training but completed the training between November 1, 1999 and February 29, 2000. Pilots who receive this training after those dates will be compensated as follows:

- lineholders will be assigned on a day off and will receive (1) training credit day as compensation;

- reserves will be assigned on a reserve day of availability and his allowable monthly flight time will be reduced by four hours and twenty minutes (4:20) for the day missed as shown in his assigned reserve line. This compensation will be provided for this specific training even though the requirement of a four-hour training program referenced in Letter of Agreement 91-37 is not fulfilled. The parties agree that the provisions of this letter are non-precedent setting and will not be cited by either party.

If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 9th day of March, 2000.

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Letter 00-2

/s/ F.C. Dubinsky

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

Letter 00-3

Page 441

Re-award of 2000, 2001 Annual Vacation

UNITED AIRLINES

Captain F.C. Dubinsky, Chairman

UAL Master Executive Council

Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont IL. 60018

Dear Rick,

During discussions between ALPA and the Company, the parties have agreed that the following is full and final resolution to the 2000-2001 annual vacation award issue:

The company will re-award the 2000-2001 Annual vacations for pilots domiciled in Anchorage. Those affected Anchorage pilots will be given the option of retaining their original award or accepting the new award. For all other domiciles, the award of the minimum vacation allocation for the 2000 - 2001 annual vacation process will be examined to determine the number of vacation days that were bid but unassigned. In the months where the 2000 - 2001 annual vacation days were bid but unassigned, the company will allocate a minimum of those bid but unassigned annual vacation days in the respective 60-day monthly vacation process.

The minimum monthly allocation will be awarded in each status for all future annual vacation preferencing.

If this accurately reflects our understanding, please sign and return two copies for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 27 day of March, 2000.

/s/ F.C. Dubinsky

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

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Letter 00-4

Pre and Post Snap-Back

UNITED AIRLINES

LETTER OF AGREEMENT

Between

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 is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between 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").

W I T N E S S E T H:

It is mutually agreed that the 1994 AGREEMENT between UNITED AIR LINES, INC. and THE AIR LINE PILOTS ASSOCIATION, INTERNATIONAL is amended as follows:

- A.** Pay for April 2000 flying (paid in May 2000) will be paid at a rate that reflects 63.333% of the post-ESOP pay increase. This is an 11/30 reduction in the post-ESOP increase for the month of April 2000.
- B.** After the May 2000 paychecks have been processed, ISD will, to the extent the information is available in the Payroll system, begin to calculate the differential pay for Pilots who should receive additional pay for post-ESOP actual flying, as follows:
- B-1-** Lineholders shall be entitled to be paid at ESOP rates for the amount of actual flying performed on or prior to April 11, 2000, and at post-ESOP rates for the flying thereafter, unless the amount provided in "A", above, provides a higher amount.
- B-2-** Reserves shall be entitled to be paid for their ESOP activity either (1) for four hours and twenty minutes at ESOP rates for each reserve available day performed

Letter 00-4

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on or prior to April 11, 2000; or (2) if greater, for actual hours flown on or prior to April 11, 2000. Reserves will be paid at post-ESOP rates for the remainder of April (not to exceed 78 hours of pay, unless the reserve is entitled to additional pay due to having exceeded 78 flight hours or due to normal application of the deadhead credit rule.) Reserves will be entitled to be paid according to this computation unless the amount provided in "A", above, provides a higher amount.

- B-3-** This pay verification process will begin not more than 30 days after the second paycheck is issued in May 2000. In the event the Company is unable to accurately recreate ESOP earnings from Payroll data or if any pilot disagrees with the Company's calculation of his ESOP pay for any reason, the pilot may submit his CMS record for April 2000 and the Company will, if necessary, recalculate his pay and make any corrections.

- C.** ESOP Earnings from May 1 and May 16, 2000 paychecks will be based upon

38.405% of the gross pay for the month. This is 12/30 of the month.

- D.** The increase in the PDAP contribution from 1% to 9% will be handled as follows:

D-1- 11 days of April 2000 are at 1% and 19 days of April 2000 are at 9%, which results in the average percentage for the month being 6.202%. This percentage will be used for line pilots on both the May 1 and May 16, 2000 paychecks and will be subject to the same adjustment, if any under "B" above.

D-2- For the Pilot Instructors for the first half of the month of April 2000 the first 11 days are at 1% and the next 4 days of the month are at 9%, which results in the average percentage for the Friday, April 14, 2000 paycheck being 3.250%.

- E.** Pilot pension ("A Plan") earnings for April 2000 flying will be based upon the book rates of pay.

- F.** The Pilot Bank will not be paid out. Pilot Bank payouts after May 2000 will receive the 9% PDAP payment.

IN WITNESS WHEREOF, the parties have signed this Agreement this 14th day of April, 2000.

FOR UNITED AIR LINES, INC.

/s/ William P. Hobgood

William P. Hobgood
Senior Vice President
People

FOR THE AIR LINE PILOTS IN THE.

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Letter 00-4

SERVICE OF UNITED AIR LINES, INC.

/s/ Duane E. Woerth

Duane E. Woerth, President
Air Line Pilots Association

International

/s/ F.C. Dubinsky

Frederick C. Dubinsky,
Chairman United Airlines
Pilots Master Executive Council.

Letter 00-5

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Separate Vacation Bidding for HNL B747-400

United Airlines

January 21, 2000

Captain F.C. Dubinsky, Chairman

UAL-MEC

6400 Shafer Court, Suite 700

Rosemont, Illinois 60018

Dear Rick,

As a result of discussions between representatives of the ALPA and Company, the parties have agreed to the following:

Due to circumstances unique to the opening of a B-747-400 domicile in HNL, the

company will conduct a separate vacation bid process for all B-747-200 pilots on the HNL domicile roster as of May 1, 2000. This exception to the vacation bidding process relative to a new domicile opening is non-precedent setting and will not be cited by either party.

If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 18 day of April, 2000.

/s/ F.C. Dubinsky

Captain F.C. Dubinsky, Chairman
UAL-MEC Air Line Pilots Association.

Professional Standards Letter

UNITED AIRLINES

Captain Frederick C. Dubinsky

UAL-MEC

Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Rick,

1. The Association through its Professional Standards Committee has undertaken training of its designated representatives, and is committed to ensuring that all designated Professional Standards representatives are trained to competently assist any pilot who asks for help in resolving workplace-related problems with other pilots based on gender and/or minority issues. As with all issues undertaken by Professional Standards, voluntary participation of the affected pilots will be essential to that process. Since the key to their success is rooted in the fact that Professional Standards' efforts are confidential, any pilot who becomes aware of a gender or minority complaint as a result of his or her official role in Professional Standards activities will not be required to report that event to the Company. The goal of Professional Standards in handling these complaints will be to achieve behavior and attitude changes that will eliminate recurrence of the reported problems. No changes will be made to the present Professional Standards operating rules in order to accommodate this new activity.

2. When the Company receives a complaint, Flight Operations managers will have the option of initiating an investigation as specified in the Company's harassment/discrimination policy or of offering the pilot who makes a report the option of first attempting to achieve resolution by taking the matter to ALPA Professional Standards. When offered, the decision to use or not use Professional Standards will be made entirely by the complaining pilot. In no case will the manager make a recommendation to the pilot about which option to choose; however the manager will be free to answer all questions and to explain both processes, to the best of his or her understanding. If the complaining pilot chooses to use Professional Standards, the responding pilot's concurrence will be required before the matter is referred to Professional Standards for resolution. If the complaining pilot chooses not to use Professional Standards, the Company will immediately take action as specified in its harassment/discrimination policy. If a pilot chooses to use Professional Standards, he/she nonetheless may, at any time, report to the Company that he/she is not satisfied with the Professional.

Letter 00-6

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Standards progress and the Company will immediately initiate an investigation. In the event the pilots decide to use Professional Standards, the referral by the Company will be subject to all of the provisions of Letter of Agreement 87-1. If the Company receives notice that Professional Standards is unable to reach a solution satisfactory to the complaining pilot, the Company will be responsible for taking any and all steps specified in its harassment and discrimination policy in an effort to resolve the problem.

3. If, after reporting to the Company a complaint based on gender or minority issues, a pilot then chooses to use Professional Standards, he/she will be required to sign a document saying that he/she received and read this Letter of Agreement, which contains information relevant to his/her decision.

4. This agreement shall not be construed to limit, expand or otherwise modify the previous existing statutory responsibilities of either party. The activities that the Association will engage in under the provisions of this Letter are activities that it will conduct on its own behalf and at its discretion, with neither influence nor control by the Company. In no respect will the Association function or serve as an agent of the Company in the handling of these matters.

5. The Agreement may be terminated by either party with 30 days advance notice.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 15th day of May, 2000

/s/ F.C. Dubinsky

Captain Frederick C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

UNITED AIRLINES

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Rick,

The parties have discussed and agreed to the following one-time exception regarding bid restriction periods:

- All bid restriction dates on file as of May 2000 will be permanently reduced by a maximum of 3 months. If current bid restriction period remaining is less than 3 months the bid restriction period will be reduced to zero.

- The pilot bid restriction dates shown on Unimatic page PSN2 will be updated

in June 2000 prior to the awarding of vacancy bids with an effective date of

December 2000.

- Awards resulting from this and future vacancies will carry the normal

contractual bid restriction periods as specified in the Agreement.

If this accurately reflects our understanding, please sign and return 2 copies for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 31st Day of May, 2000

/s/ F.C. Dubinsky

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

Letter 00-8

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Human Factors LAHSO Simulator Study

UNITED AIRLINES

June 12, 2000

Captain Frederick C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court - Suite 700

Rosemont, IL 60018

Re: Memorandum of Understanding - Human Factors Land and Hold Short Operations Simulator Study (LAHSO Study)

Dear Rick,

Pursuant to our June 7 and 8, 2000 discussions, regarding the above-referenced

LAHSO study, the terms and conditions under which pilots will participate in the

program are as follows:

- The LAHSO Study will be conducted for the sole purpose of data collection.

Therefore, no records, documents or notes produced during or as a result of the LAHSO Study will be placed in any pilot's personnel training record. Any

records, documents or notes produced during or as a result of the LAHSO Study will be de-identified. Moreover, no participating pilot (line holders and/or

reserve) will be subject to any instruction, checking, discipline, discharge or

enforcement action by the company during or as a result of their participation in the LAHSO Study.

- It is agreed that the pilot briefing statement contained on page 19 of the FAA

Test Plan, dated June 6, 2000, will suffice as a statement from the FAA that no participating pilot (line holders and/or reserve) will be subject to any instruction, checking, discipline, enforcement action or certificate action by the FAA.

- Participating line pilots will be paid and credited for the full value of any

missed trips.

- Available lineholders can be used and if a lineholder volunteers on a day off,

he will receive a vacation day for each day of participation.

- Participating reserve pilots will receive a reserve day of pay, presently four (4) hours and ten (10) minutes.

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Letter 00-8

- All participating pilots will be compensated for any and all expenses, lodging and transportation as provided for in Section 4 of the Collective Bargaining Agreement.

- Any and all pertinent company personnel must be appraised of and comply with the provisions of this Memorandum.

- Duty day limits will be in accordance with Section 9 of the pilot agreement.

If this Memorandum accurately and adequately reflects our discussions and agreement then please sign and return two copies to me for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 14th day of June, 2000

/s/ F.C. Dubinsky

Captain Frederick C. Dubinsky

Chairman - UALMEC.

Letter 00-9

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Contribution Account Lump Sum

UNITED AIRLINES

June 15, 2000

Captain Frederick C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Rick,

As a result of discussions between ALPA and Company Negotiations Committees, the parties have agreed to amend the Pilot's Fixed Benefit Retirement Income Plan ("plan") as follows:

Effective as soon as practicable, but no earlier than August 1, 2000, a pilot will be permitted to withdraw his or her Contribution Account Lump Sum Amount on or before his or her Annuity Start Date.

If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 13th day of July, 2000

F.C. Dubinsky

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

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Letter 00-10

Recapitalization Agreement

Air Line Pilots Association, International

October 11, 2000.

James Godwin, CEO

UAL Corporation

1200 East Algonquin Road

Elk Grove Village, IL 60007

Dear Mr. Goodwin:

By this letter, the Air Line Pilots Association, International ("ALPA") waives further compliance by UAL Corporation ("UAL") with the provisions of Section 5.8(b) and Schedule 5.8(iii) of that certain Recapitalization Agreement dated as of March 25, 1994, as amended, among ALPA, UAL and the International Association of Machinists and Aerospace Workers (the "Recapitalization Agreement"). As a result, United Airlines, Inc. ("United") and UAL shall have no further obligations to ALPA regarding compensation, benefits and work rules for salaried and Management Employees (as defined in Section 5.8(b) of the Recapitalization Agreement) of United or UAL hired on or after February 1, 1994. ALPA further agrees, if requested by UAL, to enter into an amendment to the Recapitalization Agreement to the effect of the foregoing.

This letter shall take effect upon the execution following ratification of the 2000

collective bargaining agreement between ALPA and United.

Sincerely,

/s/ Duane E. Woerth

Duane E. Woerth

President

Air Line Pilots Association, International

/s/ F.C. Dubinsky

F.C. Dubinsky

Chairman

UA/ALPA Master Executive Council.

Letter 00-11

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International Medical Study

UNITED AIRLINES

Captain F. C. Dubinsky, Chairman

UAL-MEC

Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Captain Dubinsky:

This is to confirm that during the negotiations which led up to the 2000 Agreement, the Company and the Association agreed to establish a team of doctors composed of a representative of United, ALPA, and a third independent doctor highly qualified in the field of crew rest and fatigue. This team shall be tasked to review and evaluate United's international scheduling practices and to develop recommendations of scheduling principles which recognize and address crew rest and fatigue.

The parties are committed, upon receipt of the final recommendations of the team of doctors, to meet forthwith to negotiate any and all changes in scheduling practices which, in light of the doctors' recommendations and other relevant factors, the parties agree are appropriate.

If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

Accepted and agreed to this 26th day of October, 2000

/s/ F.C. Dubinsky

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

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Letter 00-12

PBS Study

UNITED AIRLINES

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Captain Dubinsky:

This is to confirm that during the negotiations which led to the 2000 Agreement, the Company and the Association agreed to establish a joint task team, including such expert assistants as required, to develop, evaluate, test and make recommendations for a Mainline Preferential Bid System of potential usefulness and applicability to United pilots.

The parties are committed, upon receipt of the final recommendations of the joint task team, to meet forthwith to negotiate any and all changes in bidding, scheduling, or other practices which, in light of the task team recommendations and other relevant factors, the parties agree are appropriate.

If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

Accepted and agreed to this 26th day of October, 2000

/s/ F.C. Dubinsky

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

Letter 00-13

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New Equipment formula

UNITED AIRLINES

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Captain Dubinsky:

During the negotiations which led to the 2000 Agreement, the parties agreed to the following provisions pertaining to the introduction of new equipment:

1. The provisions of the Agreement apply only to the aircraft types and aircraft series which are currently operated by United or on order by United, which include:

B-747-400 B-757-200

B-747-200 A-320

B-777-200 A-319

DC-10 B-727-200

DC-10F B-737-500

B-767-300 B-737-300

B-767-200 B-737-200.

2. In the event United intends to operate any equipment type or series with a speed of .95M or below, and with a UAL certificated maximum takeoff weight (MTW) of less than one million pounds which is not included above, the Association and the Company will begin negotiating rates of pay and working conditions for such new equipment as soon as orders have been placed and delivery dates have been established, or earlier by mutual agreement.

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3. During these new equipment negotiations, United will be free to bid vacancies, train pilots and prepare, in accordance with the terms of the Agreement, for orderly introduction of the new equipment into service. If the parties are not successful in reaching an agreement by the date United plans to introduce the new equipment, the new equipment will be flown in revenue service under Section 5 of the Agreement or under Section 3 of the International Supplement, whichever is applicable.

4. Until final agreement is reached, pilots will fly the new equipment under the

following interim hourly rates. The new equipment pay rates will be established as follows:

4-a- If the maximum takeoff weight (MTW) of the new equipment is less than

590,000 pounds, the hourly rate for captains and first officers will be:

$(P1 - P0) (MTW-117) / 473 + P0$. Where MTW is the maximum takeoff weight (MTW) of the new equipment, P0 is the B-737-200 hourly rate corresponding to the pilot's position and year of longevity, and P1 is the B-777 hourly rate for the pilot's position and year of longevity; provided, however, no pilot who flies a B-737 aircraft not listed above will maintain an hourly rate less than the hourly rate established by the Agreement for B-737-200 aircraft.

4-b- If the MTW of the new equipment is 590,000 pounds or greater, the hourly rate for captains and first officers will be: $(P2 - P1) (MTW-590) / 285 + P1$. Where MTW is the maximum takeoff weight (MTW) of the new equipment, P1 is the B-777 hourly rate for the pilot's position and year of longevity, and P2 is the B-747-400 hourly rate for the pilot's position and year of longevity.

4-c- If the new equipment requires a minimum crew of 3 pilots, the hourly new equipment rate for any second officer on that equipment will be equal to the following: 1st year equals 1st year first officer rate for that equipment.

Thereafter the second officer rate will be equal to a percentage of the rate for

captains on that equipment according to the following:

2nd year = 32.0 percent of 2nd year captain rate

3rd year = 42.1 percent of 3rd year captain rate

4th year = 52.1 percent of 4th year captain rate

5th year = 53.1 percent of 5th year captain rate

6th year = 54.0 percent of 6th year captain rate

7th year = 54.6 percent of 7th year captain rate

8th year = 54.7 percent of 8th year captain rate

9th year = 54.8 percent of 9th year captain rate

10th year = 54.8 percent of 10th year captain rate

11th year = 54.8 percent of 11th year captain rate

12th year = 54.8 percent of 12th year captain rate.

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5. In the event, any Company aircraft listed above is re-certified resulting in an

increased MTW of 10,000 pounds or more, the appropriate new equipment formula above will be applied to establish new hourly rates for that aircraft. The new rates will become effective the first of the month following the re-certification of the MTW.

If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

Accepted and agreed to this 26th day of October, 2000

/s/ F.C. Dubinsky

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

LETTER OF AGREEMENT

Between

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 is made and entered into in accordance with the provision of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as "Association").

WITNESSETH:

The Company and Association agree as follows:

- 1. During a lawful strike by the pilots on the United Pilots' System Seniority List ("United Pilots"), the Company will not conduct commercial flight operations or train United Pilots or pilots for any air carrier.
- 2. This Letter of Agreement shall become effective on the date of signing of the 2000 Agreement between the Company and Association and shall continue in full force and effect through the effective date of the first general collective bargaining agreement between the Association and Company that immediately succeeds the 2000 Agreement whether or not the parties have previously served notices of intended change under Section 6 of the Railway Labor Act, as amended. The parties waive any claim that this Letter of Agreement does not remain in full force and effect as provided herein.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 26th day of October, 2000.

WITNESS:

/s/ Ed Del Genio

/s/ Charles H. Vanderheiden

/s/ Peter R. Davis

/s/ Robert C. Sannwald

/s/ Thomas M. Sullivan

FOR UNITED AIR LINES, INC.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President- People

WITNESS:

/s/ J. Stephen Smith

/s/ Larry D. Schulte

/s/ Steven L. Senegal

/s/ Hal E. Stepinsky

/s/ Wendy J. Morse

FOR THE AIR LINE PILOTS IN THE SERVICE
OF UNITED AIR LINES, INC.

/s/ Duane E. Woerth

Duane E. Woerth, President
Air Line Pilots Association, International

/s/ F.C. Dubinsky

F.C. Dubinsky, Chairman
UAL-MEC.

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Letter 00-15

Cabotage

UNITED AIRLINES

Duane Woerth, President
Air Line Pilots Association, International
1625 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Re: Cabotage

Dear Captain Woerth:

I write to confirm the following agreement made between the Air Line Pilots Association, International ("ALPA") and United Airlines, Inc. ("United") in the negotiations leading to the 2000 ALPA-United collective bargaining agreement (the "Agreement").

The parties agree that a change in U.S. law to permit foreign air carriers to engage in cabotage would be contrary to the long term commercial interests of the Company and the career security interests of the United pilots. The parties will work together cooperatively to oppose strongly any such change in the law and inform members of Congress, the U.S. Administration, applicable foreign governments and international trade bodies, and other U.S. and foreign air carriers of such opposition. The parties further agree that if there is such a change in the law, despite their efforts, they will meet to develop measures to protect against negative results to the Company and pilots' commercial and career interests.

Very truly yours,

UNITED AIRLINES, INC.

/s/ William P. Hobgood

William P. Hobgood
Senior Vice-President-People

Accepted and Agreed to this 26th day of October, 2000.

/s/ Duane Woerth

Duane Woerth, President
Air Line Pilots Association, International

/s/ Rick Dubinsky.

Rick Dubinsky, UAL-MEC

Letter 00-16

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New Uniform

UNITED AIRLINES

October 26, 2000

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court Suite 700

Rosemont, IL. 60018

Dear Rick,

This letter will confirm my commitment to provide a new uniform to all United Airlines pilots. The process of coordinating this change in uniform will begin as soon as the vendor is prepared to deliver the new product (approximately 6 months from the date of this letter). Details of this change will be communicated to our pilots as information becomes available.

Sincerely,

/s/ Stephen A. Forte

Stephen A. Forte

Senior Vice-President

Flight Operations.

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Letter 00-17

Life Event

UNITED AIRLINES

October 26, 2000

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court Suite 700

Rosemont, IL 60018

Dear Rick,

This shall confirm our commitment to address a pilot's infrequent need to be relieved from flight duty in order to attend what we have termed a "life event" when he cannot secure relief using other provisions of the Agreement or Company Policy.

Understanding that we anticipate this procedure to be used for significant personal obligations such as a pilot's own wedding, the wedding of his child, religious right of passage of his child, his child's graduation or other qualitatively similar events, and further understanding that we do not intend it to include his child's ball game, little league pictures, driving his child to camp and other qualitatively similar events, we venture into this agreement knowing ahead of time we will be mutually obliged to exercise reasonable judgement. The foregoing being our best effort to describe our intent, it is agreed that a pilot who

1) gives the company notice of a life event prior to bidding, 2) tries to bid around it, but is unsuccessful and 3) tries to trade around it but is unsuccessful will be relieved of no more than one trip that conflicts with such life event barring the most extraordinary circumstances.

A pilot whose request is honored will make-up the trip during the current month. If the pilot can demonstrate that making-up the trip is not possible during the month, he may take Authorized No Pay (ANP) or use his unassigned current vacation or his next year's vacation to provide pay for the absence.

A pilot whose request is denied due to extraordinary circumstances shall be entitled to reconsideration of his request by his chief pilot within 48 hours of its denial. If the application of this letter should result in any unforeseen situations which could produce a potential disruption in service, the parties agree to immediately seek to reach a mutual resolution of the problem prior to the Company taking any unilateral action.

Sincerely,

/s/ Stephen A. Forte.

Letter 00-17

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Stephen A. Forte
Senior Vice President
Flight Operations.

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Letter 00-18

Pension Modifications

LETTER OF AGREEMENT

between

UNITED AIRLINES, INC.

and

THE AIR LINE PILOTS

in the service of

UNITED AIRLINES, INC.

as represented by

THE AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as "ALPA" or the "Association")

WITNESSETH:

WHEREAS, the Company and the Association wish to state the Agreement they have reached with respect to the Pilots' Pension Program and the Employee Stock Ownership Plan,

THEREFORE, it is mutually agreed that: The following changes to the Pilots' Pension Program and the Employee Stock Ownership Plan will apply to an employee employed by the Company as a pilot on April 12, 2000, who is either receiving pay as a pilot in active service, or is receiving sick pay as a pilot, or is on medical leave of absence, or is disabled per the Pilots' Disability Income Plan.

A. Pilots' Defined Benefit Pension Plan (the "Fixed Plan")

A-1- The following modifications to the Fixed Plan will take effect on April 12, 2000.

A-2- The multiplier used to determine the accrued benefit will be 1.50%.

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A-3- Earnings in the Fixed Plan will be computed using book rates for work

performed through April 11, 2000, and actual monthly earnings thereafter.

A-4- The benefit adjustment on account of early retirement will be 3% per year for any retirement before age 60. Such benefit adjustment will be prorated for partial years.

A-5- A pilot will be credited with a month of participation for each calendar month the pilot is on a Company approved unpaid maternity, paternity or adoption leave of absence (including such leaves occurring before or after April 12, 2000), provided the pilot returns to work from such leave of absence. Leaves of absence must be granted pursuant to and in accordance with uniform rules applicable to all similarly situated employees of the Company. No earnings will be deemed for such months. In no event will a pilot receive more participation credit than the pilot would have received if the pilot had not been on such leave.

A-6- A pilot will be credited with a month of participation for each calendar month the pilot is on furlough (including all furloughs before or after the effective date of the Agreement). In no event will a pilot receive more participation credit than the pilot would have received if the pilot had not been furloughed.

A-7- If the annuity starting date of a pilot who has terminated employment occurs after his normal retirement date, the pilot's accrued benefit will be actuarially increased from the later of the pilot's normal retirement date or the date the pilot terminated employment to the pilot's annuity starting date.

A-8- The amount of the annual pre-retirement survivor benefit payable to a pilot's Eligible Spouse or Eligible Children will be modified to be equal to 25% of the pilot's Final Average Earnings or, if greater, 50% of the pilot's vested accrued benefit with years of participation projected to the pilot's age 60 or, if later, the pilot's date of death.

B. Pilots' Directed Account Retirement Income Plan (the "PDAP").

B-1- The following modifications to the PDAP will take effect April 12, 2000.

B-2- The Company's contribution to the PDAP will be 11% of actual earnings. Earnings for the month of April, 2000 will be calculated as set out in the Letter of Agreement 00-4 signed April 14, 2000.

B-3- The one year of service eligibility requirement is eliminated and pilots will be eligible for the Company contribution to the PDAP effective on the later of April 12, 2000 or the pilot's date of employment as a pilot with the Company.

C. Employee Stock Ownership Plan (ESOP) and Pilots' Directed Account Plan (PDAP)

C-1- The following modification to the ESOP will take effect January 1, 2000.

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Letter 00-18

C-2- For purposes of Internal Revenue Code Section 415(c), any pilot after-tax contributions to the PDAP shall be the first adjustment followed by contributions to the ESOP due to flow back, pilot salary deferral contributions to the 401(k) portion of the PDAP, Company contributions to the ESOP, and finally Company contributions to the PDAP.

D. Miscellaneous. The parties are committed to maintain current practices encouraging open access to information and ALPA input on a regular and timely basis with respect to retirement plan issues.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 26th day of October, 2000.

WITNESS:

/s/ Ed Del Genio

/s/ Charles H. Vanderheiden

/s/ Peter R. Davis

/s/ Robert C. Sannwald

/s/ Thomas M. Sullivan

FOR UNITED AIR LINES, INC.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President- People

WITNESS:

/s/ J. Stephen Smith

/s/ Larry D. Schulte

/s/ Steven L. Senegal

/s/ Hal E. Stepinsky

/s/ Wendy J. Morse

FOR THE AIR LINE PILOTS IN THE SERVICE
OF UNITED AIR LINES, INC.

/s/ Duane E. Woerth

Duane E. Woerth, President

Air Line Pilots Association, International

/s/ F.C. Dubinsky

F.C. Dubinsky, Chairman

UAL-MEC.

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Life, Medical and Dental Insurance Modifications

LETTER OF AGREEMENT

between

UNITED AIRLINES, INC.

and

THE AIR LINE PILOTS

in the service of

UNITED AIRLINES, INC.

as represented by

THE AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as "ALPA" or the "Association")

WITNESSETH:

WHEREAS, the Company and the Association wish to state the Agreement they have reached with respect to the Welfare Benefit Plan,

THEREFORE, it is mutually agreed that: The following changes to the Pilots' Welfare Benefit Plan will take effect upon ratification for an employee employed by the Company as a pilot who is either receiving pay as a pilot in active service, or is receiving sick pay as a pilot, or is on medical leave of absence, or is disabled per the Pilots' Disability Income Plan.

Medical and Dental Plan

A. Traditional Medical Option

A-1- The Copayment Limit will be \$1,500 per person with a family limit of \$3,000.

A-2- Effective 60 days following the Date of Ratification of the 2000 Agreement a wellness program as described in Attachment A to this Letter of Agreement will be a covered expense under the Traditional Medical Option and the expenses will be payable at 80% after the deductible is satisfied..

A-3- Hearing examinations, hearing aids and batteries for hearing aids will be covered expenses under the Plan and will be reimbursed at 80% after the

deductible has been satisfied up to a maximum payment of \$5,000 per person per lifetime.

A-4- An annual cervical cytology screening (which includes a pelvic examination, the collection and preparation of pap smear, and the associated lab and diagnostic services) will be a covered expense under the Plan, reimbursed at 80% up to a maximum payment of \$150 per year and the expense will be reimbursed regardless of whether the covered person has met the deductible.

A-5- An annual PSA test for men age 50 and over will be a covered expense

under the Plan, reimbursed at 80%, and the expense will be reimbursed regardless of whether the covered person has met the deductible.

A-6- The copayment for the Mail Order Prescription Drug Program shall be as follows:

A-6-a- \$10 per 90 day supply of generic drugs

A-6-b- \$20 per 90 day supply of brand name drugs

A-7- A right to reimbursement provision will be added to the Plan as follows:

"The Traditional Medical Option will have a right of reimbursement when the Plan has paid the medical expenses of a Plan participant, and the Participant later receives an award or settlement from a third party who caused the medical expenses. Reimbursement is limited to (a) minus (b) where (a) is the amount specified in the award or settlement for the Participant's medical expenses paid by the Plan, and (b) is the amount determined under (a) multiplied by a fraction. The fraction is equal to the Participant's total attorney's fees, costs and other expenses incurred in obtaining the award or settlement divided by the total award or settlement."

B. Retiree Medical. The service requirement for eligibility for retiree medical shall be 5 years of continuous service. All other eligibility requirements shall remain the same.

C. Traditional Dental Option

C-1- The non-orthodontia annual maximum benefit is \$2,000 per person per calendar year.

C-2- The orthodontia maximum benefit is \$2,000 per person per lifetime.

D. Company Paid Life Insurance Benefit

D-1- The amount of Company Paid Life Insurance will be the greatest of the following:

D-1-a- \$80,000,

D-1-b- One times the pilot's actual prior calendar year pay, rounded to the nearest \$1,000, or.

D-1-c- One times the pilot's monthly guarantee in effect on May 1 times 12, rounded to the nearest \$1,000. The amount of Company Paid Life Insurance shall be adjusted effective November 1, 2000 based on the greatest of a or b above or the pilot's monthly guarantee in effect on November 1, 2000. Effective each March 1 thereafter, the life insurance benefit shall be based on the greatest of a and b above or the pilot's monthly guarantee in effect on the preceding January 1. The amount of

Company Paid Life Insurance payable with respect to a pilot shall be the

amount determined as of the adjustment date immediately preceding the date of the pilot's death, or if the death occurs on the adjustment date the amount determined as of that adjustment date.

D-2- The amount of Company Paid Life Insurance provided to a grounded pilot who has attained age 60 shall be recalculated based on the appropriate second officer rates of pay then in effect on the date of recalculation and each year thereafter.

D-3- Earnings for Life Insurance will be computed using book rates for work performed through April 11, 2000, and actual monthly earnings thereafter.

E. Pilot Disability Income Plan (PDI)

E-1- If a pilot is permanently grounded after reaching age 55 but prior to reaching age 60, the pilot's PDI benefit will be adjusted at age 60. The Company will determine the second officer assignment that the pilot could hold based upon the pilot's seniority, and the PDI benefit will be adjusted based upon the appropriate second officer rate of pay. Additionally, if a pilot is permanently grounded after age 60, the PDI benefit will be based on the greater of either the pilot's current rate of pay or any higher second officer rate of pay the pilot received in the preceding five (5) years. The formula presently used to calculate PDI benefits will remain the same. This provision is effective the date of signing of this Agreement, but, it will not apply to any pilot then currently receiving PDI benefits or to any pilot then currently on long-term sick leave leading toward approval for PDI benefits.

E-2- Earnings for PDI will be computed using book rates for work performed

through April 11, 2000, and actual monthly earnings thereafter.

F. Miscellaneous. The parties are committed to maintain current practices encouraging open access to information and ALPA input on a regular and timely basis with respect to Welfare Benefit Plan issues.

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 26th day of October, 2000.

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WITNESS:

/s/ Ed Del Genio

/s/ Charles H. Vanderheiden

/s/ Peter R. Davis

/s/ Robert C. Sannwald

/s/ Thomas M. Sullivan

-

FOR UNITED AIR LINES, INC.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President- People

WITNESS:

/s/ J. Stephen Smith

/s/ Larry D. Schulte

/s/ Steven L. Senegal

/s/ Hal E. Stepinsky

/s/ Wendy J. Morse

-

FOR THE AIR LINE PILOTS IN THE SERVICE

OF UNITED AIR LINES, INC.

/s/ Duane E. Woerth

Duane E. Woerth, President

Air Line Pilots Association, International

/s/ F.C. Dubinsky

F.C. Dubinsky, Chairman

ATTACHMENT A

Preventive Health Care and Immunization Guide for Children Birth - 18 Years

Schedule of Office Preventive Visits	<ul style="list-style-type: none"> - Within first 2 weeks - 2 months - 4 months - Between 6-9 months 	<ul style="list-style-type: none"> - 15 months - 2 years - Once between 3-4 years 	<ul style="list-style-type: none"> - 5 years - Once between 7-9 years - 12 years 	<ul style="list-style-type: none"> - Once between 13 - 18 years
Components of Preventive Visits	<ul style="list-style-type: none"> - Physical & medical history - Height & weight - Head circumference - Ocular prophylaxis (typic - Hemoglobin blood test - Preventive health counseling and education - Dental health - Subjective assessment of vision and hearing - Developmental screening - injury prevention 	<ul style="list-style-type: none"> - Physical & medical history - Height & weight - Preventive health Counseling and education - Dental health - Vision screen 3-4 years - Subjective assessment of hearing - Developmental screening - Blood pressure - Injury prevention 	<ul style="list-style-type: none"> - Physical & medical history - Height & weight - Preventive health counseling and education - Dental health - Vision screen - Hearing screen - Blood pressure - Injury prevention 	<ul style="list-style-type: none"> - Physical & medical history - Height & weight - Preventive health counseling and education - Dental health - Blood pressure - Injury prevention.

DtaP (Diphtheria, Tetanus,Ac ellular Pertussis)		X	X	X		X	X	Adult Td (Tetanus, Diphtheria)
OPV (OralPolio Vaccine)		X	X	6-15 months			X	
Hib (Haemophl Usinfluenza b)		X	X	X	12-15 months			
MMR (Measles, Mumps, Rubella)					12-15 months			Booster Between 11th - 12th year
Varicella (Chicken Pox)					12-18 months			Booster Between 11th - 12th year
HV (Hepatitis B)	X	2-4 months			6-18 months			X

Preventive Health Care Guide for Adults

Adult Physical Examination	Every 5 years	Every 5 years	Every 2 years	Every 2 years	1 per calendar year	1 per calendar year
Blood Pressure Check	Every 2 years		Every 2 years		1 per calendar year	
Blood cholesterol (Total and HDL)	Every 5 years		Every 2years		1 per calendar year	
Hemoccult			Every year beginning at age 50		Every year	
Flexible siClientoidoscopy or colonoscopy			Every year beginning at age 50		Every 5 years	
Vision Screening					Every 1-2 years beginning at age 75	
Tetanus-diphtheria (Td) vaccine	Every 10 years	Every 10 years	Every 10 years	Every 10 years	Every 10 years	Every 10 years
Influenza vaccine					1 per calendar year	
Pneumococcal vaccine					Once after age 65	
Rubella						
		Once in lifetime		Once in lifetime.		

UNITED AIRLINES

Captain F.C. Dubinsky, Chairman

UA/ALPA Master Executive Council

Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Re: UAL Pilot Scheduling Philosophy: Continual Improvement

Dear Captain Dubinsky:

This will confirm that, in section 6 negotiations leading up to the 2000 Contract, United and ALPA have committed to the following:

An explicit "UAL Pilot scheduling philosophy"

System Quality of Work Life (QWL) standards for domestic mainline pilot schedules

Enforceable plan for continued improvements in schedules and QWL Standards.

UAL Pilot Scheduling Philosophy - United and ALPA will strive to continually create less fatiguing, more reliable and more productive days of flying. In immediate support of this philosophy, within 60 days of ratification of the 2000 contract. United will implement the following:

- Build night flying to specific standards to address fatigue and quality issues
- Minimize excessive short or long layovers which cause reliability, quality and human factor issues
- Build lines of flying with improved pairing purity and improved days on/off

patterns. Demonstrated improvement in days off will be incorporated in these

enhancements. These lines recognize seniority with an emphasis on

concentrating high quality flying to the maximum number of senior lines.

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System Quality of Work Life Standards - The following standards will apply after

ratification unless different standards are agreed upon by both the Company and

ALPA. These standards are contingent upon the elimination of the two for one rest provisions of the pilot working agreement, and based upon the daily 7 day domestic schedule:

- No more than 55% of turns 1 in the same aircraft (System Average)
- No more than 55% of the lines of flying will have 270 or more hours Time Away From Base, unless both the SSC and the Company determine this limit has an adverse impact on purity and quality.

Provide contractual trip and duty RIGs in the actual operation so as to create

an economic incentive for the Company to minimize Time Away from base as

well as providing an economic benefit to the pilot when Time Away From

Base becomes higher than scheduled. Schedules that do not meet these standards will not be published without agreement with ALPA. The techniques used to achieve these standards will be applied across all domestic mainline fleets consistently unless excepted by agreement with the SSC or by external events such as major ATC system disruption, government action affecting

a fleet type, concerted labor activity, or a long term disruption of service due to a

natural disaster.

Plan for Continual Improvement - The Company and ALPA will sponsor a Joint

Committee to monitor and evaluate how well the above standards serve both the pilots and the Company. Additionally, the Joint Committee will continue to explore methods to improve pilot schedules and quality of work life.

The Joint Committee will convene immediately and will, within two (2) weeks, submit a working plan and schedule to the MEC Chairman and UAL's Chief Operating Officer for their approval. United will assign a full time analyst to this project for a period of at least six (6) months. The subcommittee will explore additional computer programming and other opportunities to implement changes to modify, improve and maintain schedule quality consistent with a changing airline. Reduction in Time Away from Home

will be a high priority of the Committee's study. It will submit written progress

System Average a

a. System average (excluding charters) = Domestic B777, B767, A320, B727, B300 and B737.

Standard

- Sits b > 2:00

b. Sits = Any ground time that is contained between flights within a duty period

4.0% Maximum

- Duty Periods >

12:00

6.0% Maximum

1.Turn = Any aircraft turn contained within a duty period.

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Letter 00-20

reports to the MEC Chairman and UAL's Chief Operating Officer at least once

per month. No less than two weeks prior to the end of the six (6) month period, the subcommittee will submit written recommendations to the MEC Chairman and UAL's Chief Operating Officer for implementation of any such agreed to scheduling improvements and modifications. Upon approval by the MEC Chairman and UAL's Chief operating Officer, the recommendations will be implemented.

To the extent that the subcommittee is unable to reach agreement on any or all recommendations, the MEC Chairman or his designee and UAL's Chief

Operating Officer or his designee will convene a face-to-face meeting with the subcommittee to resolve any and all remaining issues.

If this accurately reflects our understanding, please sign and return two (2) copies for our files.

Sincerely,

/s/ Andy Studdert

Andy Studdert

Chief Operating Officer

United Airlines

Accepted and agreed to this 26th day of October, 2000.

/s/ F.C. Dubinsky

Captain F.C. Dubinsky

UAL-MEC Air Line Pilots Association.

Letter 00-21

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Flights Scheduled in Excess of 16 Hours

UNITED AIRLINES

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, Illinois 60018

Dear Captain Dubinsky,

This is to confirm that during the negotiations leading to the 2000 Agreement the

parties agreed that the Company would be allowed to schedule non-stop flights in excess of sixteen (16) hours in two pilot aircraft under the following conditions:

1. The maximum scheduled duty time shall be two (2) hours more than the scheduled flight time. Actual duty time shall not exceed the scheduled duty time by more than two (2) hours.
2. The crew complement on flights scheduled in excess of sixteen (16) flight hours will be agreed upon by the parties with due consideration given to the recommendations of the "Joint Augmentation Study Committee".

These rules will apply to non-stop flights in excess of sixteen (16) hours scheduled to geographic regions not specifically addressed in the current International Supplemental Agreement and new markets to geographic regions already addressed. At least ninety (90) days prior to initiating such new flying, representatives of the Company and the Association will meet to resolve operational issues relevant to the flying. If the representatives are unable to reach agreement on any operational issue(s), the unresolved issue(s) will be referred to the Senior Vice President of Flight Operations and the Master Chairman for resolution.

If this accurately reflects our agreement. please sign and return two (2) copies for our files.

Sincerely,

/s/ William P. Hobgood

William P. Hobgood

Sr. Vice President- People

Accepted and Agreed to this 26th day of October, 2000

/s/ F.C. Dubinsky

Captain F. C. Dubinsky

UAL-MEC Chairman - Air Line Pilots Association.

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Letter 00-22

Short-term Disability

LETTER OF AGREEMENT

between

UNITED AIRLINES, INC.

and

THE AIR LINE PILOTS

in the service of

UNITED AIRLINES, INC.

as represented by

THE AIR LINE PILOTS ASSOCIATION,

INTERNATIONAL

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the AIR LINE PILOTS in the service of UNITED AIR LINES, INC. as represented by the AIR LINE PILOTS ASSOCIATION, INTERNATIONAL (hereinafter referred to as "ALPA" or the "Association")

WITNESSETH:

WHEREAS, the Company and the Association wish to state the Agreement they have reached with respect to Short Term Disability

THEREFORE, it is mutually agreed that the following provisions shall apply in the administration of a Short Term Disability policy: A pilot who is disabled due to illness, non-occupational injury or pregnancy, but whose disability does not qualify the pilot to receive Pilot Disability Income Benefits, will be eligible for Short Term Disability ("STD") benefits subject to the following:

- a. A pilot is eligible for STD from date of hire.
- b. Upon exhaustion of the pilot's non-occupational sick leave bank the company will pay the pilot an amount equal to 55% of pay based upon the minimum monthly guarantee for up to a maximum of 90 days. Partial months will be prorated on a calendar day basis (number of days disabled divided by the number of days in the bid month). Such benefit will be considered earnings for the Fixed Benefit Plan but will not be considered earnings for the purpose of any other employee benefit plan including, but not limited to, PDAP and Pilot Disability Benefits.
- c. To qualify for the benefit, the pilot must be under a doctor's care for treatment of the condition and the pilot must be medically unable to work. In the case of pregnancy, a pilot who requests STD will be considered medically unable to work. during the period of pregnancy and for a period of up to 90 days following the date of delivery.

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d. If there are questions regarding the extent to which the pilot is disabled, the Company's Regional Medical Offices will be responsible for reviewing the medical documentation, requesting any additional information deemed appropriate, and approving the request. If there is disagreement between the Company physician and the pilot's physician, the pilot may request Medical Arbitration by a disinterested third party. If the pilot requests medical arbitration, the Company's doctor and the pilot's doctor will mutually agree upon a third physician to examine the pilot. The Medical Department will arrange for the consultation, and the decision of the majority will be binding on the Company and the pilot. The pilot and the Company will each be responsible for one half the fee of the mutually agreed upon examiner. A pilot who initiates medical arbitration will be provided with compensation pursuant to STD. This compensation will be refunded to the Company if the Company prevails in medical arbitration.

e. This benefit is not payable (i) for any illness or injury arising out of or in the course of employment with UA for which the pilot is receiving Worker's

Compensation benefits, (ii) after termination of the pilot's employment with United, and (iii) for any disability that begins while a pilot is on an unpaid leave of absence.

f. The STD benefit will be restored upon return to active employment as a line pilot for a period of 12 months which need not be consecutive (active employment is any month in which the pilot receives at least fifty (50) credit hours flight time credit and/or vacation credit).

IN WITNESS WHEREOF, the parties have signed this Letter of Agreement this 26th day of October, 2000.

/s/ William P. Hobgood

William P. Hobgood

Senior Vice President

People

/s/ F.C. Dubinsky

Captain F. C. Dubinsky, Chairman

UA/ALPA Master Executive Council.

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Letter 00-23

"570" Senior ty Dates

UNITED AIRLINES

September 27, 2000

Captain Frederick C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Re: Pilot Seniority Dates for "the 570" Pilot Group

Dear Captain Dubinsky,

This will confirm the parties agreement to change both the pilot and second officer seniority dates (the classification dates) and the company hire dates for the group of pilots commonly known as "the 570" from the date of May 17, 1985 to the date upon which each of these pilots actually commenced training. Those dates occurred during the period commencing on December 11, 1984 and continuing through May 16, 1985.

This change will bring these dates of this group into conformity with the rest of

United's pilots. Attached hereto as Exhibit A is a list reflecting the date upon which members of the 570 commenced training, which date will become the new pilot and second officer seniority date and company hire date for each such pilot. The only exception to this is if the pilot's company hire date is earlier than the date displayed, in which case the earlier date will be retained.

The parties further agree that these new dates will affect the contractual rights and benefits of those pilots on a prospective basis only.

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

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President/Flight Operations

Accepted and agreed to this 26 day of October, 2000.

/s/ F.C. Dubinsky

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

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Year 2000 Training Commitments

October 26, 2000

Captain F. C. Dubinsky, Chairman

UAL-MEC Airline Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018-7180

Dear Rick,

During the negotiations leading to the 2000 Agreement, the parties agreed to the

following:

- The parties have jointly developed a display page to provide the means for a pilot to request a particular Pilot Instructor or Standards Captain prior to reporting to DENTK. The Company will honor such requests when doing so will not disrupt a Pilot Instructor's or Standards Captain's previously arranged schedule.

- PI's acting as fill-in crew members will participate in PC/CQP/PT's to the same extent as that required of normal line pilots. Additionally, the Company will publish PC/CQP/PT fill-in guidelines in relevant Fleet and Flight Center documents. These fill-in guidelines will be distributed to each PI prior to serving as a fill-in on a checking assignment.
- The parties have jointly developed a handout for type rated First Officers acting as Captains during training and PC/CQP/PT's. These handouts will be distributed to type rated First Officers prior to acting as a Captain during training and PC/CQP/PT's.
- Probationary pilots taking their nine month PC/CQP will not be graded to different standards than those required to successfully complete the initial transition course.
- With respect to Flight Operations Policy regarding home study prior to DENTK transition study, all transition course curricula are established independent of any home study considerations and, therefore, home study is not required prior to reporting to DENTK. All pilots will be treated fairly and consistently under this policy.
- The parties will jointly develop a display page to provide the means for a pilot to request a hotel room for the night before reporting to DENTK for a PC/CQP. When requested, the Company will provide a hotel room the night before a PC/CQP.

This letter is intended to memorialize the above agreements.

Sincerely,
/s/ Stephen A. Forte.

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 Captain Stephen A. Forte
 Senior Vice President
 Flight Operations

Letter 00-24

Letter 00-25
Trip Trade and Secondary Lines Modification Test
 October 26, 2000
 Captain F. C. Dubinsky, Chairman
 UAL-MEC Airline Pilots Association
 6400 Shafer Court, Suite 700
 Rosemont, IL 60018-7180

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Dear Rick,

During the negotiations leading to the 2000 Agreement, the parties agreed to the following:

- The Company will initiate a test to determine the feasibility of completing the "Big Pick" after the awarding and repairs of primary lines. Based upon the results of this test, the appropriate modifications, if any, will be made to Letter of Agreement 9-1.
- The Company will initiate a test to determine the feasibility of posting and awarding or PBS selection of secondary lines.
- Unlimited (first come, first served) active trip trading will open at noon local domicile time. If, after one hundred and twenty (120) days, the SSC reports continued difficulty accessing trip trading then unlimited trip trading will be opened on separate days or additional access to UNIMATIC will be provided.

This letter is intended to memorialize the above agreements.

Sincerely,
/s/ Stephen A. Forte

Captain Stephen A. Forte
 Senior Vice President
 Flight Operations.

Electronic Communication

October 26, 2000

Captain F. C. Dubinsky, Chairman
UAL-MEC Airline Pilots Association
6400 Shafer Court, Suite 700
Rosemont, IL 60018-7180

Dear Rick,

During the negotiations leading up to the 2000 Agreement, the parties agreed that the Company will consult with ALPA in the development of a system and procedures for communicating electronically with pilots.

This letter is intended to memorialize that agreement.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte
Senior Vice President
Flight Operations.

New Hire OMC Eligibility

November 28, 2000

Captain F.C. Dubinsky, Chairman
UAL-MEC Air Line Pilots Association
6400 Shafer Court, Suite 700
Rosemont, Illinois 60018

Dear Rick,

This letter is to confirm our recent conversation in which we agreed that upon report to DENTK for initial training a new hire pilot will be eligible to travel OMC as outlined in the Flight Operations Manual. This eligibility remains throughout his/her probationary period and is only discontinued if the pilot's employment is terminated from United Airlines.

/s/ Stephen A. Forte

Stephen A. Forte
Senior Vice President
Flight Operations.

Anchorage Closing

United Airlines

December 15, 2000
Captain F.C. Dubinsky, Chairman
UAL-MEC Air Line Pilots Association
6400 Shafer Court, Suite 700
Rosemont, Illinois 60018

Dear Rick:

Due to the closing of the Anchorage domicile, and recognizing the unique geographic circumstances associated with this domicile, a pilot who holds an Anchorage bid and exercises a bump under Section 8-O of the 2000 Agreement ("the Agreement") will be eligible for the following provisions:

1. A pilot will be entitled to a paid move under the provisions of Section 10 of the Agreement. However, if the pilot is moving his primary residence from Alaska, the pilot will have up to thirty-six (36) months from the date of activation in his new assignment to complete his household move.
2. If a pilot who holds an Anchorage bid never exercised his paid move entitlement as stated in Section 10-A-3-g of the Agreement, the Company will pay to move his household goods from Alaska, even if he bumps back to the domicile at which he was based prior to receiving his Anchorage bid. However, the Company will only pay to move household goods after the pilot has first exhausted the 1000-pound NRSA COMAT limits.
3. The three (3) transfer days addressed in Section 10-A-2-a and 10-A-3 of the Agreement will be increased to five (5) days.
4. A pilot will be eligible for up to four (4) house hunting days to be used

consecutively; with the understanding that the Company will only reimburse house hunting expenses for up to four (4) days and three (3) nights.

Letter 00-28

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5. An Anchorage pilot covered by this letter, and who maintains his primary residence in Alaska, shall be provided BP-3 NRPS transport between Anchorage and his domicile for each scheduled trip pairing or for each consecutive series of reserve days until the day the pilot completes his household move from Alaska or December 23, 2002, whichever occurs earlier. Provided the pilot has not relocated his primary residence from Alaska prior to December 23, 2002, he will be eligible for BP-7 NRSA transportation between Anchorage and his domicile for each scheduled trip pairing or for each consecutive series of reserve days until the day the pilot completes his

household move from Alaska or December 23, 2002, whichever occurs earlier.

6. A pilot and his eligible dependents will be entitled to a one-way BP-3 NRPS ticket from Anchorage for the purpose of relocating to a new primary residence.
7. If a pilot exercised a paid move entitlement after receiving his Anchorage bid and moved more than 25,000 pounds to Alaska (as reflected in Company records), the pilot will, as a result of exercising his bump, be eligible to move up to the same amount of household goods from his Alaska primary residence to his new residence.
8. Should a pilot choose to drive a vehicle from Alaska to his new domicile/residence, the pilot will be eligible for a number of travel days equal to the distance between Anchorage and the pilot's new domicile divided by 400. These travel days must be used consecutively, and the pilot must furnish receipts (e.g. gas, meals, lodging, etc.) to document that he did drive during the travel day period.
9. A pilot who maintains his primary residence in Alaska will retain parking privileges at Anchorage International Airport until he completes his household move.
10. Until November 22, 2001, a pilot who maintains his primary residence in Anchorage and who travels from Anchorage to Denver for a PC/CQP/PT will be eligible for a travel day immediately prior to and immediately following the training event.
11. A pilot will not be scheduled for training over the 2000 Christmas holiday.
12. The Company will make every effort to allow a pilot to move a training date for the purpose of avoiding a planned vacation, unless such an action results in a lost training slot or adversely impacts the needs of the operation.
13. As a clarification, the provisions of Section 11-E-3 will apply to a pilot's vacation assignments.
14. The Company will continue to provide support for ANCFO until the Anchorage domicile is closed.

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Letter 00-28

15. Any pilot who bumps from Anchorage as a result of the domicile closing will be entitled to "grandfather" rights back to Anchorage should the Company reopen an Anchorage domicile prior to November 22, 2005. A pilot returning to the Anchorage domicile under this provision will be entitled to activation into the assignment that he has seniority to hold systemwide. A pilot's "grandfather" rights will expire on November 22, 2005, or on the date the Company offers the pilot an Anchorage domicile assignment, if earlier, regardless of whether the pilot accepts or rejects the assignment.

16. Except as specifically modified by this letter, the provisions of Section 8 and Section 10 of the Agreement will apply to the Anchorage domicile closing.

17. The Company and the Association agree that this letter of agreement

encompasses the complete and final entitlement available to pilots bumping from Anchorage as a result of the domicile closing.

18. The parties agree that this letter of agreement is entered into on a no precedent basis and will not be used by either party in any similar future situation.

If this accurately reflects our understanding, please sign and return two copies of this letter for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 28th day of November, 2000.

/s/ F.C. Dubinsky

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

Letter 00-29

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Navigating Change Workshop

United Airlines/ALPA

December 2000

To all United Pilots,

You may have heard that a committee of four ALPA and four Company appointees has been working for many months on an educational project about minority and gender issues that are relevant to our United pilot group. A letter of Agreement signed by the Association and the Company directed this project. As a result of this joint initiative, some permanent changes will be made, most notably to our instructor training and to our new-hire curriculum.

The initial activity is a seminar called the "Navigating Change Workshop." This workshop is directed to pilots who are in leadership positions: primarily LCA's, DENTK personnel, ALPA officials and Flight Operations management. The purpose of the workshop is to give these leaders enough understanding of diversity related issues to provide relevant and guidance to fellow pilots who have had problems or difficulties working with pilots of a different race, gender

or other minority status.

We believe this goal has been achieved. The workshop will provide useful information and techniques to recognize and avoid participating in inappropriate behavior and also to constructively respond to inappropriate behavior should it occur, either as an individual or with ALPA and Company support. It is far more comprehensive than previous efforts to address this subject.

Many of you will not be required to attend the workshop; however, you may be affected by it. We want you to have factual information about what it is. These workshop issues are an easy "lightening rod" for criticism, usually not based on program content, but rather on the point of view of the observer. The joint development committee has succeeded in developing a program based entirely on common sense and maturity -- and it requires only these two values be used

when viewing or commenting on its content. We believe this program will prove to be of great value to all of our pilots.

/s/ Steve

Steve Forte

Senior Vice President

Flight Operations

/s/ Rick

Rick Dubinsky

Chairman

UAL-MEC.

Modifications to the Flight Safety Awareness Program

United Airlines

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, Illinois 60018

Dear Rick:

This letter confirms our agreement concerning the following ancillary issues related to the administration of the Flight Safety Awareness Program (FSAP):

1. The ALPA representative on the Event Review Committee (ERC) shall be compensated by United Airlines for all flight pay loss, including all applicable overrides, resulting from the time lost for duties performed for the ERC.
2. Any pilot participating in the FSAP who is removed from a schedule shall be compensated by United Airlines for all flight pay loss, provided the pilot continues to participate in the program
3. In the event that United Airlines fails to satisfy its obligation under the FSAP to prepare and file a NASA report for an incident reported by a pilot to the FSAP, and a resulting FAA enforcement action over that incident results in the pilot suffering a loss of income, United shall make the pilot whole for all loss of income.
4. The steering committee for the FSAP and the Flight Operations Quality Assurance (FOQA) program shall be composed of the same individuals.

If this letter accurately reflects our understanding on the above four points, please sign and return two copies of this letter.

Best regards,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 14 day of December, 2000.

/s/ F.C. Dubinsky

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association.

Implementation of New Contract Provisions

United Airlines

December 15, 2000

Captain F.C. Dubinsky, Chairman

UAL-MEC

6400 Shafer Court, Suite 700

Rosemont, Illinois 60018

Dear Rick:

We have concluded our evaluation and analysis regarding the timing of the implementation of the new provisions of the Pilot Agreement. After extensive discussion by the Company and ALPA negotiating committees, we have agreed to the following:

1. The 78 hour guarantee will remain in effect for the month of January.
2. The 75 hour guarantee will become effective with February schedules provided the following provisions are implemented:
 - 2-a- The Aggressive and Active reserve provisions will be effective February 1, 2001. However, the procedure for short calls for reserves will be effective 4/1/01.
 - 2-b- Pay protection on the 20th of the month will be effective on November 1, 2000 and paid for the months of November and December as soon as possible. For January through March, any pay resulting from this provision will be paid on the 15th of the month following the month in which a pilot would normally receive his actual performance pay. This provision will be programmed no later than April 1, 2001.
 - 2-c- The Senior/Junior manning concept will be programmed no later than May 1, 2001. In the interim period, the provision of the 1994 Pilot Agreement will remain in effect (Junior manning).
 - 2-d- All of the additional provisions of Sections 5 and 20 will be effective and implemented with the January 2001 schedules, except as follows:
 - 2-d-1- 5.B.2.b - Reserve Cap - will be effective 2/1/01
 - 2-d-2- 5.G.1.e and 5.G.2.b.5 - Crosstown Duty Time - will be effective 3/1/01.

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

Sincerely,

/s/ Ed Del Genio

Ed Del Denio

Director, People Services - Flight

Letter 00-31

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United Airlines 2000 ALPA

Accepted and agreed to this 12 day of December, 2000.

/s/ F.C. Dubinsky

Captain F.C. Dubinsky, Chairman

UAL/ALPA Master Executive Council.

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Letter 01-1

777 over 12-hour Flights

United Airlines

Captain F.C. Dubinsky

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Rick,

As a result of discussions between the parties, it has been agreed that the Company may operate B777 two (2) pilot aircraft on a single segment consisting of a Pacific Crossing of more than twelve (12) and less than sixteen (16) hours.

The crew complement will consist of a Captain and three (3) First Officers who hold an ATP certificate with a type rating in the operating aircraft.

The duty time limitations of Section 3-A-7 and Section 3-N-3 and the legal rest

minimums of Section 3-M of the International Agreement shall apply. The designated pilot rest facility will be as follows:

B777 (with First class Suite) 2 First Class Suites (3A and 3J)

B777 (with the cockpit crew bunk and no First Class Suite)

Crew Bunk Facility and 2 Business class seats (Left bulkhead window and aisle)

The Company may not substitute any other B777 aircraft to accomplish this flying which does not have the required rest facility outlined above. The new overhead bunk facility once available from Boeing will be installed during each aircraft's heavy maintenance visit.

Flight Operations will work with the Onboard Division to seek opportunities to

minimize flight attendant activity in the area of door 1L during periods of pilot crew rest. Should these arrangements prove unsatisfactory, either ALPA or the Company may terminate this agreement with sixty (60) days notice prior to the awarding of pilot monthly schedules in the B777 domicile in which the scheduled flying described above is assigned.

If this accurately reflects our understanding, please sign and return two copies for our files.

Sincerely,

/s/ Stephen A. Forte

Letter 01-1

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Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 5th day of January, 2001.

F.C. Dubinsky

F.C. Dubinsky, Chairman

UAL-ALPA MAster Executive Council.

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Letter 01-2

Chicago Honolulu Augmentation

United Airlines

Captain F.C. Dubinsky

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Rick,

As a result of discussions between the parties, it has been agreed that the Company may operate on a scheduled or substituted basis B747-400 and/or B777 two (2) pilot aircraft on a single segment scheduled for more than eight (8) hours in the Chicago Honolulu Market.

The crew complement will consist of a Captain and two (2) First Officers who hold an ATP certificate with a type rating in the operating aircraft. The flight will be the only segment scheduled in the duty period. The duty period will not be scheduled for more than 13 1/2 hours and the pilot will not be required to

remain on duty in excess of 15 1/2 hours. With his concurrence, he may remain on duty up to a maximum of sixteen (16) hours. The pilots shall have at least 18 hours scheduled free from duty with sixteen (16) hours considered to be actual minimum. With the concurrence of the SSC, the scheduled eighteen (18) hour minimum may be reduced to sixteen (16) hours.

The designated pilot rest facility will be as follows:

B747-400 Crew Bunk Facility

B777 (with the First Class Suite) 1 First Class Suite (3A or 3J)

B777 (with the cockpit crew bunk and no First Class Suite)

Crew Bunk Facility and 1 Business Class Seat (Left Bulkhead aisle)

The Business Class Seat will be for the exclusive use of the crew and the seat next to this seat will be assigned or occupied only if it is the last available seat in the Business class cabin.

The Company may not substitute an aircraft to accomplish this flying that does not have the required rest facilities outlined above.

Flight Operations will work with the Onboard Division to seek opportunities to minimize flight attendant activity in the area of door 1L during periods of pilot crew rest. Should these arrangements prove unsatisfactory, either ALPA or the Company

Letter 01-2

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may terminate this agreement with 60 days notice prior to the awarding of pilot monthly schedules in the equipment domicile in which the scheduled flying described above is assigned.

If this accurately reflects our understanding, please sign and return two copies for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 5th day of January, 2001.

F.C. Dubinsky

F.C. Dubinsky, Chairman

UAL-ALPA MAster Executive Council

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Letter 01-3

New Hire First Officer

United Airlines

January 12, 2001

Captain F.C. Dubinsky, Chairman

UAL-MEC

6400 Shafer Court, Suite 700

Rosemont, Illinois 60018

Dear Captain Dubinsky,

On March 29, 1995, the parties agreed to not assign new-hire pilots for their initial assignment to wide-body First Officer positions in an international operation. After discussions with ALPA regarding this agreement, the parties have agreed to modify this restriction in Letter 99-8 (Wide-Body First Officer) to the following extent to allow a new hire to be initially assigned to a B-757/767 First Officer position under the following conditions:

1. The new-hire pilot will be assigned to domestic flying until he has performed a minimum of 250 actual hours of flying.
2. The new-hire pilot will not be awarded a lateral to another international B-757/767 domicile until he has completed the required 250 actual hours of domestic flying.

If this adequately reflects our discussion and our agreement, please sign and return two (2) copies to me for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 21st day of January, 2001.

/s/ F.C. Dubinsky

Captain F.C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

Letter 01-4

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Bump Notification and Training Notification Changes

United Airlines

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer court, Suite 700

Rosemont, IL 60018

Dear Rick,

The parties have agreed to amend the 2000 pilot Agreement as follows:

1. Revise the second sentence in Section 8-K-1 to read: "Such notice shall be given not less than thirty (30) days nor more than one hundred twenty-five (125) days prior to the date of displacement."

2. Revise Section 9-B-1-a to read: "All pilots shall be notified as far in advance as possible but in no case less than fourteen (14) days prior to being scheduled to receive transition or extended training of five (5) days or more. However, if a pilot is returning to work from an absence and he needs requalification or transition training, this fourteen (14) day minimum notification may be reduced to seven (7) days. These minimum notification requirements may be further reduced only with pilot concurrence. Official notice of training assignments will be conveyed through the pilot's Company mail box and by electronic notification. If, however, a pilot's schedule shows that he does not have any duty following the initiation of the notice, or that the pilot has not checked the electronic notification, the company will make an effort to contact him by telephone within seven (7) days of the original

notification. If this attempt is unsuccessful, a letter will be sent by U.S. mail to his home of record. If a pilot volunteers for training with less than fourteen (14) days notice of a training assignment of this type and does not have a scheduled calendar day off between the time of notification and the time he is required to depart his domicile, he will be provided with a calendar day off within seven (7) days from departing his domicile."

Since these changes were agreed to prior to the publication of the 2000 pilot

Agreement, these amendments will be incorporated into the body of the Agreement and this letter will be referenced in Section 22.

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Letter 01-4

If this accurately reflects our understanding, please sign and return two copies of this letter for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 17th day of January, 2001

/s/ F.C. Dubinsky

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

Letter 01-5

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Annual Vacation Bidding for Pilots Surplussed out of a Closing Domicile

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

6400 Shafer Court, Suite 700

Rosemont, IL 60018

Dear Rick,

Notwithstanding the provisions of Section 11-D of the Agreement, the parties have agreed that pilots surplussed as a result of an equipment domicile closing who are awarded a bump but are not on the domicile roster at their new assignment as of January 1, will be permitted to bid their annual vacation during the annual vacation bidding period at their bump assignment.

Since this change was agreed to prior to the publication of the 2000 pilot Agreement, this amendment will be incorporated into the body of the Agreement and this letter will be referenced in Section 22.

If this accurately reflects our understanding, please sign and return two copies of this letter for our files.

Sincerely,

/s/ Stephen A. Forte

Captain Stephen A. Forte

Senior Vice President

Flight Operations

Accepted and agreed to this 17th day of January, 2001

/s/ F.C. Dubinsky

Captain F. C. Dubinsky, Chairman

UAL-MEC Air Line Pilots Association

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

	<u>Year Ended December 31</u>				
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Earnings:	(In Millions)				
Earnings before income taxes, extraordinary item and cumulative effect	\$ 431	\$ 1,942	\$ 1,256	\$ 1,524	\$ 970
Undistributed (earnings) losses of affiliates	13	(20)	(62)	(16)	(49)
Fixed charges, from below	1,046	993	986	991	1,112
Interest capitalized	<u>(77)</u>	<u>(75)</u>	<u>(105)</u>	<u>(104)</u>	<u>(77)</u>
Earnings	\$ 1,413	\$ 2,840	\$ 2,075	\$ 2,395	\$ 1,956
	=====	=====	=====	=====	=====
Fixed charges:					
Interest expense	\$ 402	\$ 362	\$ 355	\$ 286	\$ 295
Portion of rental expense representative of the interest factor	<u>644</u>	<u>631</u>	<u>631</u>	<u>705</u>	<u>817</u>
Fixed charges	\$ 1,046	\$ 993	\$ 986	\$ 991	\$ 1,112
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	1.35	2.86	2.10	2.42	1.76
	=====	=====	=====	=====	=====

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Earnings:					
Earnings before income taxes, extraordinary					
item and cumulative effect	\$ 431	\$ 1,942	\$ 1,256	\$ 1,524	\$ 970
Undistributed (earnings) losses of affiliates	13	(20)	(62)	(16)	(49)
Fixed charges and preferred stock					
dividend requirements, from below	1,119	1,195	1,150	1,116	1,209
Interest capitalized	(77)	(75)	(105)	(104)	(77)
Earnings	\$ 1,486	\$ 3,042	\$ 2,239	\$ 2,520	\$ 2,053
	=====	=====	=====	=====	=====
Fixed charges:					
Interest expense	\$ 402	\$ 362	\$ 355	\$ 286	\$ 295
Preferred stock dividend requirements	73	202	164	125	97
Portion of rental expense representative					
of the interest factor	<u>644</u>	<u>631</u>	<u>631</u>	<u>705</u>	<u>817</u>
Fixed charges	\$ 1,119	\$ 1,195	\$ 1,150	\$ 1,116	\$ 1,209
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	1.33	2.55	1.95	2.26	1.70
	=====	=====	=====	=====	=====

12/21/00

UAL CORPORATION ENTITIES

UAL Corporation
1200 East Algonquin Road
Elk Grove Township, IL 60007

	<u>Jurisdiction of Incorporation</u>	<u>Federal/Country Taxpayer I.D.</u>
UAL Corporation (Wholly-owned subsidiaries):	Delaware	36-2675207
Air Wis Services, Inc.	Wisconsin	39-1435586
Four Star Insurance Company, Ltd.	Bermuda	None
Four Star Leasing, Inc.	Delaware	36-4292248
UAL Benefits Management, Inc.	Delaware	36-4011347
United Air Lines, Inc.	Delaware	36-2675206
United NewVentures, Inc.	Delaware	36-4401481
Yellow Jacket Acquisition Corp.	Delaware	36-4402945

United Air Lines, Inc.
1200 East Algonquin Road
Elk Grove Township, IL 60047

United Air Lines, Inc.
(Wholly-owned subsidiaries):

Covia LLC	Delaware	36-2675206
Kion de Mexico, S.A. de C.V.	Mexico	UAI-770831-AYI
Kion Leasing, Inc.	Delaware	36-2946443
Mileage Plus Holdings, Inc.	Delaware	36-4156229
Premier Meeting and Travel Services, Inc.	Delaware	36-4207846
United Aviation Fuels Corporation	Delaware	36-3235783
United Cogen, Inc.	Delaware	36-3333841
United GHS Inc.	Delaware	36-3555070
United Servicios de Reservasiones de Mexico, S.A. de C.V.	Mexico	
United Vacations, Inc.	Delaware	36-3324931
United Worldwide Corporation	Guam	66-0454431

Air Wis Services, Inc.

(Wholly-owned subsidiaries):

Air Wisconsin, Inc.	Wisconsin	39-1042730
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Air Wis Services, Inc. (999 shares) and United Air Lines, Inc. (1 share)

(Subsidiary):

Domicile Management Services, Inc.	Delaware	36-4097942
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Mileage Plus Holdings, Inc.

(Wholly-owned subsidiaries):

Mileage Plus, Inc.	Delaware	36-3189467
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Mileage Plus Marketing, Inc.	Delaware	36-4120103
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Covia LLC currently owns a 15.19% equity interest in Galileo International, Inc., a Delaware Corporation, and a 50% equity interest in the Galileo Japan Partnership, a Delaware General Partnership.

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Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation of our report included in the UAL Corporation Form 10-K for the year ended December 31, 2000, into the Company's previously filed Post-Effective Amendment No. 1 to Form S-8 (File No. 2-67368), Post-Effective Amendment No. 2 to Form S-8 (File No. 33-37613), Post-Effective Amendment No. 1 to Form S-8 (File No. 33-38613), Form S-8 (File No. 333-63185), Post-Effective Amendment No. 1 to Form S-8 (File No. 33-44552), Form S-8 (File No. 33-57331), Form S-8 (File No. 333-03041), Form S-8 (File No. 333-63181), Post-Effective Amendment No. 1 to Form S-8 (File No. 33-44553), Form S-8 (File No. 33-62749), Form S-8 (File No. 333-52249), Form S-8 (File No. 333-63179), Post-Effective Amendment No. 1 to Form S-8 (File No. 33-59950), Form S-8 (File No. 333-03039), Form S-8 (File No. 333-47444), Form S-8 and Post-Effective Amendment No. 1 to Form S-8 (File No. 33-60675), and Form S-8 (File No. 333-52276).

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Chicago, Illinois

March 15, 2001
(date)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 11-K

ANNUAL REPORT

Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2000

Employees' Stock Purchase Plan of UAL Corporation

(Full title of the Plan)

UAL Corporation

(Employer sponsoring the Plan, issuer of the
participations in the Plan and issuer of
the shares held pursuant to the Plan)

1200 Algonquin Road, Elk Grove Township, Illinois

Mailing Address:

UAL Corporation, P.O. Box 66919, Chicago, Illinois 60666

(Address of principal executive offices)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To UAL Corporation:

We have audited the accompanying statements of financial position of the Employees' Stock Purchase Plan of UAL Corporation (the "Plan") as of December 31, 2000 and 1999 and the related statements of changes in participants' equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's administrator, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2000 and 1999 and the changes in its participants' equity for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Chicago, Illinois
March 15, 2001

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the sponsor and issuer of the participants of the Plan, UAL Corporation has duly caused this Annual Report to be signed on its behalf by the undersigned thereunto duly authorized.

UAL Corporation Administrator

Dated March 15, 2001

By /s/ Douglas A. Hacker

Douglas A. Hacker

Executive Vice President and

Chief Financial Officer

EMPLOYEES' STOCK PURCHASE PLAN
OF UAL CORPORATION

STATEMENTS OF FINANCIAL POSITION

(In thousands, except number of shares)

	<u>December 31</u>	
<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
Participants' payroll deductions		
receivable from UAL Corporation	\$ 239	\$ 145
Investment in common stock of		
UAL Corporation, at quoted market value		

(2000 - 610,277 shares, cost \$27,507;

1999 - 549,617 shares, cost \$24,350)

23,763 42,630

\$ 24,002 \$ 42,775

===== =====

LIABILITIES AND PARTICIPANTS' EQUITY

Participants' equity

\$ 24,002 \$ 42,775

\$ 24,002 \$ 42,775

===== =====

See accompanying notes to financial statements.

EMPLOYEES' STOCK PURCHASE PLAN
OF UAL CORPORATION

STATEMENTS OF CHANGES IN PARTICIPANTS' EQUITY

(In thousands)

Year Ended December 31

2000 1999 1998

Balance at beginning of year

\$ 42,775 \$ 31,523 \$ 47,563

Increase (decrease) during year:

Participants' payroll deductions

5,128 5,660 5,810

Realized gain on stock distributed to participants

551 1,749 150

Unrealized appreciation (depreciation) in			
value of investment	(22,024)	7,966	(19,298)
Stock and cash for fractional shares distributed or			
amounts payable to participants, at market value	<u>_(2,428)</u>	<u>_(4,123)</u>	<u>_(2,702)</u>
	<u>(18,773)</u>	<u>11,252</u>	<u>(16,040)</u>
Balance at end of year	\$ 24,002	\$ 42,775	\$ 31,523
	=====	=====	=====

See accompanying notes to financial statements.

EMPLOYEES' STOCK PURCHASE PLAN
OF UAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

(1) The Plan

The Employees' Stock Purchase Plan of UAL Corporation (the "Plan") is sponsored by UAL Corporation ("UAL"). UAL offers participation in the Plan to eligible employees of UAL and its subsidiaries.

(2) Purchase and Distribution of Stock

Purchases are made by the Plan monthly, and the shares purchased are credited to the accounts of each participant on the basis of the ratio of the participant's contribution to total participants' contributions for the month. The cost of common stock purchased for the Plan includes all brokerage charges involved in the purchase.

When shares of stock are distributed to the individual participants pursuant to the terms of the Plan, the market value of such shares is removed from the investment account of the Plan.

Terminating participants receive a certificate for the full number of shares, plus cash for the fractional shares, held for their accounts. Partially withdrawing participants receive certificates for the full number of shares withdrawn. There are no forfeiture provisions under the Plan with respect to participants' contributions.

(3) Investment in Common Stock of UAL

The investment in common stock of UAL is valued at year-end published market prices as reported by the New York Stock Exchange.

(4) Realized Gain on Stock Distributed to Participants

Gains on stock distributed to participants are realized to the extent of the difference between the weighted average cost of shares distributed and the market value at the date of distribution.

(5) Unrealized Appreciation (Depreciation) in Value of Investment

The unrealized appreciation (depreciation) in the value of investment is the change from the prior year-end to the current year-end in the difference between the market value and the cost of the investment. The following is a summary of unrealized appreciation (depreciation):

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Balance at beginning of year	\$ 18,280	\$ 10,314	\$ 29,612
Increase (decrease) during the year	<u>(22,024)</u>	<u>7,996</u>	<u>(19,298)</u>
Balance at end of year	\$ (3,744)	\$ 18,280	\$ 10,314
	=====	=====	=====

(6) Administrative Expenses of the Plan

All administrative expenses of the Plan are paid by UAL.

(7) Federal Income Tax

Under existing federal income tax laws, the Plan is not subject to federal income tax. Any dividend income is taxable to the participants upon distribution and receipt. When any shares of stock or rights acquired under the Plan are sold by or for a participant, any gain or loss must be recognized by that participant.

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