

Recovery Program Term Sheet and Menu List FLIGHT ATTENDANTS

The following Company proposal is made in the context of a consensual financial recovery program in order to facilitate the Company's loan guarantee application before the Air Transportation Stabilization Board and potentially avoid the need for the Company to seek the protection of the bankruptcy laws. It is essential that we reach a resolution on the terms of the recovery program prior to September 16, 2002. However, nothing in this term sheet or any related negotiations or discussions should be construed to limit in any way the Company's ability to seek additional or different modifications to the 1996-2006 collective bargaining agreement (the "Agreement") between United Air Lines, Inc. (the "Company"), UAL Corporation and the Association of Flight Attendants, International ("AFA") that may be appropriate in the event of bankruptcy proceedings.

In order to achieve the level of cost reduction needed to qualify for ATSB approval, the Company must reduce its labor costs. The Company has identified that the average annual costs attributable to our AFA-represented employees must be reduced by \$100 million in order to meet this objective. While the cost reduction number may be achieved in a variety of ways, the cost reduction number itself is firm.

This Recovery Program Term Sheet identifies the wage rate reductions and employee contributions to Medical and Dental insurance that would be necessary if we were to agree that the entire \$100 million for AFA-represented employees' cost reduction should be realized through wage reductions and employee insurance contributions. However, this Recovery Program Term Sheet also sets forth a menu of modifications to the Agreement that, if selected, would reduce the level of wage rate reductions. The AFA may select any or all of these modifications to reduce wage rate reductions so long as the combined total savings achieves the \$100 million required for flight attendant participation in the Recovery Program.¹

¹ Please note that the value of the labor cost reductions of the various modifications will depend in part on their interdependency.

TERM SHEET REQUIREMENTS²

- Effective Date** Subject to the conditions described below, the Effective Date of the AFA's participation in the Recovery Program will be [].³
- Contract Extension** The amendable date of the Agreement will be extended to [].⁴
- Revisions to All Pay Rates**
- All hourly pay rates for domestic and international flying, including but not limited to Section 5.A.1. and 2. pay rates, premium pay, Section 5.B. and 12.D.4. Purser, Section 5.E. Reserve Override, Section 5.H. Understaffing, Section 5.I. Night Pay, Section 5.J. Ground Pay, Section 5.K. COLA, Section 5.M. Holiday, Section 5.P. and Section 12.C.7.i. and l. Language Qualified and Incentive Pay shall be reduced by 5.1 percent.
 - The Section 5.Q. Lump Sum payments scheduled for March 1, 2003 and 2005, the increase in hourly rates for domestic and international flying scheduled for March 1, 2004 and the Formula Adjustment Procedure for 2003 through 2006 shall be cancelled.
 - The premium increases scheduled for August 1, 2003 and August 1, 2004 (Section 5.B.1. and P., and 12.C.7.i. and l.) shall be cancelled.
 - The Page 291 Letter of Agreement regarding retroactive application of future pay increases shall be deleted.
 - The Letter on page 224 ("A" Scale Pay Protection) of the Agreement shall be deleted.
 - The Section 5.A.1. and 2. hourly pay rates shall be increased each year by 1.3 percent on the anniversary of the Effective Date until [].

² The parties agree to amend the Agreement and execute such other agreements or documents as may be necessary to achieve the final terms of this Term Sheet.

³ The Effective Date will be the first calendar day of the calendar month following the closing of an ATSB loan facility.

⁴ The amendable date of the Agreement will be extended to [the date immediately before the end of the term of the ATSB loan facility.]

Medical and Dental Coverage Contribution	Modify the Medical and Dental Plans to provide that employees shall contribute 20% of the cost of the coverage. For an employee who chooses the HMO or Dental HMO option, if the cost of the HMO or DHMO exceeds the cost of the PPO, the employee share of the cost for the HMO or DHMO shall be equal to the employee share of the cost of the PPO option plus 100% of the additional cost.
Success Sharing	Open for discussion.
Settlement of Grievances	AFA's grievance regarding Avolar shall be resolved in accordance with the letter in Attachment B.
Documentation and Approvals	The AFA's and the Company's participation in the Recovery Program will be contingent on (i) full and complete documentation of this Term Sheet in a manner acceptable to the Company and the AFA not later than _____, 2002, (ii) approval by the AFA, (iii) membership ratification, (iv) such approvals by the UAL Board of Directors and Board Committees as the Company deems necessary, and (v) a commitment for a substantial loan facility for the Company guaranteed in substantial part by the Air Transportation Stabilization Board on terms reasonably acceptable to the Company. The Company reserves the right to terminate its participation in the event the Company invokes the protections of the Bankruptcy Code prior to the fulfillment of the forgoing contingencies.

MENU ITEMS THAT MAY OFFSET WAGE REDUCTIONS

COLA The provisions of Section 5.K. may be deleted.

Reserve Override The provisions of Section 5.E. may be deleted.

E/Y/V Understaffing Section 5.H. may be modified to provide Understaffing Pay only where an insufficient number of flight attendants is on board a flight based on passenger load/cabin mix/staffing guidelines, regardless of E/Y/V assignments.

Definition of Domestic Flying

- The provisions of Section 2.G. (Domestic flying definition) may be modified to include Hawaii, Canada, Mexico, Alaska and the Caribbean. Section 2.Z. (International flying) shall be modified to be consistent with the change to the Domestic flying definition (2.G.).
- Delete Section 12.A.2.
- Delete Section 12.M.1.b.
- The HNL COLA Sideletter on page 260 of the Agreement would be deleted.

International layovers Modify Section 12.M.1.a. to eliminate “Place of Lodging” requirements and allow single night layovers at international locations by revising the Block-to-Block minimums as follows:

<u>Flt/Dhd. Time</u>	<u>Block-to-Block Minimums</u>
08:00 or less	= 11:00
08:01-12:00	= 18:00
Over 12:00	= 20:00

- Delete Section 12. M. 1. b. and c.

Holidays Section 5.M. would apply to a maximum of three (3) holidays per year. The provisions of Section 2.Q.1. would be modified to identify the three holidays to which Section 5.M. will apply. Section 2.Q.2. would be modified to provide for the three (3) holidays.

Per Diem

- The provisions of Section 6.A. and related sections of the Agreement would be modified to provide that per diem would be reduced to and remain at \$1.50 per applicable hour for the term of the Agreement. Section 12.F.4. would

remain in effect.

- The provisions of Section 12.F.2. (ORC) would be deleted.

Benefits

Retirement Benefits

- Section 34 of the Agreement may be modified to provide that the Defined Benefit Pension Plan participation will be frozen as of January 1, 2003 through [TBD] consistent with Attachment A.
- The employee contribution to the cost of retiree medical for pre and post-Medicare retiree medical benefits may be modified consistent with Attachment A.

Sick Leave

Section 19.A. and related sections of the Agreement may be modified as follows:

- Section 19.A.1. may be modified to provide for sick leave accrual consistent with Attachment A.
- Section 19.A.2.a. and 3. may be modified to provide that pay during a flight attendant's sick leave is consistent with Attachment A.
- Section 19.A.5. may be modified to eliminate the sixty-five (65) hour option for sick leave payment.
- Section 33.F. (Short-Term Disability) may be deleted.

Occupational Sick Leave

- Section 19.B. and related sections of the Agreement may be deleted. Sick leave would be available for occupational leave consistent with Attachment A.
- Section 29.A. may be modified to provide that flight attendants shall be treated consistent with other employee groups regarding the jurisdiction and processing of workers' compensation claims.
- The Letter on page 278 (Occupational Extension) of the Agreement may be deleted.

Vacation	<p>Flight attendant vacations may be modified as follows:</p> <p>The Section 18.B. vacation accrual chart may be revised to provide a maximum accrual of five weeks (35 days) consistent with Attachment A. The Company Regulations, Series 15 “me-too” language of this provision would be deleted.</p>
Vacation Overlap	<ul style="list-style-type: none">• Section 18.K.1. and 12.T. may be modified to pay on a 2.6 hours-per-day basis for each day in the vacation period.• Section 18.K.2. may be modified to eliminate the sixty-five (65) hour minimum guarantee reference. Paragraph 18.K.3. would be deleted.• Paragraph 18.K.4. may be modified to pay 4:10 or 3:57 vs. 4:27 or 4:13 (30 or 31 day schedule month) for each scheduled day of availability that falls within the vacation period.
Productivity and Efficiency	<p>The provisions of the Agreement may be modified to provide the following improvements in productivity and efficiency:</p>
Increase Flight Time Limitations	<ul style="list-style-type: none">• Option to increase the scheduled, actual and optional monthly/quarterly maximums contained in Sections 7.A., 9.D.3, 9.E.3.a., 9.E.4.a., 9.I.2.b., 10.H.1., 12.G., 12.O.3, 12.P.1.a., 12.P.2.a., 12.Q.2.b. and related sections of the Agreement by five (5) hours, to 90/180/255 scheduled and 95/190/270 optional.• Option to increase the domestic and international line average parameters of Sections 9.A.3.a. and b.(1), 9.A.9. and related sections of the Agreement by five (5) hours for each month and fifteen (15) hours for the quarter.
Lineholder Minimum	<p>Option to eliminate the sixty-five (65) hour lineholder minimum in Section 5.C., 8.J.4. and 12.E.2. and related sections of the Agreement.</p>
Expanded Reassignment Rights	<ul style="list-style-type: none">• May delete Section 8.I (Errors).• May modify the provisions of Sections 8.J. (Line Guarantee), 9.D.3., 12.I.2., and 12.O.3. to eliminate the restrictions on reassignments to same day(s), same operation (Sections 9.K., 9.D.4., 9.E.3.b., 9.O.13., 12.O.5. and 12.P.1.b. and related Sections of the Agreement) in order to provide that the Company has reassignment capability to

any/all days off, to maximize recuperation of lineholder guarantee.

**Reserve
Efficiencies**

- May modify the reserve provisions of Section 10.D.1. to provide for the movement of up to four (4) of each reserve's scheduled days off each month at Company discretion.
- May modify the Agreement to provide that a single reserve pool will exist at domiciles assigned both domestic and international flying. At such domiciles the seventy-five (75) hour reserve guarantee will be based on the Section 5.A.1. rates of pay. A reserve at such domiciles who is assigned an international ID would be compensated at the rate of pay provided for in Section 5.A.2. for that ID. Section 10.C.4 and 8. would be modified to match Section 12.V.4. Section 10.D.1.a. would be modified to accommodate assignments to both types of flying.
- Section 12.V. (Reserve Scheduling Procedures) may be modified to apply only to International domicile locations that do not have domestic flying. In domiciles with only International flying, the reserve guarantee and compensation would be based on the international rates of pay provided in Section 5.A.2.
- Section 10.H.2. may be modified, and 12.V.6. deleted, to allow the Company to assign all reserves in the last month of the quarter to a minimum of eighty-two (82) hours.

Field Layovers

Option to modify the lodging requirements of Section 6.B.5. to eliminate the requirement that layovers of thirteen (13) hours or more be at "downtown or downtown-like" hotels.

ATTACHMENT A BENEFIT MENU LIST

In order to reduce the level of necessary wage rate reductions, the union may select from this Benefit Menu List so long as the combined total savings achieves the cost reduction number for the employee group's participation in the Recovery Program.¹

Pension Benefits The Defined Benefit Pension Plans (qualified and non-qualified) would be modified to provide that pension participation and, if applicable, final average pay would be frozen as of January 1, 2003 through [TBD].

Short Term Disability/ Sick Leave • Modify the sick leave accrual for employees to provide as follows:

- Each employee would accrue the equivalent of one sick leave day per month of employment.
- Occupational Sick Leave Banks or the equivalent would be eliminated and one Sick Leave Bank would be established for each employee. The beginning balance of the new Sick Leave Bank would be equal to the balance of the non-occupational sick leave bank, but not more than the new maximum number of days. Maximum sick leave accrual would be 125 work days (1000 hours) (or the equivalents for flight groups).
- When an employee uses sick leave, it would be paid at 75% of the employee's straight time wages.
- Sick leave pay would be reduced by any workers' compensation or state disability benefit amounts for which the employee is eligible.

The Management Employee Supplemental Sick Leave Benefit, Pilot Short Term Disability Benefit, Flight Attendant Short Term Disability Benefit and the IAM Weekly Disability (Loss of Time) Benefit would be terminated.

Vacation Vacation accrued for 2003 for use in 2004 and all subsequent years would be modified to provide the following rate of accrual:

¹ Nothing in this Benefit Menu List or any related negotiations or discussions should be construed to limit in any way the Company's ability to seek additional or different modifications to the Agreement that may be appropriate in the event of bankruptcy proceedings.

Completed Years of Service	Weeks of Vacation
1 through 4	2
5 through 9	3
10 through 19	4
20 and over	5

**Retiree
Medical For
Employees
Retiring After
the Effective
Date**

Pre-Medicare

Employees who retire from the Company, are eligible for retiree medical coverage, and are not yet eligible for Medicare would have the same PPO option as active employees. The Retiree's contribution to the cost of the coverage would be based on the employee's length of service at retirement. The employee's contribution would be as follows:

Years of Service	PPO Option % of Cost
10 through 14	50%
15 through 19	40%
20 through 24	30%
25 and over	20%

Medicare Supplement

Employees who retire from the Company, who are eligible for retiree medical coverage, and who become eligible for Medicare would be offered the choice of the Medicare supplement coverage or the same PPO Option as active employees. The Retiree's contribution to the cost of the coverage would be as follows:

Medicare Supplement	50% of the cost
PPO Option	100% of the cost of the coverage that exceeds the Company's cost of the Medicare Supplement.

ATTACHMENT B Avolar Settlement

As full and final resolution of all issues relative to the operation of Avolar, the parties have agreed to the following remedy:

The Company will provide the AFA a sum equal to the amount resulting from multiplying the average hourly rate of pay for sixth, seventh and eighth year domestic flight attendants (\$35.70) by the number of block hours incurred by North American Jet cabin employees assigned to Avolar for the months of December 2001 through April 2002 (369 hours). For the month of April 2002, the \$35.70 rate will be increased by the percentage increase provided by the Arbitration Panel in the 2002 Wage Conference. This amount approximates a dollar value of \$13,350. The AFA will determine the distribution of such funds.

This settlement agreement is entered into on a non-precedent and non-prejudice basis and will not be referred to by either party in any future forum including, but not limited to grievance, arbitration, or litigation.

If, in the future the Company determines that it will establish another Avolar-type operation, the AFA will be invited to participate early in the planning process and given the opportunity to identify issues applicable to the United/AFA Collective Bargaining Agreement. If any such issues are identified, the Company and the AFA will work together, in an interest-based manner, to attempt to resolve such issues prior to the time the Avolar-type operation conducts its first flight.